



Date: September 2, 2003
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: Police Department Grants

We have audited Police Department grants from federal, state and local sources, for the period December 2001 through June 2003, administered by various members of the Department. The funds budgeted in the 2001-2002 Operations Statements are \$3,227,692. The audit was conducted in accordance with auditing standards issued by the Institute of Internal Auditors, to include a review of the internal controls in place within each division. The audit 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 audit 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.

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

Local Law Enforcement Block Grants: \$1,023,050 Match: \$113,672

These grants are to be used for the purpose of reducing crime and improving public safety. The funds can be used to: hire/train new police officers; pay overtime to existing officers; purchase equipment for basic law enforcement functions; enhance security in and around schools; establish/support drug courts; establish crime prevention programs; and defray cost of insurance.

Conditions set forth in the grants require that "recipients establish an interest bearing trust fund in which to deposit program funds... if these requirements can be met within the recipient's current financial management system, there is no need to establish a separate account." There is a fund in the North Carolina Management Trust Fund for the Local Law Enforcement Block Grants. However, for one of the grants we report on the grant funds have been transferred out of this fund to the General Fund before expenditures were made instead of being transferred to cover expenses as they are incurred, and the local match has not been put into the Trust Fund account promptly for another grant.

Summary: 220-3562-01: \$373,603/\$41,511 Match

The grant was awarded on October 12, 2000, but grant funds were not deposited into a separate interest-bearing trust account until February 8, 2001. Matching federal forfeiture funds were not deposited into the 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 were made. Interest earned on the funds to the date they were transferred to the general fund was \$2,881. 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.

Summary: 220-3572-01: Grant \$351,154/\$38,631 Match:

The grant was awarded August 2, 2001 in the amount of \$316,429, and an additional \$34,725 was received from Guilford County, these latter funds were LLEBG 2001 grants funds received by the Guilford County Sheriff's Department that should have been allocated to the City of Greensboro. The original grant period was from October 1, 2000 through September 30, 2002, but an adjustment was made October 18, 2001 to change the grant encumbrance and expenditure period to October 19, 2001 through October 18, 2003. The budget ordinance was not signed until July 16, 2002.

All funds including the match are deposited in a trust account and are earning interest; funds are transferred from the trust account as needed on a quarterly basis. To date the funds have earned \$6,196, which has been credited to the grant for use in making expenditures. We note, however, that the grant funds were received on October 22, 2001 but were not deposited in the trust account until March 22, 2002. The \$38,631 federal forfeiture funds match and \$34,725 funds from the Guilford County were not transferred to the trust account until October 1, 2002 though the budget amendment for use of those funds was dated July 16, 2002. The grant thus did not realize full interest available to it for purchase of grant expenditures. We approximate lost interest as being \$3,000 at the fiscal year end. The grant was incomplete at the end of the 2002/2003 fiscal year, having \$286,011 of funds not spent, but \$278,004 encumbered. There is approximately \$8,000 still not expended or encumbered at the fiscal year end. Efforts should be made to encumber or expend the remaining funds timely before October 18, 2003.

- Finding
There were no supporting documents for assets purchased in the police department files. The grant is being used to purchase Mobile Computer Equipment. The Management Information System (MIS) department's technical expertise is being used to make purchases.
- Recommendation
The Police Department Grant files need to be documented showing what is purchased and to be purchased. By documenting their files the Department will be able to properly and promptly inventory equipment purchased.

Summary: 220-3575-01: Grant \$298,293/\$33,144 Match

The grant was awarded July 24, 2002 in the amount of \$298,293, requiring a match of \$33,144 in federal forfeiture funds for a total of \$331,437. The original grant period is October 1, 2001 to September 30, 2003. The grant funds were received October 29, 2002 and put into a North Carolina Management Trust Fund for the LLEBG on October 30, 2002. Council approved a January 7, 2003 budget ordinance for the expenditure of the funds. Matching funds were not put into the trust account until February 26, 2003. Interest is moved to the grant account quarterly, and a budget adjustment for the interest is to be made semi annually, interest moved to date is \$2,265. The grant was incomplete at the end of the 2002/2003 fiscal year, having \$58,396 of funds not spent, and unencumbered. These funds are budgeted for computer software and small tools and equipment/vests. Efforts should be made to encumber and spend remaining funds before 9/30/03.

- Finding
There are no supporting documents for purchases in the Police Department Grant files. The funds from the grant are to be used to purchase a driving simulator, tactical vests, and laptop computers. MIS expertise is being utilized to affect the purchases of computers and simulator.
- Recommendation
In order to enable prompt inventory of assets purchased the Police Department Grant files need to be documented.

Federal Forfeiture Funds received December 31, 2001 to June 30, 2003: \$406,356

Funds from these grants can be used for the following purposes as stated in the contract: "activities calculated to enhance future investigations, law enforcement training, equipment, and operations, detention facilities, law enforcement facilities and equipment, drug education and awareness programs, etc." The Police have spent or encumbered a net of \$937,955 in one and one half years. This figure is net after returns of federal forfeiture funds of \$180,632 from grants not fully expended, or in some cases not expended at all. The general ledger balance at January 1, 2001 was \$988,870, and \$489,658 at the fiscal year end June 30, 2003. Interest of \$32,387 was added to these funds during this period.

Federal Forfeiture funds and the related interest are being maintained in a separate Deferred Revenue account used solely for these funds, and the interest for the year is transferred to the account at June 30 of each year. Each year the appropriations for the Police Department requests are budgeted in a separate cost of operations account. Unexpended funds are transferred back to the Federal Forfeiture Fund account as grants are closed in order for funds to be used in the future.

The description of grants funded totally by federal forfeiture funds during this period include:

Summary: 220-3564-01: Grant \$50,550

Regional Information Sharing System payments were made timely to develop a shared "virtual database" with other Triad and area law enforcement offices.

Summary: 220-3569-01: Grant \$18,880

Grant funds were used to purchase vests, but they were sent back as they did not meet specifications, a bomb blanket costing \$1,600 was purchased, but since cost was less than \$5,000 it was not in a capital inventory. The original purchase order was cancelled for vests and any remaining costs were to be transferred to an expense account. The grant should be closed, and funds transferred back to the federal forfeiture funds account.

- Finding:
The police department failed to include the blanket on its written inventory.
- Recommendations:
We recommend that police inventories be updated as items purchased with grant funds are put into use, from invoices in their files.

Summary: 220-3573-01: Grant \$45,000

An August 22, 2002 budget ordinance authorized the funds to be used to upgrade a surveillance van, however at the June 30, 2003 fiscal year-end there was \$465 unspent and unencumbered. The remaining funds will be spent by the Police Department for surveillance items.

Summary: 220-3574-01: \$135,000

A November 19, 2002 budget ordinance authorized spending \$127,000 on licensed vehicles and \$8,000 for other capital equipment. The funds were to be used to purchase a Hostage Negotiations Vehicle, and special telephone equipment. At fiscal year end June 30, 2003, there was \$15,983 in unspent and unencumbered funds. Only \$6,000 had been spent for the telephone, and \$113,017 encumbered for the vehicle. There is no time limit on the use of the funds.

Summary: 220-3576-01: Grant \$60,000

A budget ordinance dated January 16, 2003 authorized the purchase of tactical vests and equipment. There was a quote for thirty vests for \$76,644 in the files. At June 30, 2003 no funds were spent, and no funds were encumbered.

Weed and Seed Program 1999-2000: \$100,000

This program was created for the purpose of conducting joint law enforcement operations in the public housing communities. Funds can be used to pay for the cost of equipment, training, overtime, and other related expenses in the fight against illegal drugs. The city is reimbursed for these expenditures.

Summary: 220-3503-01: Grant \$50,000

The grant period was from February 26, 1999 to February 26, 2002. Grant funds of \$46,755 were expended for overtime. \$3,245 of this grant was lost due to federal deobligation of funds before we billed them for overtime. In addition, the Internal Revenue Service, (IRS), *mistakenly levied* \$2,057 of funds sent for reimbursement as a levy against the Greensboro Housing Authority (GHA).

Summary: 220-3560-01: Grant \$50,000

The grant called for reimbursement for overtime but could be terminated on thirty days notice. The grant was signed in November 2000, but the city council did not pass a budget ordinance until December 19, 2000 and the City of Greensboro only started billing July 22, 2001 for the period from March 1, 2001 to June 30, 2001. The City billed the grant \$44,712 for overtime. The City wrote off the last billing, \$8,522, because funds were first short and then deobligated before rebilling occurred. Additionally, of the \$36,190 successfully billed and paid, the IRS *mistakenly levied* \$2,045, as a levy against the GHA. Of the \$50,000 grant the City received only \$34,146 due to not billing promptly and the IRS error.

- Findings
Requests for reimbursement were made quarterly.
The IRS has not reimbursed us for the mistakenly levied funds.
- Recommendations:
Since the City is reimbursed for expenditures under these grants, The Requests for Reimbursement should be made on a monthly basis, not quarterly as we observed. Unpaid invoices should be monitored and follow-up should be performed to ensure timely collection. We need to continue our diligent efforts with the IRS to have the mistakenly levied grant proceeds sent to us.

COPS MORE GRANTS 2000-2002 \$789,760 GRANTS/MATCH \$275,593 FEDERAL FORFEITURE FUNDS

Funds provided by the COPS MORE grants were to be used to increase the number of full time equivalents (FTE) deployed into community policing.

Summary: 220-3561-01: Grant \$191,385/Match \$76,468 total \$267,583

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 and reclassified \$3,755 in remaining matching funds back to the federal forfeiture account. Reimbursements were made as we incurred the expenses and billed them to the grantee.

Summary: 220-3567-01: Grant \$597,375/Match \$199,125 total \$796,500

The city was notified of the grant October 9, 2001, funds from the grant are to be used to redeploy 23.9 officers by buying mobile computing equipment. The original grant year was September 1, 2001 to August 31, 2002, but the period end was revised to end August 31, 2003 on August 22, 2002. The city council adopted a budget ordinance for the use of the funds on February 19, 2002. At June 30, 2003 \$220,072 has been spent, and \$540,428 is unspent and unencumbered. The city had requested and received only \$185,408 in reimbursement from the granting agency. Grant completion is threatened due to a problem getting permission from Bell South to use their poles to complete the installation of the fiber portion of the grant. At June 20, 2003 the city received permission from the grantee to extend the grant period until June 30, 2004, a period thought at this time to be sufficient to accomplish grant authorized construction and work.

Organized Crime Task Force Grant \$40,000

Summary: 220-3551-01: Grant \$40,000

Grant funds were provided to pay overtime for officers assigned to the Organized Crime Task Force, and whose overtime was approved for the grant fiscal year ending September 30, 2001. The City was to be reimbursed for overtime to assigned personnel, provided no one officer got over \$13,000 in a fiscal year. The City only billed the granting agency \$23,960 through the end of the applicable period, and were not reimbursed for the remaining \$16,040, but only billed an added \$410.

Clayton County Georgia Grant \$12,670

Summary: 220-3552-01: Grant \$12,670

No contract was issued for this grant, and there are no reports required. The County of Clayton, Georgia allows participating law enforcement agencies to share in proceeds from the sales of seized assets and cash from certain criminal investigations within its territorial boundaries. The City received grant funds from Clayton County on April 12, 2000. Funds were budgeted by the City for Seminar/Training in the amount of \$12,670. Funds were used to teach Spanish to a group of officers in Costa Rica, and some of the funds were used to pay for travel to an Organized Crime Drug Enforcement Task Force (OCDETF) Regional Conference. At June 30, 2003, no funds remained to be spent for this grant, which should be closed out.

Governor's Crime Commission Violent Crime Task Force Grant \$170,270/Match \$56,757

These grant funds were provided for the purpose of combating violent domestic crime.

Summary: 220-3554-01: Grant \$170,270 Match \$56,757 Total of \$227,027

These funds from the Governor's Crime Commission are being used to fund 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 have come in increments each year since July 2000, and the current year's funding runs until September 30, 2003. Funds are reimbursed as spent. At June 30, 2003 state funds of \$38,375 had not been received, but \$33,583 was encumbered, in all \$10,785 was unencumbered and \$44,367 needed to be spent.

Greensboro Housing Authority (GHA) Grant \$9,250

Summary: 220-3566-01: Grant \$9,250

The grant agreement covered the period from July 1, 2001 to June 30, 2002 and was for supplemental police officers in GHA communities. The city clerk signed the agreement May 29, 2001. The city did not adopt a budget ordinance for these funds until September 18, 2001. The City did not bill for these funds until March 2002 and then billed the wrong agency. Before correcting the billings and billing the actual grantee, we were informed that the grantee was out of funds and could not pay any portion of the expenses. The City transferred the \$1,779 billed costs to another grant.

Alcohol Tobacco and Firearms Violent Crime Task Force Grant \$35,000

These funds were granted under a Memorandum of Agreement between Bureau of Alcohol, Tobacco and Firearms and the Greensboro Police Department to be used to pay for overtime for personnel assigned to the task force.

Summary: 220-3568-01: Grant \$43,000

Funding was to be for the federal fiscal years 2002, 2003, 2004, 2005 and 2006, and is contingent upon annual appropriation laws and 31 U.S.C. Section 332. If available, funding will be provided through a separate funding document. We found no separate funding documentation for 2002, but for 2003 the funding is for \$8,000 and, only \$8,000 was paid for fiscal 2002, although the City submitted requests for more through September 30, 2002. At June 30, 2003 there are \$3,530 of this year's funds to be spent by September 30, 2003. Each future year's funding is to be \$9,000 per our current information.

Greater Greensboro Financial Crimes Task Force Grant \$5,000

Summary: 220-3570-01: Grant \$5,000

Funds were provided as a result of a memorandum of understanding with the Secret Service for overtime from October 1, 2001 to September 30, 2002 without employer contributions for taxes or benefits relating to joint work with the Secret Service. The budget ordinance for use of the funds was not adopted until February 19, 2002, and the first billing was not made until July 15, 2002. The City billed and was reimbursed only \$1,486 during the grant period; the remaining \$3,514 was not reimbursed.

Mobile Data Computer Project/N C Controlled Substance Excise Tax Grant \$191,124

Summary: 220-3577-01: \$191,124

Funds for this grant are allocated to the City through the court system when a citizen is convicted on drug related charges. Grant funds are to be used by the City in drug related operations. Specifically, these are being used to purchase a radio network controller to implement the Department's Mobile Data Computer Project. No reporting is required for the grant moneys. At June 30, 2003, the Department had spent \$52,193 on the Mobile Data Network.

NC Joint Terrorism Task Force Grant \$10,570 (NCJTTF)

Summary: 220-3578-01: Grant \$10,570

Funds were provided as a result of a memorandum of understanding with the Federal Bureau of Investigation for overtime of an individual assigned to the NCJTTF from October 1, 2002 through September 30, 2003. The city budget ordinance for use of the funds was not adopted until February 3, 2003. At June 30, 2003 the city had spent and been reimbursed for only \$2,437, leaving \$8,133 to be billed by September 30, 2003.

Prior Year Audit Findings Review

We reviewed prior year audit findings to determine whether the findings were acted upon, and if the condition still existed.

Finding Reviewed

The December 6, 2001 report found that in reviewing purchases of modular furniture costing \$34,515, it was noted that \$3,741 of delivery cost and additional parts, which were add-on pieces to the furniture, were not capitalized. Accounting standards require that all cost associated with the acquisition of an asset be capitalized.

Prior Recommendation

An adjustment should be made to the asset account for the additional costs of \$3,741 on the 1999-2002 grant.

Conclusion

No adjustment was made prior to the grant, 220-3555-01 being closed. After the grant was closed there was no way to transfer it from 220-3555-01.5235 to 220-3555-01.6059. All the items were bought under the same Purchase Order, but freight and upgrades to the basic modular furniture for the communications area were coded on the purchase order as expense, small tools and equipment, not the Capital Asset Account Furniture and Equipment over \$5,000.

Recommendation

Departmental staff encoding purchase orders should be alerted that costs to deliver equipment, or set it up, or upgrades of that equipment should be added to the costs of each individual unit to determine if the cost per item is \$5,000 or more and to be capitalized.

Finding Reviewed

The Federal Annual Certification Reports to the Department of Justice and the Department of Treasury appear to have budgeted amounts in the Summary of Shared Monies Spent instead of actual expenditures.

Recommendation

The Federal Annual Certification Reports should report actual expenditures instead of budgeted amounts.

Conclusion:

The grant administrator is still reporting budgeted figures instead of actual expenditures.

Recommendation:

We have sent officer Lojko a spreadsheet showing how he should determine the actual spent, and will work with the police department representative in future years to effect the reporting of actual figures.

Overall Recommendations and Comments

Recommendations

- When it is determined that it is not possible to expend grant funds in the grant period provided, the Department should prepare documentation and ask for an extension of time, if the grant work is incomplete and all funds are not expended. The grants usually specify the appropriate time for such a request if an extension is to be provided.
- Calendars containing key information such as report dates and expiration dates should be maintained by the department and finance for each grant, so the City meets report deadlines, does not lose grant funding, and are not operating under expired contracts. This will, also, aid staff in determining if extensions are required to finish grant purposes.
- The police department keeps its own inventories of items purchased by grants, these inventories should be updated as items are purchased and put into use.

Explanatory Comment and Assurance:

In reviewing purchases transferred to capital inventory, we determined that only those purchases made prior to the current fiscal year have been put in inventory. Inventory is not updated but once a year after the fiscal year end, and purchased items must be a minimum of \$5,000 before being added to the capital asset inventory, these are acceptable accounting practices.

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 audit. If you have any questions or concerns regarding the details of this audit, please call Fred Newnam at 373-2230.


Fred M Newnam
Internal Auditor


Len Lucas
Acting Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Mitchell Johnson, Assistant City Manager
Bob Morgan, Assistant City Manager
Rick Lusk, Finance Director
David A. Wray, Chief of Police
Complete Audit 2003-2004