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Baltimore could lose \$8.2 million in federal stimulus money

Justice Department seeking records on grants city received a decade ago

By Julie Bykowicz and Annie Linskey

June 5, 2009

The Justice Department is threatening to withhold up to \$8.2 million in stimulus money from Baltimore because of poor record-keeping for federal grants the city received a decade ago.

Until the city can account fully for how those federal funds were spent, it could be blocked from receiving money that Mayor Sheila Dixon is counting on to hire police and pay for other crime-fighting measures.

The Justice Department notified Dixon in a recent letter that the city is considered "high risk" and may not draw more Justice Department money until submitting documents on grants received in 1996, 1998 and 2000.

But city officials say they are confident that they have compiled the paperwork that Justice officials are seeking and will have much of it on their desks today.

"I'm not concerned at all that we're not going to be able to work this out," said Sheryl Goldstein, director of the Mayor's Office on Criminal Justice, which administered the grants. "These are paperwork issues. Everyone recognizes that this happened a really long time ago."

The city is anticipating \$130 million or more in money next fiscal year from the American Recovery and Reinvestment Act passed by Congress and signed into law in February by President Barack Obama. The potential loss of any federal money when the city is cutting services to make ends meet has sent officials scrambling.

"For the last four weeks it has been my No. 1 priority," Goldstein said. Her office was responsible for administering the federal grants, though Goldstein was not appointed to the post until 2007. She has been collecting payroll slips, invoices for office furniture and construction receipts from the 1990s - a task she called "herculean."

City auditors raised questions about the grants in 2002 and have continued to do so. Each year, city officials assured auditors that they had the necessary documentation, but the auditors say they have never received it.

The 2002 city audit was forwarded to the federal government by October 2003, and the Justice

Department has been questioning the city ever since, said Susan Oliver, a department spokeswoman. However, Justice officials had not threatened to withhold funding until this spring.

But twice the city has had to give back money - about \$150,000 - because of incomplete paperwork filed with the Justice Department for Local Law Enforcement Block Grants. The grants, given for three-year periods, were distributed to cities for crime-fighting projects, including the hiring of prosecutors.

Last fall, federal auditors sent the Dixon administration a letter demanding to know how the city spent money from its previous grants. The letter referenced the wrong grant numbers and years and misidentified one of the agencies affected.

Then, at the end of April, the Justice Department sent a more strongly worded letter, designating the city as "high-risk" because of outstanding problems with the grants. Until that status is lifted, the letter said, the city would be restricted from receiving new funding from certain Justice Department programs.

After digging through old receipts and reviewing Board of Estimates agendas, Goldstein said she found paperwork explaining all but \$1,600 of the 1996 grant. The city wrote a check to the federal government for that amount and will soon submit an overview of how it used the grant.

In 2006, the city returned \$146,750.66 from a 2000 grant that it could not properly document. The city still has to provide an overview of how it spent the 2000 grant money.

Goldstein said the city is still trying to account for how it spent \$696,877 from a 1998 federal grant. She has accounted for more than \$600,000, but the city might need to return at least some of the rest.

Most of the 1998 grant was used to establish a group of prosecutors dedicated to gun crimes, paying for prosecutor salaries and construction costs such as hanging drywall in the basement office used by the unit, called Firearms Investigation Violence Enforcement.

The problems with the grants were identified during Gov. Martin O'Malley's tenure as Baltimore mayor. Attorney Peter Saar led the Office of Criminal Justice in 2000 and 2001, although O'Malley replaced him in late 2001 after federal auditors strongly criticized the way he administered Justice Department grants.

Kristen Mahoney headed the office until 2007, when she left to direct the Governor's Office of Crime Control and Prevention, which also receives federal money.

Mahoney said she "inherited the problem" and sought to work with the Justice Department to resolve the paperwork issues. But she said turnover in the federal agency caused problems as well.

"We tried to do triage - get the ones we could done as quickly as possible and close out," she

said. "Others, we had to keep chipping away at. It seemed like the level of proof [required by the federal government] ... was a moving target."

Since 2002, city auditors have flagged the use of that grant money as "not properly supported," but they do not have the power to withhold money. Based on that finding, the Justice Department made recommendations on how to resolve the outstanding grant problems, and Oliver, the department spokeswoman, said the city has been aware of what it needs to do for years.

"We are waiting on answers," Oliver said.

What's at stake

- \$5.2 million in formula Justice Department grants, which are awarded based on population and violent crime
- \$2 million in competitive Justice Department grants
- \$1 million in Justice Department Violence Against Women grants

Source: Mayor Sheila Dixon's proposed 2010 budget

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