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UNITED STATES SETTLES DISPUTE WITH GRANT RECIPIENT OVER ITS USE AND ACCOUNTING OF FEDERAL FUNDS

PHILADELPHIA - The United States reached a civil settlement today with Drakontas LLC, a for-profit technology company with offices in Glenside, Pennsylvania and Camden, New Jersey, that provides software and communications technology to various markets, including to law enforcement and public safety personnel. Under the settlement agreement, Drakontas LLC agreed to pay \$155,322 to resolve allegations that it improperly spent federal grant funds that it received under cooperative agreements with the United States Department of Justice Office of Justice Programs.

Specifically, the United States contended that during the year 2010, Drakontas LLC's accounting system lacked sufficient detail and did not comply fully with the requirements of the cooperative agreements and, as a result, the company did not accurately record and support all drawdowns of grant funds during that year. In addition, the United States contended that during years 2009 and 2010, Drakontas was reimbursed for certain compensation of high-level company executives that exceeded the amounts permitted under the cooperative agreements.

Drakontas LLC's payment of the settlement amount resolves those accounting problems during year 2010 and the company's payment of excess compensation during years 2009 and 2010.

In addition to the payment of \$155,322, Drakontas LLC agreed to undertake a broad compliance program to ensure proper use and accounting of federal grant funds in the future. For example, for each year in which Drakontas LLC receives federal funds, the company agreed to retain an independent auditing firm to review the company's financial systems, internal controls, grant accounting, and compliance. Drakontas LLC also agreed to designate a Grant Compliance and Quality Assurance Coordinator, report credible evidence of misuse of federal funds, and undergo training on federal grant reporting and the use of federal funds. The settlement agreement requires Drakontas LLC to maintain records of the training and to submit compliance-related documents with any applications for federal grant funds.

The investigation and resulting settlement underscore the need for federal grant recipients to follow the rules for using and tracking grant funds — and, in particular, any rules that limit employee compensation — because grant recipients will be held accountable for mishandling funds. As part of this settlement, Drakontas LLC did not admit to liability or wrongdoing.

The allegations arose from an investigation led by the United States Department of Justice Office of Inspector General. The case was handled by Assistant United States Attorney Michael S. Macko.

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