



Date: August 31, 2007
To: Tim Bellamy, Chief of Police
From: Internal Audit Division
Subject: Federal Forfeiture Funds Review

Thanks for the update upon conferring with your staff members. This seems to be a reasonable and cost effective approach as we move forward. If we can assist, please do not hesitate to call. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas'.

Len Lucas
Internal Audit Director

Cc: Mitch Johnson, City Manager
Ben Brown, Assistant City Manager for Economic Development



City of Greensboro POLICE

Date: August 28, 2007
To: Len Lucas, Internal Audit Director
From: T. R. Bellamy, Chief of Police
Subject: Audit of Federal Forfeiture Accounts

In reference to your latest memorandum dated August 13, 2007, my staff has met with the finance representatives and discussed your latest suggestions as to having quarterly meetings on the Federal Forfeiture Accounts.

After discussing the issue it has been decided that we will meet on a quarterly basis. Since the balances of these accounts do not vary greatly on a monthly basis and interest is only calculated on a quarterly basis we may determine at a future date that meeting twice a year would be sufficient to review these accounts.

If this becomes the case we would like to keep this schedule flexible and maximize our productivity by reducing the meetings to once in December and once in June.

We will provide you with updates as to which schedule will be the most productive and serve the city with the most benefit.

Thank you again for your time and attention to this matter.

Timothy R. Bellamy

Timothy R. Bellamy
Chief of Police

Greensboro Police Department
300 W. Washington Street • Greensboro, NC 27402
Timothy R. Bellamy, Chief of Police

Summary of Police Grants Reviewed Having Federal Forfeiture Funds
Appendix 1

Grant Number 200-	Council Resolution Date	Grant Amount	Matching FF Funds	Grant Expenditures	Interest Lost	Amount Returned	Date Closed	not spent	not spent
3501-01	2/1/2005	\$171,000.00	all FF	\$141,086.18	\$1,784.83	\$0.00	not	\$29,913.82	\$29,913.82
3501-11	7/29/1999	\$69,000.00	all FF	\$26,602.23	\$6,419.67	\$42,397.77	2/27/2004	\$42,397.77	
3501-12	9/4/2001	\$100,000.00	all FF	\$0.00	\$10,999.80	\$100,000.00	6/31/2005	\$100,000.00	
3502-01	2/15/2005	\$100,000.00	all FF	\$11,695.08	\$5,298.30	\$0.00	not	\$88,304.92	\$88,304.92
3509-01	11/1/2005	\$25,000.00	all FF	\$18,674.63	\$0.00	\$0.00	not	\$6,325.37	\$6,325.37
3516-01	6/20/2006	\$120,000.00	all FF	\$75,201.95	\$0.00	\$0.00	not	\$44,798.05	\$44,798.05
3517-01	6/20/2006	\$330,000.00	all FF	\$170,146.08	\$0.00	\$0.00	not	\$159,853.92	\$159,853.92
3518-01	6/20/2006	\$255,000.00	all FF	\$254,021.00	\$0.00	\$0.00	not	\$979.00	\$979.00
3519-01	9/5/2006	\$17,300.00	all FF	\$14,955.53	\$0.00	\$0.00	not	\$2,344.47	\$2,344.47
3520-01	9/5/2006	\$116,400.00	all FF	\$97,260.78	\$0.00	\$0.00	not	\$19,139.22	\$19,139.22
3521-01	9/5/2006	\$45,000.00	all FF	\$23,772.11	\$0.00	\$0.00	not	\$21,227.89	\$21,227.89
3523-01	9/19/2006	\$57,900.00	all FF	\$57,822.00	\$0.00	\$0.00	not	\$78.00	\$78.00
3524-01	9/19/2006	\$80,000.00	all FF	\$0.00	\$0.00	\$0.00	not	\$80,000.00	\$80,000.00
3564-01	8/1/2000	\$50,550.00	all FF	\$50,550.00	\$0.00	\$0.00	4/22/2005	\$0.00	
3569-01	3/14/2002	\$18,880.00	all FF	\$15,218.36	\$109.85	\$3,661.64	1/31/2005	\$3,661.64	
3573-01	8/20/2002	\$45,000.00	all FF	\$44,997.95	\$0.00	\$2.05	1/31/2005	\$2.05	
3574-01	11/19/2002	\$135,000.00	all FF	\$119,017.00	\$479.49	\$15,983.00	1/31/2005	\$15,983.00	
3576-01	1/7/2003	\$60,000.00	all FF	\$46,961.00	\$586.75	\$13,039.00	6/25/2004	\$13,039.00	
3579-01	4/1/2003	\$75,000.00	all FF	\$73,020.00	\$74.25	\$1,980.00	1/31/2005	\$1,980.00	
3581-01	6/17/2003	\$100,000.00	all FF	\$49,435.51	\$4,271.69	\$50,564.49	10/31/2005	\$50,564.49	
3582-01	6/17/2003	\$10,000.00	all FF	\$6,965.00	\$105.15	\$3,035.00	1/31/2005	\$3,035.00	

Summary of Police Grants Reviewed Having Federal Forfeiture Funds
Appendix 1

Grant Number 220-	Council Resolution Date	Grant Amount	Matching FF Funds	Grant Expenditures	Interest Lost	Amount Returned	Date Closed	not spent	not spent
3583-01	6/17/2003	\$285,000.00	all FF	\$166,903.59	\$13,217.41		not	\$118,096.41	\$118,096.41
3585-01	10/8/2003	\$70,000.00	all FF	\$63,871.90	\$122.55	\$6,128.10	4/25/2005	\$6,128.10	
3587-01	11/27/2003	\$130,000.00	all FF	\$114,988.36	\$1,163.40	\$15,011.64	10/31/2006	\$15,011.64	
3591-01	5/13/2004	\$397,500.00	all FF	\$394,389.72		\$0.00	not	\$3,110.28	\$3,110.28
TOTALS FF GRANTS ONLY		\$2,863,530.00	\$2,863,530.00	\$2,037,555.96	\$44,633.14	\$251,802.69		\$825,974.04	\$574,171.35
3554-01	8/31/2000	\$227,027.00	\$ 56,757.00	\$209,242.40		\$17,784.60	10/31/2005	\$17,784.60	
3561-01	8/31/2000	\$267,853.00	\$ 76,468.00	\$260,103.00		\$7,750.00	3/1/2004	\$7,750.00	
3562-01	10/12/2000	\$417,994.64	\$ 41,511.00	\$379,506.64		\$38,488.00	1/27/2004	\$38,488.00	
3567-01	2/19/2002	\$796,500.00	\$ 199,125.00	\$680,644.47		\$115,855.53	10/31/2006	\$115,855.53	
3572-01	8/20/2001	\$396,916.90	\$ 38,631.00	\$310,013.36		\$86,903.54	1/31/2005	\$86,903.54	
3575-01	1/7/2003	\$333,910.84	\$ 33,144.00	\$328,713.92		\$5,196.92	1/31/2005	\$5,196.92	
3586-01	11/18/2003	\$270,196.07	\$ 26,173.00	\$267,069.07		\$3,126.15	10/31/2006	\$3,127.00	
3593-01	9/21/2004	\$121,381.00	\$ 11,688.00	\$119,060.25		\$0.00	10/31/2006	\$2,320.75	
3595-01	9/7/2004	\$1,042,680.00	\$ 86,314.00	\$866,237.58		\$0.00	not	\$176,442.42	\$176,442.42
TOTAL GRANTS WITH MATCHING FF		\$3,874,459.45	\$569,811.00	\$3,420,590.69		\$275,104.74		\$453,868.76	\$176,442.42
TOTAL ALL POLICE GRANTS		\$6,737,989.45	\$3,433,341.00	\$5,458,146.65		\$526,907.43		\$1,279,842.80	\$750,613.77
								7.82%	11.14%



Date: August 17, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Federal Forfeiture Funds Review

The Internal Audit Division has performed a review of the City's Federal Forfeiture Funds administered by the Police Department. Attached you will find our review report; the departmental response; and our replies to their responses. We feel that our recommendations have been sufficiently addressed as we move forward. If you have any questions or need additional information, please let us know. Thanks.

A handwritten signature in black ink, appearing to read 'Len Lucas', with a long horizontal flourish extending to the right.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Tim Bellamy, Chief of Police



Date: July 23, 2007

To: Tim Bellamy, Police Chief

From: Internal Audit

Subject: Federal Forfeiture Funds

We have reviewed Police Department Federal Forfeiture Funds and the grants associated with those funds for the period June 30, 2003 through October 31, 2006 including payments and receipts through May 1, 2007 as required. There were 34 grants having funding from the Federal Forfeiture Funds for the period with total budgets of \$6,737,989. (There is a summary of grants reviewed attached in Appendix 1) Twenty-five of these were grants with Federal Forfeiture Funds only with total funding of \$2,863,530. In addition there were nine grants using the Federal Forfeiture Funds as matching funds these had total grant budgets of \$3,874,459, with federal forfeiture funding totaling \$569,811. Federal Forfeiture Funds not spent on the grants and not transferred to the grants are accounted for in account 220-0000-00.3741. Ending balances for that account was \$1,446,067.31 at June 30, 2003, \$1,098,353.71 at June 30, 2004, \$1,130,591.58 at June 30, 2005, and \$2,016,620.88 at June 30, 2006. The federal government requires Federal Forfeiture Funds be interest bearing. We compared the interest rates applied to this account with average computed rates supplied by Finance in use for the N.C. Capital Management Trust for years 2003-2004, 2004-2005, and 2005-2006. The review was conducted in accordance with reviewing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The review also consisted of a review of the grant documents to determine the conditions set forth in each contract for the purpose of determining compliance with the contract.

The purpose of the review was to:

- Verify that receipts are properly recorded.
- Verify disbursements are in compliance with the contract and are made during the contract period.
- Determine that the programs are achieving the desired results or benefits as written in the contract.
- Verify that assets purchased with grant funds are properly recorded in the inventory system.
- Verify that required reports to the granting agencies are being provided timely and as required in the contract.
- Verify that requirements for Federal Forfeiture Funds are being met including interest being adequately accrued.

INTEREST ON FEDERAL FORFEITURE FUNDS:

Our review indicated many grants for which Federal Forfeiture Funds were not in the deferred revenue account for long periods, and that the funds were never used. In conducting our review we estimated the interest from thirteen of the grants from Federal Forfeiture Funds only would amount to approximately \$44,630 at a conservative 3% rate.

The financial spokesperson who is responsible for determining the interest for Federal Forfeiture Funds indicated that the month end balances of the deferred revenue account on the balance sheet is used and the rate applicable for the month from the NC Capital Trust is used to calculate interest. Because the Federal Forfeiture Funds that are assigned to grants are actually assigned to those 220 accounts, they are not included in the deferred revenue account calculation of interest. The interest calculation for Federal Forfeiture Funds does not include funds assigned to the grants at the present time or in the past.

The amount of Federal Forfeiture Funds in the grants is only determined once a year in order to adjust the account for the Comprehensive Annual Financial Report (CAFR). This entry is made after the interest for Federal Forfeiture Funds is calculated and is reversed out the first of the next year. As a result interest is being understated due to limitations in determining the monthly funds not used but still assigned to grant accounts. In order to determine what affect this might have on the interest calculated we determined an average adjustment using the ending entry from June 30, 2003 as the beginning of the 2003/2004 year adjustment and the adjustment at the end of the year June 30, 2004 as an ending adjustment. We added the beginning and ending adjustments and divided by two to obtain an average for the period. We then determined the average rate in use for the

period as supplied by the N C Capital Trust. The interest calculated in this fashion, came to \$12,058.53 as opposed to the interest calculated and credited of \$4,438.15, a 171.70 % increase of \$7,620.38.

We performed the same calculations for the following two years. For the three year time frame covered by our review, the adjusted interest came to \$108,884.25 while the interest credited to the account by finance came to \$66,000.82. Use of average rate to average balance adjusted for funds in grants averaged would increase interest by \$42,883.43 over the three year period or 64.97%. Additionally, we calculated the adjustment by adjusting the monthly balances by the average beginning and ending adjustment and applying the rates given for each month as the finance spokesperson indicated they now did without the adjusted amount for funds assigned to grants. This resulted in calculated interest of \$110,617.02 as opposed to the \$66,000.82 credited to the account. The increased interest calculated in this manner is \$44,616.20 or a 67.60% increase over three years. ...Note that neither of these methods provides any compounding of interest available if the interest is computed and credited monthly or quarterly.

The increase in interest assigned to the Federal Forfeiture Funds means the department will need fewer tax dollars for equipment and training. The Police Department needs to know the actual amount of Federal Forfeiture Funds to know how much of these funds are available to be used at any one time. The Police Department, also, should know when grant funds are not being utilized in order to send these funds back to the deferred revenue account, or whether they need to obtain extension of the grant period, which is often available if requested timely. Currently there does not appear to be a procedure in place to routinely determine the figures or to allow for greater utilization of funds through better monitoring. Our review indicated that grant funds from federal and state sources not including Federal Forfeiture Funds were sent back or unused during this period to the extent of \$236,537.25 or 7% of the grant funds provided including interest returned.

We recommend the Police Department Staff obtain reports on a monthly basis as to the status of all open grants in order to determine whether grant funds are going to be used or not and within the grant period allowed. We, also, propose that the Finance Department determine the amount of Federal Forfeiture Funds in grants and unused, on a quarterly basis, and that this figure be used in order to provide for a more precise calculation of interest on a quarterly basis. One way this may be accomplished is to set up a general ledger account for obligated but unspent Federal Forfeiture Funds and transfer quarterly the amounts spent in each grant into the grant itself from the obligated but unspent amounts account. Police department personnel would have to balance the amounts in Unobligated Federal Forfeiture Funds and the Obligated Federal Forfeiture Funds to know what is available each month.

We, also recommend, the Police Department consider dedicating a staff member to the maintenance of records and monitoring of grants in order to maximize its use of funds of all kinds. The current practice in the department is to rotate staff into the grants position in order to let them obtain budgeting experience, but this rotation, also, means that there is not any continuity in how to review, monitor, and budget grant funds. This results in funds being assigned well over the actual amount to be spent and failure to close grants timely, or to seek amendments timely. Budgets can often be amended to increase funding, and should more closely follow actual results than the current practice is allowing.

This review included a review of the following grants for which we will provide a brief summary, and as needed, our findings and recommendations.

TWENTY-FIVE GRANTS WITH FEDERAL FORFEITURE FUNDS ONLY:

These twenty-five grants were budgeted to expend \$2,863,530, but since they were not funded by a source other than Federal Forfeiture Funds, did not have a given period during which the funds could be spent. All grants were properly set up by city ordinance. The forfeiture funds were used primarily to provide equipment and training for officers. Calculations of lost interest were made using a 3% rate for the time funds were unused but in grant accounts.

Grant 220-3501-01/ The grant was set up by city ordinance for \$171,000 on 2/1/05 by ordinance 05-24 to purchase a force assessment training system simulator and investigative surveillance equipment. Review indicates that \$141,086.18 was spent for various electronics equipment by August 2006. No expenditures have been charged against this grant since then, and \$29,913.82 is unspent. No funds have been expended against the \$25,000 computer software budget set up. The grant has not been closed out, and we calculated interest lost to 220-0000-00.3741 as \$1,784.83. A Police spokesperson needs to review the grant and indicate why the grant has not been either closed out or spent.

Grant 220-3501-11/ The grant was set up by city ordinance for \$69,000 on 7/29/99 to provide funding for victim assistance. Funds were first expended in August 1999 and last were evidenced by journal entry on 10/25/99. The grant was closed out at 2/27/04 by JV 262, reference 6205 on the general ledger. At September 30, 2003 the \$42,397.77 not spent was sent back to the 220-0000-00.3741 account. We calculated interest not correctly accrued for this grant at \$6,419.67.

Grant 220-3501-12/ The grant was set up by city ordinance 01-191 dated 9/4/01 in the amount of \$100,000 to provide overtime to allow police to do community policing and crime reduction initiatives. The funds were never used and the grant was closed only in June 2005. Funds were returned to the 220-0000-00.3741 account in April 2005. We calculated interest not accrued to account 220-000-00.3741 for the three years and eight month period as being \$10,999.80.

Grant 220-3502-01/ The grant was set up by city ordinance 05-37 dated 2/15/05 in the amount of \$100,000 to provide seminar and training expenses for officers. The last expenditure occurred in December 2005. Expenditures total \$11,695.08 leaving \$88,304.92 unspent and the grant unclosed. We calculated interest not accrued to account 220-0000-00.3741 as being \$5,298.30 for the two year period prior to our review. A Police spokesperson needs review the grant and indicate why the grant has not been either closed out or spent.

Grant 220-3509-01/ The grant was set up by city ordinance 05-224 dated 11/1/05 in the amount of \$25,000 to provide funds to purchase a narcotics canine, digital cameras, recording equipment and a trailer. Funds have been expended to the extent of \$18,674.63 leaving \$6,325.37 unspent and the grant unclosed. The last expenditure occurred in November 2006. We did not calculate interest not accrued on the small amount and for such a short period. A Police spokesperson needs to review the grant and indicate why the grant has not been either closed out or spent.

Grant 220-3516-01/ The grant was set up by city ordinance 06-124 at 6/20/06 in the amount of \$120,000 in order to provide for evidence and property storage equipment. Funds spent to the date of our review of \$75,201.95 left \$44,798.05 to be spent and the grant still open. We did not calculate interest not accrued for such a short period.

Grant 220-3517-01/ The grant was set up by city ordinance 06-123 at 6/20/06 in the amount of \$230,000 and amended (increased) by \$100,00 by city ordinance 07-8 at 1/16/07 in order to pay for the cost and increased cost of completing renovations on the police crime lab facility. Total funding available is \$330,000. Funds spent to the date of our review were \$170,146.08 leaving unspent \$159,853.92. We did not calculate interest not accrued for such a short period.

Grant 220-3518-01/ The grant was set up by city ordinance 06-140 at 6/20/06 in the amount of \$255,000 in order to purchase an armored car. Funds spent to the date of our review totaled \$254,021 leaving \$979 unspent. The grant has not been closed out so the asset has not been capitalized. The item is in use and is on an inventory listing though not capitalized. We did not calculate interest not accrued on a small amount and for such a short period. If the purpose of the grant has been completed it should be closed. A Police spokesperson needs to review the grant and indicate why the grant has not been either closed out or spent.

Grant 220-3519-01/ The grant was set up by city ordinance 06-205 at 9/5/06 in the amount of \$17,300 in order to upgrade the Southern Operations location. Funds expended to the date of our review were \$14,955.53 with \$2,344.47 remaining unspent. The grant has not been closed out so no capitalization of assets has occurred. We did not calculate interest not accrued on a small amount and for such a short period.

Grant 220-3520-01/ The grant was set up by city ordinance 06-201 at 9/5/06 in the amount of \$116,400 to purchase computer equipment, software and training to enhance the capabilities of the Police Department Forensics Laboratory. Funds expended to the date of our review were \$97,260.78 with \$19,139.22 remaining unspent. The grant has not been closed out so no capitalization of assets has occurred. We did not calculate interest not accrued on a small amount and for such a short period.

Grant 220-3521-01/ The grant was set up by city ordinance 06-202 at 9/5/06 in the amount of \$45,000 to purchase and erect a security fence at the evidence storage facility. Funds expended to the date of our review were \$23,772.11 leaving \$21,727.89 unspent. The grant has not been closed out so no capitalization of assets has occurred We did not calculate interest not accrued for such a short period.

Grant 220-3523-01/ The grant was set up by city ordinance 06-208 at 9/19/06 in the amount of \$57,900 to purchase and install tactical alarms. Funds expended to the date of our review were \$57,822 leaving \$78 unspent. The grant has not been closed out and all items purchased were small tools and equipment The grant should be closed out as all items indicated have been purchased. We did not calculate interest not accrued on a small amount and for such a short period. A Police spokesperson needs to review the grant and indicate why the grant has not been either closed out or spent.

Grant 220-3524-01/ The grant was set up by city ordinance 06-207 at 9/19/06 in the amount of \$80,000 to purchase and install encryption capability equipment on police radios. No funds had been expended at the date of our review. A Police spokesperson should indicate why no funds were expended in the first six months on this grant and if it is now going to be feasible.

Grant 220-3564-01/ The grant was set up by city ordinance in fiscal year 2000 in the amount of \$50,550, for the purpose of providing the matching share for a triad Regional Information Sharing System. Funds were expended by 10/17/2001 for the stated purpose, but the grant was not closed out until April 22, 2005.

Grant 220-3569-01/ The grant was set up by city ordinance on 3/14/02 in the amount of \$18,880 for the purpose of providing hazardous devices equipment. The purchases included 14 armored vests, and a bomb blanket. Only \$15,218.36 was spent with the last purchase made in June 2003. The grant was not closed out until January 31, 2005, and unused Federal Forfeiture Funds were moved back to account 220-0000-00.3741 at 6/25/04. We calculated lost interest for the funds of \$3,661.64 as being \$109.85 for the period out of the deferred revenue account and never used.

Grant 220-3573-01/ The grant was set up by city ordinance 02-155 on August 20, 2002 in the amount of \$45,000. The purpose of the appropriation was to purchase surveillance enhancements within the police department. All funds except for \$2.05 were spent as indicated in the grant, and the grant was closed out October 31, 2005. The \$2.05 in unused Federal Forfeiture Funds were moved back to account 220-0000-00.3741 April 22, 2005. We did not calculate interest not accrued on the small amount.

Grant 220-3574-01/ The grant was set up by city ordinance 02-227 on November 19, 2002 in the amount of \$135,000. The purpose of the appropriation was to purchase a hostage negotiation vehicle and other hostage negotiation equipment. The grant was not closed until January 31, 2005, and \$15,983 in unused Federal Forfeiture Funds were sent back to the deferred revenue account on March 21, 2004. We calculated lost interest for the funds of \$15,983 as being \$479.49 for the period out of the deferred revenue account and never used.

Grant 220-3576-01/ The grant was set up by city ordinance 03-10 on January 7, 2003 in the amount of \$60,000. The purpose of the appropriation was to purchase tactical vests and equipment. The grant was not closed out until January 31, 2005 but on June 25, 2004, \$13,039 in unused Federal Forfeiture Funds were sent back to the deferred revenue account. Some of the vests were purchased under another grant, and the \$46,961 spent only covered approximately twenty-one vests. We calculated lost interest for the funds of \$13,039 as being \$586.75 for the period out of the deferred revenue account and never used.

Grant 220-3579-01/ The grant was set up by city ordinance 03-72 on April 1, 2003 in the amount of \$75,000. The purpose of the appropriation was to purchase Afix and Livescan equipment consisting of an automated finger and palm print system as well as a finger printing system workstation. The items were purchased by 10/27/03, but \$1,980 was not spent. The grant was closed out January 31, 2005, and the unused Federal Forfeiture Funds were sent back to the deferred revenue account on June 25, 2004. We calculated lost interest for the funds of \$1,980 as being \$74.25 for the period out of the deferred revenue account and never used.

Grant 220-3581-01/ The grant was set up by city ordinance 03-133 on June 17, 2003 in the amount of \$100,000. The purpose of the appropriation was to provide Federal Forfeiture Funds for training. The grant was used to the extent of \$49,435.51 and \$50,564.49 was sent back to forfeiture funds April 30, 2005. The grant was closed out 10/31/05. We calculated lost interest for the funds of \$50,565 as being \$4,271.69 for the period out of the deferred revenue account and never used.

Grant 220-3582-01/ The grant was set up by city ordinance 03-132 on June 17, 2003 in the amount of \$10,000. The purpose of the appropriation was to provide Federal Forfeiture Funds to purchase equipment for the hazardous devices team. A total of \$6,965 was spent by September 30, 2003, but the \$3,035 in unused forfeiture funds were not sent back to the deferred revenue account until June 25, 2004, and the grant was not closed out until January 31, 2005. We calculated lost interest for the funds of \$3,505 as being \$105.15 for the period out of the deferred revenue account and never used.

Grant 220-3583-01/ The grant was set up by city ordinance 03-136 on June 17, 2003 in the amount of \$285,000. The purpose of the appropriation was to provide Federal Forfeiture Funds for a security system at the operations Bureau 3 Substation on Burnt Poplar Road. No funds have been spent since July 2005, and only \$166,903.59 of the funds are expended. The funds have not been sent back to the deferred revenue account nor the grant closed. We calculated lost interest on the \$118,096.41 as being \$13,217.41 for the period out of the deferred revenue account and not used to the date of our review. A Police spokesperson needs to review the grant and indicate in writing what its status is and whether more funds are to be expended or not.

Grant 220-3585-01/ The grant was set up by city ordinance 03-230 on October 8, 2003 in the amount of \$70,000. The purpose of the appropriation was to provide Federal Forfeiture Funds for gym equipment at the operations Bureau 3 Substation on Burnt Poplar Road. Only \$63,871.90 of the funds were expended. The funds were sent back to the deferred revenue account on June 25, 2004 and the grant was closed on April 25, 2005. We calculated lost interest on the \$6,128.10 as being \$122.55 for the period out of the deferred revenue account.

Grant 220-3587-01/ The grant was set up by city ordinance 03-252 on November 27, 2003 in the amount of \$130,000. The purpose of the appropriation was to provide Federal Forfeiture Funds for body armor. Only \$114,988.36 of the funds were expended. The remaining funds were sent back to the deferred revenue account on June 26, 2006 and the grant was closed on October 31, 2006. We calculated lost interest on the \$15,011.64 as being \$1,163.40 for the period out of the deferred revenue account.

Grant 220-3591-01/ The grant was set up by city ordinance 04-63 on May 13, 2004 in the amount of \$397,500. The purpose of the appropriation was to provide Federal Forfeiture Funds for investigative equipment. Only \$394,389.72 of the funds had been expended at the time of our review. The remainder of the funds \$3,110.28 are being used to provide lease payments for six desktop computers, and the grant has not yet been closed out.

NINE GRANTS WITH FEDERAL FORFEITURE FUNDS AS MATCHING GRANT FUNDS:

The nine grants had total budgets of \$3,874,459 including federal forfeiture funding totaling \$569,811.

GRANTS WITH LOCAL LAW ENFORCEMENT GRANT FUNDING (LLEBG):

Grant 220-3562-01/ The grant was awarded on October 12, 2000, from LLEBG funds for 2000 of \$373,603 and matching Federal Forfeiture Funds of \$41,511, a total of \$415,114. Grant funds were not deposited into a separate interest-bearing trust account until February 8, 2001. Matching federal forfeiture funds were not deposited into an interest bearing trust account. The original funding period was from October 1, 2000 to September 30, 2002. On February 9, 2001 a grant adjustment established the formal 24-month combined obligation and expenditure period as being February 5, 2001 to February 28, 2003. The budget ordinance for use of funds was not enacted until March 6, 2001.

Grant funds were transferred to the General Fund on April 10, 2001 before expenditures started. Interest earned on the funds to the date they were transferred to the general fund was \$2,881. Interest added to the grant made the total available \$417,994.64. The grant funds should have been deposited into the interest bearing trust account when received, and drawn down as needed, on a quarterly basis. Added interest of approximately \$13,400 could have been earned for use in funding grant expenditures if proper and prompt deposit of both grant and matching funds in the interest bearing account had been carried out. Subsequent grants of this type corrected the system error and all funds including matching funds are now deposited into a trust account and allowed to earn interest for the project expenditures as required.

Funds from this grant were not fully expended as 10% of the grant, \$37,360, was returned to the Department of Justice, (DOJ), when the City detected noncompliance with Public Safety Officer Health & Benefits (PSOHB) provisions on November 12, 2001. Unused matching Federal Forfeiture Funds of \$1,128 were transferred to the federal forfeiture deferred revenue account in October 2002. We reviewed \$124,036.26 of expenditures from this grant to determine if they were inventoried as capital, and all costs were properly capitalized. The grant itself was not closed out until February 27, 2004 when the unused interest and grant funds were remanded to the DOJ due to the noncompliance with PSOHB. This noncompliance, also, caused the grant to be closed out much later than the last grant expenditures as well.

Grant 220-3572-01/ The grant was awarded August 20, 2001 through a 2001 LLEBG block grant in the amount of \$316,429 with a local match of \$38,631 supplied in Federal Forfeiture Funds. The grant was supplemented by \$34,724.89 in federal funds from Guilford County bringing the total available to \$389,784.89. The grant period was from October 18, 2001 through October 18, 2003. The funds were to supply mobile computer software, and mountings for police vehicles. Grant expenditures were only \$310,013.36 prior to the grant period ending. The funds were not expended due to a comprehensive research and testing period, and withholding five percent to vendors until the contract was completed. The vendors did not send their invoices until the testing and research was completed, and this was beyond the grant's allotted period of contract.

A total of \$86,903.54 was sent back due to the delays or 22% of the funds available. The Police Department sent \$51,700.44 back to the DOJ including \$6,653.80 in interest earned, and the Guilford County Sherriff Department received \$35,203.10 including \$478.21 in interest earned. The grant spent \$8,477.60 more Federal Forfeiture Funds than the grant terms would allow. The Police Department sought to use the funds not expended timely, but the DOJ would not allow expenditures of their funds beyond the grant date since no amendment was sought in a timely manner. The grant itself was not closed out until January 31, 2005.

We determined that the Police Department had not established a separate inventory for mounting hardware, listing only the computers supplied by another grant, and the vehicles they were put in. The mounting hardware was not capitalized, and it is acceptable practice to inventory the mounting hardware in this manner, only so long as the hardware stays in the same vehicles as originally installed. If/when the items are removed the Police Department needs to put the items in a separate inventory to be surplus equipment available for use elsewhere. A Police Department spokesperson should indicate in writing whether such an inventory is/will be maintained.

Grant 220-3575-01/ The total grant amount was \$331,437, with interest to be added. The funding for the grant came from a 2002 LLEBG block grant in the amount of \$298,293 and a local match funded by Federal Forfeiture Funds of \$33,144. The funds were awarded July 24, 2002. The grant funds were received October 29, 2002 and put into a North Carolina Management Trust Fund for the LLEBG on October 30, 2002. The City Council approved a budget ordinance for the expenditure of funds January 7, 2003. The grant funds were to be used to purchase two driving simulators, tactical vests, and laptop computers. The grant period ran from October 1, 2001 to September 30, 2003. Total grant expenditures were \$328,715.92, while total funds available, with interest added, was \$333,910.84. The city sent the DOJ a check for \$4,922.51 to return their portion on October 29, 2003. The return included interest of \$2,473.84. On October 29, 2003 \$272.41 was returned to the deferred revenue account for the Federal Forfeiture Funds portion by means of a journal entry. The grant had a total of \$5,194.92 available not used. This is only 1% of the total available. The grant itself was not closed out until January 31, 2005. We determined that the driving simulators purchased under the grant were not fully identified as to individual cost and/ permanent asset number assigned on the listing of grant purchases.

Grant 220-3586-01/ The total grant amount was \$261,733 with interest to be added. The funding for the grant came from a 2003 LLEBG block grant in the amount of \$235,560 and a local match funded by Federal Forfeiture Funds of \$26,173. The funds were awarded September 2, 2003. The grant funds were received December 19, 2003 and put into a North Carolina Management Trust Fund on December 22, 2003. The City Council approved a budget ordinance for the expenditure of funds November 18, 2003. The grant funds were to be used to reduce crime and improve public safety. The funds were to be primarily used to purchase the Trimble AVL System used to locate the closest unit in the case of an emergency call, a Dictaphone Recorder System, a video analysis station, and a vented fume hood for the forensics section as the larger cost items. Also, purchased were a large number (392) of gas masks. The grant period originally was from October 1, 2002 to September 30, 2004, but was changed by a grant adjustment notice on December 17, 2003 to December 18, 2003 through December 17, 2005. The grant earned \$8,463.07 in interest during the grant period, making the total available \$270,196.07. The grant expenditures totaled \$267,069.07 and unspent interest of \$3,126.15 was sent to the DOJ on February 13, 2006. The grant itself was not closed out until October 31, 2006.

Grant 220-3593-01/ The total grant amount was \$121,381 including provision for \$4,500 in interest. The funding for the grant came from a 2004 LLEBG block grant in the amount of \$105,193 and a local match funded by Federal Forfeiture Funds of \$11,688. The funds were awarded September 16, 2004, and the period for the grant to be active was from October 1, 2003 through September 30, 2005. The grant period was changed on September 16, 2004 by a grant adjustment notice to September 20, 2004 through September 19, 2006. The grant funds were received September 21, 2004 and were deposited in a North Carolina Management Trust Fund on September 22, 2004. The City Council approved a budget ordinance for the expenditure of funds September 21, 2004. The grant

funds were to be used to purchase a forensics trailer, a Kodak printer, and equipment such as a German Shepherd canine and supplies, as well as radar guns, Intoxilyzer kits, and ticket writer devices with equipment and supplies for them. Total funds expended during the grant period totaled \$119,060.25; and the grant earned only \$2,179.25 in interest, so a portion of the expenditures were moved to expense as the grant could only report actual funds available and not the original amount budgeted. All funds were expended during the period of the grant for items specified. We determined, however, that while the at least one division of the department has assigned items such as the radar guns to specific officers; they might be borrowed and not charged out to the borrower. The department should require all divisions maintain control over the guns, by having the officers charged with these items provide higher management with written information when guns are not physically in their custody in order that a chain of possession may be maintained at all times. Chain of possession is important in determining whether a radar gun is properly certified in speeding cases. Additionally the inventory of items purchased under this grant did not fully identify the items purchased with the serial numbers when such numbers were available.

GRANTS WITH COPS MORE PROGRAM FUNDING:

Grant 220-3561-01/ The grant amount originally was \$191,385 from the COPS MORE PROGRAM and a match of \$76,468 from Federal Forfeiture Funds for a total of \$267,853. The original grant year was from September 1, 2000 to August 31, 2001, but an extension was obtained June 28, 2001 to extend the grant period to August 31, 2002. The grant was to facilitate deployment of 7.7 FTE police to community policing, but due to budgetary considerations a police planner position was eliminated and the number was changed to 6.7 FTE, the grant was decreased to \$187,390 and the city's portion became \$72,713 for a total of \$260,103. When the change was confirmed, the City reduced the award \$3,995 which reverted to the federal program, and reclassified \$3,755 in remaining matching funds back to the Federal Forfeiture deferred revenue account in February 2003. The grant itself was not closed out until March 1, 2004.

Grant 220-3567-01/ The grant was awarded October 9, 2001 a total of \$796,500 with a \$597,375 from COPS MORE 2001 funding, and \$199,125 matching Federal Forfeiture Funds. The original Grant year was September 21, 2001 to August 31, 2002, but was amended August 22, 2002 to August 31, 2003. The city experienced delays due to the need to get Bell South permission to use their poles for the fiber optics portion of the grant. Eventually the department got permission to extend the grant to June 30, 2005. The purpose of the grant was to redeploy 23.9 officers by buying mobile computing equipment. The city council adopted a budget ordinance for the use of the funds on February 19, 2002. The grant expenditures totaled \$680,644.47 with \$510,483.35 attributed to the COPS MORE program, and \$170,161.12 attributed to the matching Federal Forfeiture Funds. Federal Forfeiture Funds of \$28,963.88 were returned to the deferred revenue account on August 15, 2005. The COPS MORE funds were de-obligated in the amount of \$86,891.65 with the close out report dated July 29, 2005. The grant itself was not closed out until October 31, 2006. The Police Department over budgeted or under spent a total of \$115,855.53 or 14% of the amount budgeted.

GOVERNOR'S CRIME COMMISSION GRANT

Grant 220-3554-01/ The grant amount originally was \$77,397, but eventually increased to \$227,027 with 25% from Federal Forfeiture Funds or \$56,757. The funds came from the Governor's Crime commission and were used to provide funding for a case researcher/resource coordinator to identify and work with repeat violent crime offenders and to advertise on billboards about violent crimes and aid available to victims. The funds came in increments starting in 2000; the last incremental year ran out September 30, 2003. The grant expenditures totaled \$209,242.40 which was \$17,784.60 less than provided or 7% of the funds provided. \$13,338.10 reverted to the Governor's Crime Commission, and \$4,446.50 was sent back to the Federal Forfeiture Fund deferred revenue account on November 14, 2003. Due to inadequate monitoring the grant was not closed out until October 31, 2005.

GOVERNOR'S HIGHWAY SAFETY PROGRAM

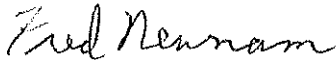
Grant 220-3595-01/ The grant was to cover a three year period ending September 30, 2007, and was set up originally in a total amount of \$ 1,042,680 by council ordinance 04-173 on September 7, 2004 after the funds were awarded on August 24, 2004. The funds came from a federally supplied grant under the North Carolina Governor's Highway Safety Program, (NCGHSP), in order to enhance the agency's efforts toward traffic safety education and enforcement. Funding was scheduled to begin October 1, 2004, and included paying personnel cost and equipment for four traffic enforcement Police Officer positions. The NCGHSP was to pay 100% of personnel costs the first year, 75% of the personnel costs the second year, and 25% of the personnel cost the third year. Additionally, the NCGHSP would pay 75% of equipment costs the first year, 50% the second year and 25% the third year. The city was to pay 100% of costs in the fourth year when funds were not provided by the grant. The portion not covered by federal/state funds is borne by local government using transfers of funds from the Federal Forfeiture Funds deferred revenue account and from the general fund. The police department had spent \$866,237.58 at the time of our review leaving \$131,118.42 available and unspent, including \$80,556.68 from NCGHSP.


Personnel costs for the first year were reduced from \$243,235 to \$143,201 due to a late start in putting personnel in place. An increase in materials cost of \$7,267 was approved and an ordinance provided, with the state taking 75% of the cost and the city 25% of the cost. The city did not, however, change its budget to match the decrease in personnel costs resulting in an overstatement of funds budgeted to the state of approximately \$100,035. This was only recently amended by council ordinance dated June 19, 2007. Additionally, another error in budget ordinance 172-06 resulted in the state portion being shown \$382 over budget, and the budgeted city appropriation understated the same amount in 2006. This was also corrected during this last quarter. Other grant amendments make the amount available at this time \$997,350.

In reviewing the police department inventory of assets purchased under the grant we determined that the Vehicle Identification Numbers were not on the listing, and that the listing showed the total cost of four vehicles purchased under the grant as being for four Tahoes with a total cost of \$116,020. The actual amount allowed to be spent for the vehicles was \$116,000 and the \$20 was expensed to the police department. The police department should identify actual cost of and identify items purchased under the grant. In this case the vehicle numbers on listings of items purchased under the grant, and make sure they are listed in the correct amount. We found similar issues in reviewing for the mounting hardware cost under grant 220-3572-01, the radar guns purchased under grant 220-3593-01 and the driving simulators purchased under grant 220-3575-01. Grant requirements are to provide an inventory of items purchased under the grants, full identification, and information as to removal for obsolescence, destruction, theft, and any other change of status are required as well. We strongly recommend that the department revise its listings of items purchased under grants to make sure these requirements are met.

Except for those findings requiring recommendations these programs administered by the Police Department using federal, state, and local funds are achieving the desired results as written in the contracts. Internal Audit will continue to work with the Police Department to set up control procedures to administer these grants.

We would like to thank the members of the Police Department for the courtesy and cooperation extended us during this review. If you have any questions or concerns regarding the details of this review, please call Fred Newnam at 373-2230. Please contact us within 14 days after the date of this letter with your replies to our questions and recommendations.


Fred M Newnam
Internal Auditor


Len Lucas
Internal Audit Director

Cc: Mitchell Johnson, City Manager
Ben Brown, Assistant City Manager for Economic Development
Rick Lusk, Finance Director

**Summary of Police Grants Reviewed Having Federal Forfeiture Funds
Appendix 1**

Grant Number 220-	Council Resolution Date	Grant Amount	Matching FF Funds	Grant Expenditures	Interest Lost	Amount Returned	Date Closed	not spent not closed
3501-01	2/1/2005	\$171,000.00	all FF	\$141,086.18	\$1,784.83	\$0.00	not	\$29,913.82
3501-11	7/29/1999	\$69,000.00	all FF	\$26,602.23	\$6,419.67	\$42,397.77	2/27/2004	\$42,397.77
3501-12	9/4/2001	\$100,000.00	all FF	\$0.00	\$10,999.80	\$100,000.00	6/31/2005	\$100,000.00
3502-01	2/15/2005	\$100,000.00	all FF	\$11,695.08	\$5,298.30	\$0.00	not	\$88,304.92
3509-01	11/1/2005	\$25,000.00	all FF	\$18,674.63	\$0.00	\$0.00	not	\$6,325.37
3516-01	6/20/2006	\$120,000.00	all FF	\$75,201.95	\$0.00	\$0.00	not	\$44,798.05
3517-01	6/20/2006	\$330,000.00	all FF	\$170,146.08	\$0.00	\$0.00	not	\$159,853.92
3518-01	6/20/2006	\$255,000.00	all FF	\$254,021.00	\$0.00	\$0.00	not	\$979.00
3519-01	9/5/2006	\$17,300.00	all FF	\$14,955.53	\$0.00	\$0.00	not	\$2,344.47
3520-01	9/5/2006	\$116,400.00	all FF	\$97,260.78	\$0.00	\$0.00	not	\$19,139.22
3521-01	9/5/2006	\$45,000.00	all FF	\$23,772.11	\$0.00	\$0.00	not	\$21,227.89
3523-01	9/19/2006	\$57,900.00	all FF	\$57,822.00	\$0.00	\$0.00	not	\$78.00
3524-01	9/19/2006	\$80,000.00	all FF	\$0.00	\$0.00	\$0.00	not	\$80,000.00
3564-01	8/1/2000	\$50,550.00	all FF	\$50,550.00	\$0.00	\$0.00	4/22/2005	\$0.00
3569-01	3/14/2002	\$18,880.00	all FF	\$15,218.36	\$109.85	\$3,661.64	1/31/2005	\$3,661.64
3573-01	8/20/2002	\$45,000.00	all FF	\$44,997.95	\$0.00	\$2.05	1/31/2005	\$2.05
3574-01	11/19/2002	\$135,000.00	all FF	\$119,017.00	\$479.49	\$15,983.00	1/31/2005	\$15,983.00
3576-01	1/7/2003	\$60,000.00	all FF	\$46,961.00	\$586.75	\$13,039.00	6/25/2004	\$13,039.00
3579-01	4/1/2003	\$75,000.00	all FF	\$73,020.00	\$74.25	\$1,980.00	1/31/2005	\$1,980.00
3581-01	6/17/2003	\$100,000.00	all FF	\$49,435.51	\$4,271.69	\$50,564.49	10/31/2005	\$50,564.49
3582-01	6/17/2003	\$10,000.00	all FF	\$6,995.00	\$105.15	\$3,035.00	1/31/2005	\$3,035.00

**Summary of Police Grants Reviewed Having Federal Forfeiture Funds
Appendix 1**

Grant Number	Council Resolution Date	Grant Amount	Matching FF Funds	Grant Expenditures	Interest Lost	Amount Returned	Date Closed	not spent	not spent
3583-01	6/17/2003	\$285,000.00	all FF	\$166,903.59	\$13,217.41		not	\$118,096.41	\$118,096.41
3585-01	10/8/2003	\$70,000.00	all FF	\$63,871.90	\$122.55	\$6,128.10	4/25/2005	\$6,128.10	
3587-01	11/27/2003	\$130,000.00	all FF	\$114,988.36	\$1,163.40	\$15,011.64	10/31/2006	\$15,011.64	
3591-01	5/13/2004	\$397,500.00	all FF	\$394,389.72		\$0.00	not	\$3,110.28	\$3,110.28
TOTALS FF GRANTSONLY		\$2,863,530.00	\$2,863,530.00	\$2,037,555.96	\$44,633.14	\$251,802.69		\$825,974.04	\$574,171.35
3554-01	8/31/2000	\$227,027.00	\$ 56,757.00	\$209,242.40		\$17,784.60	10/31/2005	\$17,784.60	
3561-01	8/31/2000	\$267,853.00	\$ 76,468.00	\$260,103.00		\$7,750.00	3/1/2004	\$7,750.00	
3562-01	10/12/2000	\$417,994.64	\$ 41,511.00	\$379,506.64		\$38,488.00	1/27/2004	\$38,488.00	
3567-01	2/19/2002	\$796,500.00	\$ 199,125.00	\$680,644.47		\$115,855.53	10/31/2006	\$115,855.53	
3572-01	8/20/2001	\$396,916.90	\$ 38,631.00	\$310,013.36		\$86,903.54	1/31/2005	\$86,903.54	
3575-01	1/7/2003	\$333,910.84	\$ 33,144.00	\$328,713.92		\$5,196.92	1/31/2005	\$5,196.92	
3586-01	1/18/2003	\$270,196.07	\$ 26,173.00	\$267,069.07		\$3,126.15	10/31/2006	\$3,126.15	
3593-01	9/21/2004	\$121,381.00	\$ 11,688.00	\$119,060.25		\$0.00	10/31/2006	\$2,320.75	2320.75
3595-01	9/7/2004	\$1,042,680.00	\$ 86,314.00	\$866,237.58		\$0.00	not	\$176,442.42	\$176,442.42
TOTAL GRANTS WITH MATCHING FF		\$3,874,459.45	\$569,811.00	\$3,420,590.69		\$275,104.74		\$453,867.91	\$178,763.17
TOTAL ALL POLICE GRANTS		\$6,737,989.45	\$3,433,341.00	\$5,458,146.65		\$526,907.43		\$1,279,841.95	\$752,934.52
						7.82%		18.99%	11.17%



City of Greensboro POLICE

Date: August 10, 2007
To: Len Lucas, Internal Audit
From: Chief of Police
Subject: Police Department Grant Accounts / Federal Forfeiture

I have reviewed the report prepared by members of the Internal Audit staff regarding the financial programs administered within the Police Department:

First, I would like to commend the staff of the Internal Audit Division for the thoroughness of their review, the manner in which they shared information with my staff throughout the audit process, and the recommendations for improvement they offered.

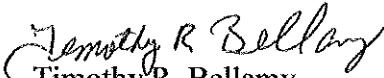
Maximizing the fiscal resources available to the Police Department is a major component of our management philosophy. Therefore, it deeply concerns me to learn that grant monies were unexpended and were returned to the Department of Justice. This is simply unacceptable and I am pleased to learn that my staff is working closely with members of the Internal Audit and Finance staff to ensure this is corrected for all future grants of this nature.

The remaining findings submitted in the audit report indicate to me a lack of proper administration of these programs. I have instructed the appropriate members of my staff to ensure the following steps are taken as soon as possible to address these issues:

- To create a position within the department that would monitor and apply for grants to ensure that the department fully utilizes its resources to assist the City with grant funding.
- Immediately review current grants and ensure that they comply with the findings of the audit.
- Coordinate with the finance department and external auditors to create a procedure that will ensure that interest is applied to Federal Forfeiture accounts taking into consideration the balance in the Forfeiture accounts and any forfeiture fund balances in the grant accounts.

- Create a record keeping log as to the location of grant purchases to include description of the item, serial numbers, vehicle identification numbers, city numbers and initial cost.
- Establish a bi-yearly meeting with representatives from the Police Department and Finance to review active grants for accuracy and compliance. This review would also monitor the usage of grants and determine which grants should be closed due to all items being purchased, usefulness or time frame restrictions.

On behalf of my staff, and myself I appreciate the willingness of the Internal Audit and Finance staff to work with us in addressing these deficiencies and setting up proper control procedures.


Timothy R. Bellamy
Chief of Police



Date: August 13, 2007
To: Tim Bellamy, Police Chief
From: Internal Audit
Subject: Federal Forfeiture Funds

Internal audit has recently received and reviewed your reply Dated August 10, 2007 to our July 23, 2007 review of your Federal Forfeiture Funds grants. Your reply indicates that you have given some thought to our report and your answers are couched in terms indicating future action. We were unsure of your meaning in the use of the phrase "bi-yearly", if you mean to indicate that the meetings between the finance department and the police department will take place twice a year we have no problem with your reply, though we would suggest the meetings be held quarterly that is four times a year. With the above exception, we believe the proposed actions indicated would address our findings and recommendations if properly and promptly implemented.

We will monitor progress of recommendations in future reviews, and will work with your staff in any appropriate manner in order to help with their implementation.

Once again, let me thank you and your staff for your cooperation and courtesies in conducting and concluding our review.

Fred M Newnam
Internal Auditor

A handwritten signature in cursive script that reads "Fred M Newnam".

Len Lucas
Internal Audit Director

A handwritten signature in cursive script that reads "Len Lucas".

Cc: Mitchell Johnson, City Manager
Ben Brown, Assistant City Manager for Economic Development
Rick Lusk, Finance Director