



**AUDIT OF THE
OFFICE OF JUSTICE PROGRAMS
EDWARD BYRNE MEMORIAL
STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE
DISCRETIONARY GRANT PROGRAM GRANTS
AWARDED TO THE
CITY OF LAS VEGAS, NEVADA**

U.S. Department of Justice
Office of the Inspector General
Audit Division

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February 2011

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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of four Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program grants awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance to the City of Las Vegas, Nevada (Las Vegas). The purposes of these grants were to: (1) enhance Las Vegas's interoperable communications system; (2) upgrade Las Vegas' Jail Management System; (3) develop a program of services for individuals who are chronic inebriates; and (4) hire a private engineering firm to create design plans for a new regional public safety complex. As shown in Exhibit 1, Las Vegas was awarded \$667,493 to implement these activities.

**EXHIBIT 1
OJP GRANTS AWARDED TO LAS VEGAS**

AWARD Number	START DATE	END DATE¹	AWARD AMOUNT
2004-DD-BX-1452	08/01/04	07/31/07	\$ 395,750
2004-DD-BX-1468	10/01/04	06/30/06	98,948
2006-DD-BX-0394	07/01/06	12/31/07	98,723
2006-DD-BX-0517	10/01/05	09/30/07	74,072
Total			\$ 667,493

Source: OJP

Audit Results

The purpose of our audit was to determine whether cost reimbursements claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and

¹ The award end date includes all OJP-approved grant period extensions.

conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) budget management and control; (3) drawdowns; (4) program income; (5) grant expenditures; (6) property management; (7) matching costs; (8) monitoring of contractors; (9) Financial Status Reports (FSR) and Progress Reports; (10) grant requirements; and (11) program performance and accomplishments. We determined that program income, and indirect costs were not applicable to this audit.

As a result of our audit, we found that Las Vegas generally complied with requirements pertaining to internal controls, budget management and control, matching costs, property management, and select grant special conditions we reviewed. However, we found weaknesses in the areas of grant expenditures, FSRs and Progress Reports, program performance and accomplishments, and monitoring of contractors. Specifically, we noted the following exceptions:

- \$74,072 in contract payments were unallowable and inadequately supported as a result of Las Vegas improperly modifying an existing contract rather than soliciting for new bids and the contractor did not deliver on all of the contract requirements;
- coding errors and misclassification of expenditures in 2 of the 4 grants reviewed;
- of the 16 FSRs reviewed, 3 were submitted late and 3 were not submitted to OJP;
- of the 18 Progress Reports reviewed, 14 were submitted late, 1 was not submitted to OJP, and 1 was inaccurate; and
- we could not determine whether Las Vegas achieved its program objectives for one of the grants we reviewed (2006-DD-BX-0394), because of inaccurate and missing information.

These items are discussed in detail in the Findings and Recommendations section of this report. Our report contains seven recommendations to OJP. Additionally, we discussed the results of our audit with Las Vegas officials and have included their comments in the report, as applicable. Further, we requested from Las Vegas and OJP written responses to our draft report, which we received and are included in Appendices III and IV, respectively. Our audit objective, scope, and methodology are discussed in Appendix I of this report.

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INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG), Audit Division, has completed an audit of four Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program grants awarded by the Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA) to the City of Las Vegas, Nevada (Las Vegas). The purposes of these grants were to: (1) enhance Las Vegas's interoperable communications system; (2) upgrade Las Vegas's Jail Management System; (3) develop a program of services for individuals who are chronic inebriates; and (4) hire a private engineering firm to create design plans for a new regional public safety complex. As shown in Exhibit 2, Las Vegas was awarded \$667,493 to implement these activities.

**EXHIBIT 2
OJP GRANTS AWARDED TO LAS VEGAS**

GRANT AWARD	AWARD START DATE	AWARD END DATE ²	AWARD AMOUNT
2004-DD-BX-1452	08/01/04	07/31/07	\$ 395,750
2004-DD-BX-1468	10/01/04	06/30/06	98,948
2006-DD-BX-0394	07/01/06	12/31/07	98,723
2006-DD-BX-0517	10/01/05	09/30/07	74,072
Total			\$667,493

Source: OJP

The purpose of the audit was to determine whether cost reimbursements claimed under the grants were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) budget management and control; (3) drawdowns; (4) program income; (5) grant expenditures; (6) property management; (7) matching costs; (8) monitoring of contractors; (9) Financial Status Reports (FSR) and Progress Reports; (10) grant requirements; and (11) program performance and accomplishments. We determined that program income, and indirect costs were not applicable to this audit.

² The award end date includes all OJP-approved grant period extensions.

Background

Located in the southern part of Nevada, Las Vegas was founded in 1905, and it is the largest city in the state. With a population of about 600,000, Las Vegas is a full-service municipality providing the following core functions: general government; judicial services; public safety; public works; sanitation; healthcare; welfare; cultural and recreation services; economic development and assistance; and a transit system. More than two decades of growth in Las Vegas has resulted in an increased demand for public safety and emergency response services. According to one of Las Vegas's grant applications, Las Vegas's average daily inmate population was more than 1,000.

Specifically, OJP's BJA awarded four grants to Las Vegas to fund varying programs and activities, as follows:

Grant 2004-DD-BX-1452 – Las Vegas intended to use this Fiscal Year (FY) 2004 OJP grant to enhance its interoperable communication system. The enhancements were to include: (1) wireless data connectivity and interoperability; (2) teleconferencing communications; (3) crisis management software; and (4) a television-based public alert system. OJP approved a modification in July 2006 for this grant, when Las Vegas stated that a component of the project entitled "Wireless Data Communication Project," valued at \$100,000, had been cancelled due to technical problems beyond the vendor's control. Additionally, the city requested a 12-month extension to re-program the balance of unspent funds for crisis management software and to purchase additional 2-way radio devices which were anticipated to enhance communication between the city's police, fire, and medical services personnel.

Grant 2004-DD-BX-1468 - Las Vegas intended to use this FY 2004 OJP grant to upgrade its 14-year-old mainframe-based Jail Management System with a new Offendertrak system. The Offendertrak system was an "off-the-shelf" software database system designed to manage correctional facility information. The Offendertrak system was anticipated to allow real-time notification of inmate releases to victims, including victims of domestic violence as well as holders of temporary restraining orders. The system was anticipated to eliminate erroneous or early releases of dangerous offenders by providing an effective and timely alert system.

Grant 2006-DD-BX-0394 – Las Vegas intended to use this FY 2006 OJP grant to develop a re-entry program to provide services for

individuals released from jail who were defined as chronic inebriates.³ The program was to provide services necessary to assist clients in achieving and maintaining sobriety. In addition, the program was to address reintegration and rehabilitation services which would have an effect on decreasing the recidivism rate.

Grant 2006-DD-BX-0517 – Las Vegas intended to use funds from this FY 2006 OJP grant to hire a private engineering firm to create plans for the construction of a regional public safety complex. The primary purpose for the complex was to train emergency first responders including firefighters, police officers, paramedics, and others in incident coordination and support; resource tracking; and information collection, analysis and dissemination. In December 2006, OJP approved a modification to this grant to re-direct funds to incorporate into the complex a regional emergency operations center, regional intelligence fusion center, and a regional 9-1-1 public safety dispatch center.

Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, we were guided by the criteria in the *OJP Financial Guide*. Specifically, we tested:

- **Internal control environment** - to determine whether the internal controls in place for processing payments were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grants;
- **Budget management and control** - to determine if there were deviations between the amounts budgeted and the actual costs for each category;
- **Drawdowns** - to determine whether drawdowns were adequately supported and if the grantee was managing grant receipts in accordance with federal requirements;

³ The Las Vegas Department of Neighborhood Services, which managed the Chronic Inebriates Program, defined individuals who are considered chronic inebriates as someone with a bio-psychosocial condition, which may lead to, or is the result of dependency on drugs or alcohol, and may also have any of the following: a concurrent mental health disorder; a high rate of arrests, convictions and or incarcerations; and periods of homelessness.

- **Grant expenditures** - to determine the accuracy and allowability of costs charged to the grant and to evaluate the grantee's controls over accountable property;
- **Matching Costs** - to determine whether a match was required under these grants and if so, how costs were shared and whether the cost-sharing was in accordance with the award agreement;
- **Monitoring of contractors** - to determine whether Las Vegas evaluated contractors' performance in accordance with applicable laws and regulations;
- **Reporting Requirements** - to determine if the required reports were submitted on time and accurately reflected grant activity; and
- **Program objectives** - to determine whether Las Vegas made reasonable efforts to accomplish stated objectives.

The results of our analysis are discussed in detail in the Findings and Recommendations section of the report. Our report contains seven recommendations to OJP. Additionally, we discussed the results of our audit with Las Vegas officials and have included their comments in the report, as applicable. Further, we requested from Las Vegas and OJP written responses to our draft report, which we received and are included in Appendices III and IV, respectively. Our audit objective, scope, and methodology are discussed in Appendix I.

FINDINGS AND RECOMMENDATIONS

We found that Las Vegas did not follow state regulations for one of the four grants we audited when it modified an existing contract instead of soliciting new bids. In addition, for that same grant (2006-DD-BX-0517), Las Vegas did not have adequate support for payments made on the contract and the contractor did not deliver on all elements of the contract. Therefore, we question \$74,072 in payments to this contractor as being unallowable and inadequately supported. We also identified several transactions for two of the four grants that were miscoded or misclassified. Further, Las Vegas submitted 14 of its 18 Progress Reports late, one of which was also inaccurate, and it failed to submit one Progress Report as required. Likewise, Las Vegas submitted to OJP three Financial Status Reports late and it failed to submit three Financial Status Reports as required. Finally, we could not determine whether Las Vegas achieved its program objectives for one of the grants we reviewed because of the lack of adequate supporting documentation.

Internal Control Environment

We reviewed Las Vegas's financial management system, policies and procedures, and the most recent Single Audit report to assess the risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grants. We also interviewed appropriate grantee program managers and individuals from Las Vegas's Finance and Business Services Department, particularly the Financial Services Division and the Purchasing and Contracts Division. Finally, we observed the accounting activities in these departments to further assess risk.

Single Audit

According to Office of Management and Budget (OMB) Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted. This report is due no later than 9 months after the end of the grantee's fiscal year.⁴ We reviewed the most

⁴ Las Vegas' fiscal year begins on July 1st and ends June 30th.

recently completed Single Audit on Las Vegas for the fiscal year ending June 30, 2009. The report was issued on December 30, 2009, which was within the 9-month requirement, and it included an unqualified opinion from the independent auditors without noting any material weaknesses in Las Vegas's internal controls. However, we noted three Single Audit findings from the prior fiscal year relating to the City's compliance with programs supported by federal funding other than from the U.S. Department of Justice. The independent auditors found:

- 15 of the 19 contracts sampled did not contain certifications regarding debarment, suspension, and other ineligibility and voluntary exclusions;
- 4 exceptions related to contractors and subcontractors that performed contract work but did not submit certified payroll documents; and
- Las Vegas did not perform non-fiscal monitoring on three sampled sub-recipients.

These three findings did not directly relate to U.S. Department of Justice grant programs. However, the first two findings above pertained to Las Vegas's contract administration, which was an area we became familiar with when performing our audit fieldwork. Specifically, Grant 2006-DD-BX-0517 involved Las Vegas hiring a contractor to create a business plan for a regional public safety complex. Therefore, we considered the first two findings as being cross-cutting issues. The Single Audit report also included Las Vegas's response to these findings, including the establishment of procedures and controls to remedy these issues. One of the corrective actions included Las Vegas establishing a comprehensive contract monitoring policy and procedures for administering personal services contracts. As of the date of our exit conference on October 7, 2010, Las Vegas officials informed us that this policy has been developed, but has not been formally issued. Based on this information, we believe that Las Vegas is working towards resolving the contractual oversight issues identified by the independent auditors.

Financial Management System

According to the *OJP Financial Guide*, grant recipients are required to “establish and maintain accounting systems and financial records to accurately account for funds awarded to them.” Further, the accounting system should ensure that funds are spent in conformance with grant terms and conditions. The guide also states that funds received for one grant project may not be used to support another project, and accounting systems and financial records must segregate expenditures for each project.

We found that Las Vegas maintained an accounting system and financial records that in general appropriately accounted for funds received and disbursed. In the Grants Expenditure section of this report, we describe five specific grant-related transactions that we identified as being misclassified in Las Vegas’s accounting system. Although we do not believe that these specific instances of misclassification are indicative of a systemic deficiency with Las Vegas’s accounting system, we nevertheless recommend that Las Vegas ensure that grant-related expenditures are properly coded and classified.

Furthermore, we evaluated Las Vegas’s policies and procedures relating to its financial accounting system. Based on our review of these policies and procedures, Las Vegas appeared to have adequate segregation of duties and managerial oversight over its financial management system, including controls over paying vendors for goods and services.

Budget and Management Control

The *OJP Financial Guide* requires prior approval from the awarding agency if the movement of dollars between budget categories exceeds 10 percent of the total award amount if the total award amount is over \$100,000. We found that there were no budget deviations that required OJP approval.

Drawdowns

According to the *OJP Financial Guide*, recipient organizations should request funds based upon immediate disbursement or reimbursement needs. Specifically, recipients should time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursement or reimbursement to be made immediately or within 10 days. Las Vegas officials stated that grant funds were drawn down on a reimbursement basis. Based on our review, we found that Las Vegas adhered to the Guide’s federal cash-on-hand requirement.

Further, we reviewed the grantee's drawdowns to determine if grant funds were deposited in Las Vegas's bank accounts. We verified that grant funds were deposited in the city's official bank accounts.

We also compared the drawdowns for each grant to Las Vegas's respective accounting records. Overall, we found that Las Vegas accurately recorded drawdowns in its accounting records for three of the four grants. For Grant 2004-DD-BX-1452, Las Vegas understated total expenditures in its accounting records by \$181 when compared to the total drawdowns. Las Vegas officials attributed this discrepancy to an accounting error.

Program Income

According to the grantee, there was no program income associated with the four grants in our audit. We reviewed the grantee's accounting records as well as the approved grant budgets, and found no evidence that program income had been generated in relation to any of these grants.

Grant Expenditures

As of December 31, 2007, Las Vegas expended a total of \$653,248 on the four grants we audited. We judgmentally selected a total sample of 53 transactions totaling \$534,822 (82 percent) in order to determine if costs charged to the grant were allowable, properly authorized, adequately supported, and in compliance with grant terms and conditions. The expenditures that we selected included payments on contracts, equipment purchases, and program services. Two of the grants (2004-DD-BX-1468 and 2006-DD-BX-0517) had a total of one or two transactions each. For these grants, we selected all of the expenditure transactions for our testing. For the remaining two grants in our scope (2004-DD-BX-1452 and 2006-DD-BX-0394), we selected 25 expenditures composed of 12 of the highest dollar transactions for each grant; the remaining transactions were judgmentally selected. The following exhibit provides a summary of our sample selection.

**EXHIBIT 3
SUMMARY OF EXPENDITURE SAMPLE SELECTION**

Category	GRANT NUMBERS				Totals
	2004- DD-BX-1452	2004- DD-BX-1468	2006- DD-BX-0394	2006- DD-BX-0517	
Total Transactions	86	1	223	2	312
Transactions Tested	25	1	25	2	53
Percentage of Transactions Tested	29%	100%	11%	100%	17%
Total Grant Expenditures ⁵	\$382,208	\$98,948	\$98,020	\$74,072	\$653,248
Total Grant Expenditures Tested	\$313,632	\$98,948	\$48,170	\$74,072	\$534,822
Percentage Of Grant Expenditures Tested	82%	100%	49%	100%	82%

Sources: OIG analysis of Las Vegas's grant expenditures

We generally found that the sample transactions we selected and tested were accurately recorded in the accounting records, properly authorized, and adequately supported. However, we identified two exceptions: the first relates to Grant 2006-DD-BX-0517 and Las Vegas's contract with Urban Environmental Research, LLC (UER); and the second relates to Grants 2004-DD-BX-1452 and 2006-DD-BX-0394 and the misclassification of expenditures. We describe both exceptions in more detail below.

Urban Environmental Research

In September 2006, OJP awarded a \$74,072 grant to Las Vegas (2006-DD-BX-0517) to have an unspecified engineering firm create a comprehensive engineering plan for the construction of a regional public safety complex. The design was to be based on a pre-existing

⁵ For Grants 2004-DD-BX-1452 and 2006-DD-BX-0394, the total grant expenditures were less than the award amounts. As of May 2008, both of these grants had ended and the differences between the total grant expenditures and the award amounts were deobligated by OJP.

"business plan" that was commissioned in April 2005 for the construction of a public safety and training facility.⁶

At the time the OJP grant was awarded, Las Vegas already had a separate \$40,000 contract with UER to design a web-based early warning monitoring system. This project was related to the federal government's plans to store nuclear waste approximately 90 miles northwest of the City of Las Vegas, in Nevada's Yucca Mountain.⁷ In a related matter, the Clark County Nuclear Waste Division had commissioned a feasibility study also with UER for a regional emergency operations center, which was issued in October 2006.

Shortly after the release of the UER's feasibility study for Clark County, Las Vegas submitted a request to OJP to modify the purpose of the grant. Instead of using the funds for an engineering plan, Las Vegas told OJP that it wanted to use the grant to revise an "existing project business plan to incorporate additional critical facilities including a regional emergency operations center, regional intelligence fusion center, and a regional 9-1-1 public safety dispatch center." On December 1, 2006, OJP approved this request to modify the grant's purpose without any adjustments to the award amount.

Rather than solicit bids and award a new contract to revise an existing business plan, Las Vegas decided to modify its existing \$40,000 contract with UER. On January 3, 2007, with the city council's approval, Las Vegas modified its contract with UER to include additional work—develop a business plan for a regional emergency operation center in the amount of \$74,072. Las Vegas officials justified their decision to modify an existing contract with UER rather than award a new contract by referring to the "Scope of Services" section in the existing UER contract. The "Scope of Services" section stated that UER was required to "provide briefings, presentations, and other support as requested by the City." Las Vegas officials interpreted this clause as allowing it to increase the amount of the

⁶ Las Vegas' grant application stated, "Work completed to date on this project includes completion of a comprehensive business plan performed by The Interact Group of Lake Forest, California."

⁷ In 1982, the U.S. Congress passed the Nuclear Waste Policy Act of 1982 (NWPA), which required the establishment of regional nuclear waste repositories, and also established a repository site screening process. In 1987, Congress amended the NWPA, designating Yucca Mountain, Nevada as the nuclear waste repository site for the Western United States. Congress's designation of Yucca Mountain as a nuclear repository spawned multiple environmental impact studies and numerous lawsuits filed on behalf of state, local, and tribal communities affected by the designation. The Department of Energy estimates that the Yucca Mountain facility will not be operational until 2020 at the earliest.

contract by approximately 200 percent and include a deliverable that was completely unrelated to the original contract.

Based on our review of the original contract and its "Scope of Services," we believe that Las Vegas's reference to UER providing briefings, presentations, and other support as specified by Las Vegas was in reference to the development of a web-based early warning monitoring system and not related to the revision of a business plan for an emergency response facility. Use of this language to justify the expansion of activities well beyond the scope of the original contract was not appropriate. In our judgment, the task of revising an existing business plan represented a significant change in the scope of work that it should have been handled in accordance with Nevada's Revised Statutes.⁸ Nevada's Revised Statutes requires contracts exceeding \$50,000 to go through a bidding process. Moreover, Las Vegas's Purchasing and Contracting officials agreed with our assessment and stated that this contract should have gone through the city's contract bidding process. Given Las Vegas's failure to adhere to State contracting requirements, we consider the \$74,072 in grant expenditures unallowable and therefore we question this amount.

Additionally, the grant expenditures for this contract included two payments totaling \$74,072. However, the support for these expenditures did not include a required statement from UER that none of the costs had been previously billed to Las Vegas. As a result, we consider the two expenditures totaling \$74,072 as being inadequately supported.

Furthermore, UER was required under the contract's modified scope of work to deliver on seven business elements when it revised an existing business plan. However, we found that UER only delivered on five of the seven business elements. The missing elements related to a cost-benefit analysis and a requirement to provide a framework and reporting structure for managing recurring operations. Given the lack of adequate support and missing deliverables, we consider the \$74,072 in grant expenditures as inadequately supported and therefore we question this amount.

Las Vegas's oversight of the contractor UER is discussed in more detail in the Monitoring of Contractors section of this report.

⁸ Nevada Revised Statutes § 332.039 requires that "a government body or its authorized representative shall advertise all contracts for which the estimated annual amount required to perform the contract exceeds \$50,000."

Other Grant Related Expenditures

We also identified four transactions related to Grant 2004-DD-BX-1452 and one transaction related to Grant 2006-DD-BX-0394 that were inaccurately classified in Las Vegas's accounting records. Las Vegas classified the four expenditures totaling \$40,250 for Grant 2004-DD-BX-1452 as professional services, tools, and a personal computer when in fact these grant expenditures were for the purchase of equipment, software, and a laptop computer, respectively. Likewise, Las Vegas classified a \$20,000 payment for Grant 2006-DD-BX-0394 as direct client services when in fact it should have been classified as professional services.

Las Vegas officials agreed with our finding and attributed the errors to inaccurate information provided by program officials. Las Vegas officials went on to explain that because these transactions were recorded in a previous fiscal year and that period had already been closed within its financial accounting system at the time of our audit, it could not make entries into their system to correct these inaccurate transactions. We recommend that Las Vegas ensure that grant-related expenditures are properly coded and classified.

Indirect Costs

We reviewed the OJP-approved budgets, grant documents, and Las Vegas's accounting records and found that Las Vegas did not have indirect costs for any of the four grants audited.

Accountable Property

The *OJP Financial Guide* states that award recipients are "required to be prudent in the acquisition and management of property with Federal funds." Las Vegas budgeted for equipment purchases in two of the four grants we audited (2004-DD-BX-1452 and 2004-DD-BX-1468). We selected 12 property items that included a web-based emergency operations software application; video-conferencing equipment; laptop computers; an automated jail management system application; a video-graphics device for broadcasting emergency information; and a communication signal repeater.

Las Vegas had an accountable property policy that defined fixed assets as equipment with a value of \$5,000 or more and a useful life of 2 years or more. Las Vegas's policy also required certain "sensitive" and IT-related equipment, such as cellular phones, personal computers and pagers to be recorded in its property records.

We physically verified the existence of all 12 property items that we selected. In addition, we verified that Las Vegas maintained property records and all 12 items were recorded in those records. Further, Las Vegas identified in its property records grant-purchased property items as being federally funded, in accordance with the *OJP Financial Guide*.

Matching Costs

We reviewed the individual grant applications and awards and found that OJP did not require matching contributions from the grantee. However, the approved budget for Grant 2006-DD-BX-0394 indicated that local funding was required in order for Las Vegas to complete the grant-funded project. According to OJP, if local funding is included in the approved budget, then the grantee is required to include those expenditures in the FSR. We found that Las Vegas properly reported its locally funded expenditures for this grant and maintained adequate support.

Monitoring of Contractors

The *OJP Financial Guide* states that grantees are required to "...ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements." Additionally, Title 28 CFR § 66.36 requires that grantees "maintain a contract administration system which ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders."

In the Grant Expenditures section of this report, we described Las Vegas's contract with UER and several concerns that we identified through our audit. Specifically, we stated that the manner in which Las Vegas modified an existing contract with UER to accomplish the revised grant objective was unallowable in that it did not comply with state contracting requirements. Further, we stated that UER's invoices lacked required statements as required by the contract. Lastly, we noted that UER did not fulfill two of the seven elements that were specified as deliverables in the contract. Based on these findings, we are questioning the entire amount of the grant.

Las Vegas stated in its grant application for Grant 2006-DD-BX-0517 that it would monitor its contractor's progress through three conferences, or working-group meetings. At these meetings, the contractor (UER), discussed with officials from Las Vegas and neighboring communities its progress relating to the regional public safety complex. Based on our review of documentation, Las Vegas participated in these three conferences.

However, we did not see how Las Vegas's participation in these conferences amounted to proper monitoring of its contractor, UER. Besides participating in these conferences, we found no evidence that Las Vegas conducted any monitoring of UER. Couple this with our findings in the Grants Expenditures section, we believe that Las Vegas failed to properly monitor its contractor, UER.

At the time of our audit, Las Vegas's Program Manager for Grant 2006-DD-BX-0517 and the related UER contract was not the manager over the grant project when the contract was awarded; she became manager over the project after substantial elements of the grant project had already occurred. Therefore, the manager explained that she was unaware of any policies that required pre-award evaluation of UER's financial management system.

Las Vegas's City Auditor informed us that it conducted at least three audits of the City of Las Vegas in 2009 and concluded that it lacked a comprehensive written policy and procedures relating to contract monitoring. As a result, the Las Vegas City Auditor recommended that Las Vegas develop a comprehensive policy and procedures on contract-monitoring. We agree with the recommendation from Las Vegas's City Auditor on the development of a comprehensive policy on the monitoring of contractors. Such a policy would ensure that Las Vegas receives goods and services provided through contractors based on the terms of the contracts and in accordance with its financial management requirements.

Reporting Requirements

According to the *OJP Financial Guide*, award recipients are required to submit both Financial Status Reports (FSR) and Progress Reports. These reports describe the status of the funds, compare actual accomplishments to the objectives of the grant, and report other pertinent information. We reviewed both types of reports submitted by Las Vegas to determine whether each type was accurately and timely submitted to OJP for the grants in our audit.

Financial Status Reports

According to the *OJP Financial Guide*, FSRs should be submitted no later than 45 days after the last day of the quarter. However, the "final" FSR is due 120 days after the "end date" of the award.

We reviewed the quarterly FSRs submitted for the last four quarters of each of the four grants under review (total of 16 FSRs) to determine

whether Las Vegas timely submitted to OJP accurate FSRs. As a result of our review, we found that Las Vegas did not submit 3 FSRs and another 3 FSRs were submitted anywhere from 7 to 57 days late.

**EXHIBIT 4
FINANCIAL STATUS REPORT HISTORY**

REPORT PERIOD FROM - TO DATES	FSR DUE DATES	DATE SUBMITTED	DAYS LATE
GRANT NUMBER: 2004-DD-BX-1452			
10/01/06 – 12/31/06	02/14/07	02/07/07	0
01/01/07 – 03/31/07	05/15/07	04/17/07	0
04/01/07 – 06/30/07	08/14/07	07/17/07	0
07/01/07 – 09/30/07(f) ⁹	11/28/07	11/27/07	0
GRANT NUMBER: 2004-DD-BX-1468			
07/01/05 – 09/30/05	11/14/05	10/17/05	0
10/01/05 – 12/31/05	02/14/06	04/12/06	57
01/01/06 – 03/31/06	05/15/06	Not Submitted	N/A
04/01/06 – 06/30/06(f)	10/28/06	Not Submitted	N/A
GRANT NUMBER: 2006-DD-BX-0394			
01/01/07 – 03/31/07	05/15/07	05/14/07	0
04/01/07 – 06/30/07	08/14/07	07/24/07	0
07/01/07 – 09/30/07	11/14/07	11/21/07	7
10/01/07 – 12/31/07(f)	04/30/08	03/28/08	0
GRANT NUMBER: 2006-DD-BX-0517			
10/01/06 – 12/31/06	02/14/07	01/29/07	0
01/01/07 – 03/31/07	05/15/07	Not Submitted	N/A
04/01/07 – 06/30/07	08/14/07	07/11/07	0
07/01/07 – 09/30/07(f)	01/28/08	03/04/08	36

Source: OJP and Las Vegas

In addition, we noted that for two of the grants we reviewed, Las Vegas failed to submit FSRs on a quarterly basis, but rather submitted FSRs that covered multiple periods. For example, for Grant 2006-DD-BX-0517, Las Vegas submitted one FSR in July 2007 covering the 6-month period from January 1, 2007, through June 30, 2007, instead of two FSRs for each quarterly period. According to a Las Vegas

⁹ The notation "(f)" in Exhibit 4 designates the final Financial Status Report.

official, Grant 2006-DD-BX-0517 ended early and the official believed that there was no need to submit FSRs during the remaining quarters of the grant period because there was no grant activity. Las Vegas received a reminder from OJP on that particular grant and as a result filed the final FSR late. In total, the grantee failed to submit 3 of the 16 quarterly FSRs required during the sample review period. We recommend that Las Vegas implement procedures to ensure that it timely submits FSRs to OJP.

Progress Reports

The purpose of the Categorical Assistance Progress Report (Progress Report) is to describe the activities or accomplishment of objectives set forth in the grant award documents. According to the *OJP Financial Guide*, Progress Reports are due to OJP within 30 days after the end of a reporting period. For each of the four grants we audited, Progress Reports were required for every semiannual period ending June 30th and December 31st. Unless otherwise noted, the final Progress Report was due 120 days after the grant end date.

In total, we reviewed 18 Progress Reports for the 4 grants in our audit to determine whether Las Vegas timely submitted to OJP accurate Progress Reports. We determined that nearly all of the Progress Reports in our sample were submitted late, sometimes significantly late. As shown in Exhibit 5, Las Vegas was late in submitting 14 of the 18 sampled Progress Reports and there was one instance of Las Vegas failing to submit to OJP a Progress Report. The degree of late reporting ranged from 15 days to 258 days.

**EXHIBIT 5
PROGRESS REPORT HISTORY**

REPORT #	REPORT PERIOD FROM TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
GRANT NUMBER: 2004-DD-BX-1452				
3	07/01/05-12/31/05	01/30/06	07/18/06	169
4	01/01/06-06/30/06	07/30/06	11/29/06	122
5	07/01/06-12/31/06	01/30/07	03/30/07	59
6	01/01/07- 06/30/07	07/30/07	08/14/07	15
7	07/01/07- 07/31/07(f) ¹⁰	11/28/07	04/30/08	154
GRANT NUMBER: 2004-DD-BX-1468				
1	07/01/04-12/31/04	01/30/05	05/09/05	99
2	01/01/05-06/30/05	07/30/05	04/14/06	258
3	07/01/05-12/31/05	01/30/06	04/14/06	74
4	01/01/06- 06/30/06	07/30/06	08/22/06	23
5	01/01/06- 06/30/06(f)	10/28/06	08/29/06	0
GRANT NUMBER: 2006-DD-BX-0394				
1	07/01/06-12/31/06	01/30/07	03/03/07	32
2	01/01/07-06/30/07	07/30/07	07/12/07	0
3	07/01/07-12/31/07(f)	04/29/08	04/11/08	0
GRANT NUMBER: 2006-DD-BX-0517				
1	10/01/05 – 12/31/05	01/30/06	Not Submitted	N/A
2	01/01/06-06/30/06	07/30/06	03/30/07	243
3	07/01/06-12/31/06	01/30/07	03/30/07	59
4	01/01/07-06/30/07	07/30/07	08/14/07	15
5	07/01/07- 09/30/07(f)	01/28/08	04/30/08	93

Source: OJP

We asked Las Vegas program managers responsible for each of the grants to explain both the degree and frequency of late Progress Report submissions. With regard to Grants 2004-DD-BX-1452 and 2006-DD-BX-0517, the Program Manager indicated that both of the grants had ended and both were administered by her predecessor who had resigned from Las Vegas prior to her arrival. Consequently, she could not provide us with an explanation as to why the reports were consistently submitted late. The program managers for Grants 2004-DD-BX-1468 and

¹⁰ The notation "(f)" in Exhibit 5 designates the Final Progress Report.

2006-DD-BX-0394 acknowledged that Las Vegas's staff submitted these reports late.

We selected a judgmental sample of facts from Las Vegas's two most recent semi-annual Progress Reports for each of the four grants we audited and we attempted to verify the facts contained therein.

For Grant 2004-DD-BX-1468, we reviewed the grant application, performance measures, and support related to the implementation of the automated jail management system. As a result, we found that the submitted Progress Reports accurately reflected Las Vegas's activities and accomplishments related to the grant.

For Grants 2004-DD-BX-1452 and 2006-DD-BX-0517, we found that Las Vegas did not maintain support for what was included in its Progress Reports for these two grants. Las Vegas's Program Manager explained that both of the grants were administered by her predecessor and both grants had ended prior to her arrival. Since her predecessor maintained scant documentation related to these grants, she could not provide us with documentation to support the facts contained in the Progress Reports.

For Grant 2006-DD-BX-0394, we found that the final Progress Report submitted for Las Vegas's Chronic Inebriate Program was not adequately supported. Specifically, we identified the following discrepancies:

- Las Vegas stated in its final Progress Report that 96 clients were enrolled in the Chronic Inebriate Program; however, supporting documentation indicated that 93 clients were enrolled in the program. Based on our discussions with Las Vegas officials and our review of a sample of individual case files, we determined that the underlying spreadsheet that showed 93 clients as enrolled in the program was incorrect and that the number reported in the Progress Report was the correct figure.

The Program Manager for the Chronic Inebriate Program attributed this discrepancy to human error involving input and coding errors in a program-specific spreadsheet. The Program Manager provided to us an updated spreadsheet that reconciled to the Progress Report.

- Our review of program data showed that the recidivism rate for participants was 42 percent, slightly above the goal of 40 percent. However, Las Vegas in its final Progress Report did not explain why its grant program did not meet this goal. A Las Vegas official agreed that there should have been an explanation in the final

Progress Report for why the grant program did not meet the recidivism goal of 40 percent.

- Additionally, we learned that data reported in Progress Reports were gathered from case files of program clients. We judgmentally selected 10 client files for review and found missing and discrepant data in all of our samples. We describe in more detail the specific inaccuracies in the Program Objectives section of this report. The program manager attributed these inaccuracies to human error in the data input process.

The discrepancies and inconsistency of the data maintained by Las Vegas in support of its Chronic Inebriate Program Progress Reports precluded us from evaluating the effectiveness of that grant-funded program. In addition, we were unable to evaluate the information reported to OJP in Las Vegas's Progress Reports to determine if the Chronic Inebriate Program met its grant goals and objectives.

Compliance with Grant Requirements

We reviewed the award documentation for the four grants we audited to identify any additional special requirements that Las Vegas was required to adhere to as a condition of these awards. Our review showed that there were no other special requirements specified in the award documentation for the four grants in our scope.

Program Objectives

According to the award documentation, the purposes of the four grants awarded to Las Vegas, were as follows:

- 2004-DD-BX-1452 – enhance the Las Vegas's interoperable communications system,
- 2004-DD-BX-1468 – upgrade the mainframe based Jail Management System with the Offendertrak system,
- 2006-DD-BX-0394 – develop a program for services to those individuals who are chronic inebriates, and,
- 2006-DD-BX-0517 – hire a private engineering firm to create the required design plans for a new regional public safety complex.

We were able to verify that program objectives were achieved for all of the grants reviewed, except for grant 2006-DD-BX-0394. In our review of case files for the Chronic Inebriate Program, we found that 10 of the 10 case files selected for review had inaccurate or incomplete supporting documentation. As a result, we were unable to determine whether program objectives were achieved.

Las Vegas's Chronic Inebriate Program policy manual and grant application identified specific requirements for the services that each program client should have received as well as the documentation that should have been prepared and maintained in the case files. We found numerous discrepancies between the contents of the case files and the requirements identified in the Chronic Inebriate Program policy manual and the grant application.

Specifically, we found that: (1) 5 of the 10 case files reviewed lacked proper documentation to show that clients were eligible for the program (i.e., age 18 or older); (2) all 10 case files lacked evidence of frequent arrests, convictions, or incarcerations; (3) 6 of the 10 case files lacked documentation to support that the client was a legal citizen of the United States; (4) 9 of the 10 case files lacked documentation related to the required client service strategy; (5) 4 of the 10 case files did not have completed registration and application forms; (6) all 10 cases had no evidence that long term goals were created nor explanations of how performance would be measured; and (7) 7 of the 10 case files reviewed had incomplete, inaccurate, or no reference to the client's name in the case file notes.

According to the Las Vegas Program Manager, the case worker who was assigned to the cases selected for our review did not adequately complete or maintain case file documentation. He informed us that the caseworker's supervisor was aware of this issue and was addressing the matter with the employee through regular case file reviews and performance evaluations. Based on the missing and inaccurate data we found in our review, we recommend that Las Vegas maintain accurate program information and documentation to support grant program performance and accomplishments.

Conclusion

For the four grants in our scope, we examined Las Vegas's grant-related accounting records, FSRs, Progress Reports, and operating policies and procedures. We found that Las Vegas's financial management system

generally provides for adequate recording and reporting of grant-related activities.

We reviewed 53 transactions from the four grants and generally found that they were properly authorized, supported, and accurately recorded in the accounting records. However, we found several misclassified entries. Furthermore, for one of the four grants (2006-DD-BX-0517), we found that Las Vegas did not follow state regulations when it modified an existing contract instead of soliciting new bids. For this grant, Las Vegas also did not have adequate support for payments made on the contract and the contractor did not deliver on all elements of the contract. As a result, we question \$74,072 in payments to this contractor as being unallowable and inadequately supported. Furthermore, we found deficiencies in Las Vegas's monitoring and oversight of its contractor associated with Grant 2006-DD-BX-0517.

Our review also showed that Las Vegas submitted 14 of its 18 Progress Reports late, one of which was also inaccurate, and it failed to submit one Progress Report as required. Similarly, Las Vegas submitted to OJP three Financial Status Reports late and it failed to submit three Financial Status Reports as required.

Furthermore, we could not determine whether Las Vegas achieved its program objectives for one of the grants we reviewed (2006-DD-BX-0394), because of inaccurate and missing information. Altogether, we made seven recommendations to OJP to address these findings.

Recommendations

We recommend that OJP:

1. Remedy \$74,072 in questioned costs related to the unallowable method in which Las Vegas's contracted with UER to achieve revised grant objectives.
2. Remedy \$74,072 in questioned costs related to inadequately supported payments and the failure of the contractor to deliver on all contract requirements.
3. Ensure that Las Vegas properly codes and classifies grant-related transactions.
4. Ensure that Las Vegas develops a comprehensive policy and procedures related to monitoring contractors.

5. Ensure that Las Vegas timely submits all Financial Status Reports and Progress Reports.
6. Ensure that Las Vegas submits accurate Financial Status Reports and Progress Reports.
7. Ensure that Las Vegas maintains program information and documentation to support grant program performance and accomplishments.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether reimbursements claimed for costs under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grants. Accordingly, we did not attach a separate statement on compliance with laws and regulations or a statement on management controls to this report. Our audit was of Las Vegas administration of OJP grants 2004-DD-BX-1452, 2004-DD-BX-1468, 2006-DD-BX-0394, and 2006-DD-BX-0517 and our audit concentrated on, but was not limited to, the period from August 1, 2004, through December 31, 2007.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and specific program guidance. We tested Las Vegas's grant activities in the areas of budget management and control, drawdowns, grant expenditures, matching costs, monitoring of contractors, reporting requirements, compliance with grant requirements, and program objectives. We determined that indirect costs, program income, and management of sub-grantees were not applicable to this audit.

We conducted our testing by selecting a judgmental sample of grant-related transactions. It was not our intention to project the results of our sample to the entirety of each grant. We did not test internal controls for Las Vegas taken as a whole, but rather we performed limited testing of internal controls only for the grant programs administered by Las Vegas.

An independent Certified Public Accountant conducted an audit of Las Vegas's financial statements. The results of this audit were reported in the Single Audit Reports that accompanied the Independent Auditor's Reports for the year ending June 30, 2009. The Single Audit Reports were prepared under the provisions of the Office of Management and

Budget Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to Las Vegas or federal programs. The independent auditor's assessment did not identify any material internal control weaknesses or compliance issues related to Las Vegas or federal programs.

In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and Financial Status Reports. However, we did not test the reliability of the grantee's financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines. We also performed limited testing of information obtained from OJP's Grants Management System (GMS) and found no discrepancies. We thus have reasonable confidence in the GMS data for the purposes of our audit. However, the OIG has not performed tests of the GMS system specifically, and we therefore cannot definitively attest to the reliability of GMS data.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS	<u>AMOUNT</u>	<u>PAGE</u>
Unallowable Costs:		
Unallowable Contract	\$ 74,072	11
 Unsupported Costs:		
Inadequately supported contract payments and failure to deliver on contract requirements	<u>\$ 74,072</u>	11
 Subtotal Gross Questioned Costs	 \$148,144	
Less Amount Greater Than Award	<u>\$ (74,072)</u>	
TOTAL QUESTIONED COSTS	<u>\$ 74,072</u>	
 TOTAL DOLLAR-RELATED FINDINGS	 <u><u>\$ 74,072</u></u>	

Questioned Costs are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

GRANTEE RESPONSE



LAS VEGAS CITY COUNCIL

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MAYOR

GARY REESE
MAYOR PRO TEM

STEVE WOLFSON

LOIS TARKANIAN

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FM-0044-08-03

December 10, 2010

David J. Gaschke, Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
San Francisco Regional Audit Office
1200 Bayhill Drive, Suite 201
San Bruno, CA 94066

Dear Mr. Gaschke:

Please find our response to the draft audit report on the audit of the Office of Justice Programs (OJP) Edward Byrne Memorial Justice Assistance Grant Program grants awarded to the city. The audit by the Office of the Inspector General (OIG) Audit Division on four Edward Byrne Memorial Justice Assistance Grant (JAG) grants resulted in seven recommendations. Each recommendation will be addressed separately below.

Recommendations

1. Remedy \$74,072 in questioned costs related to the unallowable method in which Las Vegas' contracted with UER to achieve revised grant objectives.

Response: OIG maintains the city did not follow Nevada Revised Statutes (NRS) in modifying an existing UER contract to include work funded from a JAG grant and the work should have been competitively bid. NRS 332.039 1 (a) is cited in part "a government body or its authorized representative shall advertise all contracts for which the estimated annual amount required to perform the contract exceeds \$50,000." NRS 332.039 1 begins with "Except as otherwise provided by specific statute," then lists the conditions when bids on contracts must be advertised.

The exemptions referred to at NRS 332.039 to the bidding requirements are spelled out at NRS 332.115. Section 1 of 332.115 reads in part "Contracts which by their nature are not adapted to award by competitive bidding, including contracts for: (b) Professional services."

UER is a professional consulting firm offering services to the private and public sectors in such areas as strategic planning, economics, statistics and homeland security. We believe UER falls within the exemption from competitive bidding requirements listed at NRS 332.115 1.(b).

2. Remedy \$74,072 in questioned costs related to inadequately supported payments and the failure of the contractor to delivery on all contract requirements.

Response: Invoices from UER did not contain a statement required in the contract that none of the costs had been previously billed to Las Vegas. We feel the inclusion of this statement in the UER contract was an inadvertent carry over from a prior contract and is not material to the performance on the contract grant funds were used for. The city strongly maintains the omission of this statement from the UER invoices did not negatively impact the achievement of program objectives.

Additionally, OIG states UER delivered on only five of the seven required business elements in the contract. The two missing elements relate to a cost-benefit analysis and a requirement to provide a framework and reporting structure for managing recurring operations. UER has been contacted and responded it is willing to complete work on these two business elements to the satisfaction of the city and OJP.

3. Ensure that Las Vegas properly codes and classifies grant-related transactions.

Response: Steps will be taken to ensure all future OJP grant-related expenditures are properly coded and classified. A crosswalk will be established between the Las Vegas accounting system to properly code and classify grant expenditures in accordance with grant requirements.

It should be noted all transactions identified by OIG as miscoded were for services and supplies. None resulted in a mis-statement of expenses to OJP or on the city's published financial statements.

4. Ensure that Las Vegas develops a comprehensive policy and procedures related to monitoring contractors.

Response: The policy is currently under review by city management with an anticipated release date in the first quarter of 2011. Implementation will be phased in over six to twelve months to coincide with the release of a new Oracle Contracts module.

5. Ensure that Las Vegas timely submits all Financial Status Reports and Progress Reports.

Response: The city acknowledges Progress Reports were not submitted timely on the grants reviewed. The person assigned responsibility for this task is no longer with the city and steps will be taken to ensure Progress Reports are timely submitted on future OJP grants.

U. S. Department of Justice
December 13, 2010
Page 3

A column will be added to the Monthly Billing Recap sheet maintained by Finance on the financial reporting of all grants, indicating which are awards received directly from the federal government. This will facilitate the monitoring of all direct awards to ensure Financial Status Reports are timely filed.

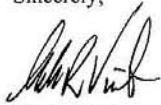
6. Ensure that Las Vegas submits accurate Financial Status Reports and Progress Reports.

Response: The city agrees with the recommendation and will put processes into place to ensure future reports are accurately filed. A check list will be established to insure accurate supporting documentation is maintained and reviewed regularly.

7. Ensure that Las Vegas maintains program information and documentation to support grant program performance and accomplishments.

Response: The above recommendation relates to one of the four grants reviewed, program performance and accomplishment was verified on the remaining three grants. The city acknowledges case files were not properly maintained on the one grant. The person assigned responsibility for reviewing the case files is no longer with the city. Before the city accepts any grant funding in the future for projects which entail extensive monitoring of program participants, procedures will be developed and Caseworkers trained on the necessary documentation requirements.

Sincerely,



Mark R. Vincent
Chief Financial Officer

DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

DEC 15 2010

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
Office of the Inspector General
San Francisco Regional Audit Office

FROM: *for* Maureen A. Henneberg *Jeffrey Atch*
Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grant Program Grants Awarded to the City of Las Vegas, Nevada*

This memorandum is in response to your correspondence, dated November 19, 2010, transmitting the subject draft audit report for the City of Las Vegas, Nevada (Las Vegas). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **seven** recommendations and **\$74,072** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

- We recommend that OJP remedy the \$74,072 in questioned costs related to the unallowable method in which Las Vegas' contracted with Urban Environmental Research, LLC (UER) to achieve revised grant objectives.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain documentation regarding the questioned expenditures, and will request a final determination from the Bureau of Justice Assistance (BJA) regarding the allowability of the method in which Las Vegas contracted with Urban Environmental Research, LLC, to achieve revised grant objectives under grant number 2006-DD-BX-0517. If the expenditures are determined to be unallowable, we will request that Las Vegas return the funds to the U.S. Department of Justice (DOJ), and submit a revised final Federal Financial Report (FFR) for the grant.

2. **We recommend that OJP remedy the \$74,072 in questioned costs related to inadequately supported payments and the failure of the contractor to deliver on all contract requirements.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain documentation regarding the questioned expenditures, and will request a final determination from BJA regarding the allowability of the modified scope of work required under grant number 2006-DD-BX-0517. If the expenditures are determined to be unallowable, we will request that Las Vegas return the funds to the DOJ, and submit a revised final FFR for the grant.

3. **We recommend that OJP ensure that Las Vegas properly codes and classifies grant-related transactions.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that grant-related transactions are properly coded and classified in its accounting system.

4. **We recommend that OJP ensure that Las Vegas develops a comprehensive policy and procedures related to monitoring contractors.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain a copy of its comprehensive policies and procedures for ensuring that contractors are properly monitored.

5. **We recommend that OJP ensure that Las Vegas timely submits all Federal Financial Reports (FFRs) and Progress Reports.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that quarterly FFRs and annual progress reports are timely submitted to the DOJ.

6. **We recommend that OJP ensure that Las Vegas submits accurate FFRs and progress reports.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that information reported in FFRs and progress reports is accurate before submission to the DOJ.

7. **We recommend that OJP ensure that Las Vegas maintains program information and documentation to support grant program performance and accomplishments.**

We agree with the recommendation. We will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that documentation to support program performance and accomplishments is maintained.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

James H. Burch, II
Acting Director
Bureau of Justice Assistance

Amanda LoCicero
Audit Liaison
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Richard Theis
Assistant Director
Audit Liaison Group
Justice Management Division

OJP Executive Secretariat
Control Number 20102187

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to Las Vegas and OJP. Las Vegas's and OJP's responses are incorporated in Appendices III and IV, respectively, of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation Number:

1. **Resolved.** OJP concurred with our recommendation to remedy the \$74,072 in questioned costs relating to Las Vegas's improper method of contracting. However, Las Vegas disagreed with this finding and related recommendation.

Specifically, in its response, Las Vegas stated that the Nevada Revised Statutes § 332.115 allows for exemptions to the criteria that we cited in our report, if the contract is for professional services. Las Vegas stated that its contractor, UER, is a professional consulting firm and thereby should be considered exempt from competitive bidding requirements as found in the Nevada Revised Statutes § 332.039.

As we state in the Grant Expenditures section of our report, for Grant 2006-DD-BX-0517, Las Vegas chose to modify an existing contract rather than go through a competitive bidding process as we understand should have been done according to the Nevada Revised Statutes § 332.039. Further, although Las Vegas claims that UER is a professional consulting firm and thereby should be exempt from competitive bidding, Nevada Revised Statute § 89.020-10 defines "professional service" as "any type of personal service which may legally be performed only pursuant to a license, certificate of registration or other legal authorization." Based on our review, we did not find that UER met the Nevada Revised Statute's definition for professional service, because the consulting provided by UER does not require a professional license. Therefore, UER was not exempt from competitive bidding as required by the Nevada Revised Statute.

In its response, OJP stated that it will coordinate with Las Vegas to obtain documentation on the questioned expenditures; and request a final determination from the BJA on the allowability of

Las Vegas's method of procuring UER's services under Grant 2006-DD-BX-0517. This recommendation can be closed when OJP has provided us with evidence that: (a) BJA has made a determination on the allowability of Las Vegas's method of procuring UER's services and (b) funds determined to be unallowable have been remedied.

2. **Resolved.** OJP concurred with our recommendation to remedy the \$74,072 in questioned costs relating to inadequately supported payments and the failure of the contractor to deliver on all contract requirements. However, Las Vegas disagreed with part of this finding and related recommendation.

As we describe in the Grants Expenditure section of this report, for Grant 2006-DD-BX-0517, Las Vegas paid the invoices that it received from its contractor, UER, even though those invoices lacked a required certification statement. Las Vegas's contract with UER required that UER certify with a statement on its invoices that none of the costs that UER has included in its invoices have been previously billed to Las Vegas.

In its response, Las Vegas stated that the required certification statement was a carry-over from a "prior contract" and was not material to the performance of the contract-modification. However, we found that the certification statement originated in Las Vegas's original contract with UER and when that contract was modified to incorporate the revised goals of Grant 2206-DD-BX-0517, Las Vegas did not delete the certification requirement. Therefore, we view the requirement for the certification statement on UER's invoices as being in effect and valid after the contract was modified. Further, based on Las Vegas's scant monitoring of its contractor, UER, we believe that this certification statement constituted a necessary control to provide some assurance that UER's billings were accurate.

In its response, OJP stated that it will coordinate with Las Vegas to obtain documentation on the questioned expenditures and request a final determination from the BJA. In addition, Las Vegas stated that the contractor, UER, is willing to complete work on the two missing business elements that we identified in our audit. This recommendation can be closed when OJP has provided us with evidence that: (a) the BJA has made a determination on the unsupported expenditures; (b) funds determined to be

unsupported have been remedied; and (c) missing business elements have been fulfilled by the contractor.

3. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that grant-related transactions are properly coded and classified in its accounting system. Similarly, Las Vegas stated that steps would be taken to ensure grant expenditures are properly coded and classified. This recommendation can be closed when OJP provides us with a copy of Las Vegas's procedures that have been implemented to ensure accurate coding and classification of grant-related transactions in its accounting system.
4. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Las Vegas to obtain a copy of its comprehensive policies and procedures for ensuring that contractors are properly monitored. Las Vegas stated that this policy is currently under review and is expected to be released in the first quarter of 2011, and implemented in phases over 6 to 12 months. This recommendation can be closed when OJP provides us with a copy of Las Vegas's comprehensive policy on monitoring of contractors that has been released and fully implemented.
5. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that quarterly financial and programmatic reports are timely submitted to OJP.¹¹ Las Vegas acknowledged that reports were not submitted in a timely manner by a former employee. In addition, Las Vegas stated that steps would be taken to facilitate the monitoring of federal awards to ensure that required reports are timely submitted to OJP. This recommendation can be closed when OJP provides evidence that Las Vegas has implemented procedures that ensure timely submission of its financial and programmatic reports.
6. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Las Vegas to obtain a copy of implemented procedures that ensure the accuracy of information

¹¹ According to OJP, grantees were required to prepare and submit FSRs through September 30, 2009. As of October 1, 2009, the requirement changed requiring grantees to prepare and submit Federal Financial Reports – a new version of financial reporting. Throughout this report, we refer to either of the reports as FSRs or simply as financial reports.

reported in financial and programmatic reports. Las Vegas also stated that it would establish a process, including a checklist, to ensure that future reports are accurate and adequately supported. This recommendation can be closed when OJP provides us with evidence that Las Vegas has implemented procedures that ensure that accurate and adequately supported financial and programmatic reports are submitted to OJP.

7. **Resolved.** OJP concurred with our recommendation and stated that it will coordinate with Las Vegas to obtain a copy of implemented procedures to ensure that documentation to support program performance and accomplishments is maintained. Las Vegas acknowledged that case files were improperly maintained by a former employee. Furthermore, Las Vegas stated that it would develop procedures and train case workers on necessary documentation requirements for future programs funded by grants. This recommendation can be closed when OJP provides us with evidence that Las Vegas has implemented procedures that ensure information and documentation related to program performance and accomplishments are adequately maintained.