



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
GRANTS AND COOPERATIVE AGREEMENTS
AWARDED TO THE NATIONAL FORENSIC
SCIENCE TECHNOLOGY CENTER
LARGO, FLORIDA**

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

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EXECUTIVE SUMMARY¹

The U.S. Department of Justice (DOJ) Office of the Inspector General, Audit Division, has completed an audit of Office of Justice Programs (OJP) grants totaling \$48,197,117 awarded to the National Forensic Science Technology Center (NFSTC).

The primary objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) local matching funds; (6) property management; (7) program income; (8) federal financial reports and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of sub-grantees and contractors. We also reviewed conferences sponsored by the NFSTC with DOJ grant funds.

As of November 7, 2013, the grantee had drawn down \$47,525,064 from the 21 grants included in the scope of our audit. Between January 1, 2008, and December 31, 2011, which is the scope of the audit, the NFSTC spent \$41,984,483 from the 21 grants. We examined the NFSTC's accounting records, required financial and progress reports, and operating policies and procedures. We identified several weaknesses in the NFSTC's internal controls, accounting procedures, and reporting practices. We tested \$5,937,782 of expenditures and, based on that testing, we questioned \$105,778 unreasonable expenses. We also questioned \$744,395 in unsupported expenses related to a transfer of funds from one grant to another. Specifically, we found that the NFSTC:

- did not always properly secure grant-funded equipment;
- paid \$105,778 in retroactive salary to employees based on reevaluations of employee job duties;
- allowed an employee to reevaluate her own job duties and recommend a raise for herself;

¹ The Office of the Inspector General redacted portions of Appendix 4 of this report because it contains security concerns about the NFSTC facility and information that may be protected by the Privacy Act of 1974, 5 U.S.C §552(a) or may implicate the privacy rights of identified individuals.

- did not perform regular updates to the budget analysis of actual expenditures to approved budget categories;
- inaccurately reported some information on the semiannual progress report;
- did not maintain complete and accurate documentation supporting training courses;
- did not obtain proper approval from OJP for use of sole source contracts greater than \$100,000 on all grants; and
- improperly transferred \$744,395 in funds from one grant to another without proper support to justify the transfer.

Our report contains 10 recommendations to address the preceding issues, which are discussed in detail in the Findings and Recommendations section of the report. Our audit objective, scope, and methodology are discussed in Appendix 1 of the report.

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INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of 21 Office of Justice Programs (OJP), grants awarded to the National Forensic Science Technology Center (NFSTC).² As shown in Exhibit 1 below, the 21 grants totaled \$48,197,117. The NFSTC received 17 grants from the National Institute of Justice (NIJ) for \$42,210,727; 3 grants from the Bureau of Justice Assistance (BJA) for \$4,750,000; and 1 grant from the Office of Juvenile Justice and Delinquency Prevention (OJJDP) for \$1,236,390.

The NIJ grants were for training, research, technology development, technology assistance, and support for mobile forensic laboratories. The BJA grants were for forensic training within the law enforcement community and improvements to an existing forensic training program. The OJJDP grant supported the continuation and enhancement of an existing cell phone and portable storage forensic training curriculum.

**EXHIBIT 1: OFFICE OF JUSTICE PROGRAMS GRANTS AWARDED
TO THE NATIONAL FORENSIC SCIENCE TECHNOLOGY CENTER**

Grant Number	Start Date	End Date	Grant Amount	Program Office
2007-DD-BX-K072	09/01/2007	09/30/2009	\$1,000,000	BJA
2007-IJ-CX-K023	10/01/2007	09/30/2012	\$8,157,000	NIJ
2007-IJ-CX-K233	01/01/2008	12/31/2009	\$1,000,000	NIJ
2007-MU-BX-K008	11/01/2007	12/31/2011	\$12,200,000	NIJ
2008-DN-BX-K072	01/01/2009	09/30/2011	\$638,080	NIJ
2008-DN-BX-K073	01/01/2009	12/31/2011	\$446,878	NIJ
2008-DN-BX-K186	01/01/2009	12/31/2010	\$689,000	NIJ
2008-DN-BX-K201	01/01/2009	12/31/2010	\$935,514	NIJ
2008-IJ-CX-K405	10/01/2008	06/30/2011	\$450,000	NIJ
2008-LT-BX-K002	09/01/2008	06/30/2010	\$1,931,792	NIJ
2008-MU-MU-K003	11/01/2008	10/31/2010	\$6,000,000	NIJ
2008-MU-MU-K212	10/01/2008	03/31/2010	\$811,431	NIJ

² The NFSTC received cooperative agreements. In this report, we refer to all awards as grants.

Grant Number	Start Date	End Date	Grant Amount	Program Office
2009-D1-BX-K028	01/01/2010	09/30/2013	\$1,750,000	BJA
2009-DN-BX-K197	01/01/2010	12/31/2011	\$580,292	NIJ
2009-DN-BX-K198	01/01/2010	12/31/2011	\$627,321	NIJ
2009-DN-BX-K223	01/01/2010	08/31/2011	\$248,951	NIJ
2010-DD-BX-K009	10/01/2010	09/30/2013	\$2,000,000	BJA
2010-DN-BX-K210	10/01/2010	09/30/2012	\$6,199,989	NIJ
2010-DN-BX-K265	01/01/2011	12/31/2012	\$638,700	NIJ
2010-DN-BX-K266	01/01/2011	12/31/2012	\$655,779	NIJ
2010-MC-CX-K063	07/01/2010	06/30/2013	\$1,236,390	OJJDP
Total			\$48,197,117	

Source: Office of Justice Programs

In September 2009, we audited three NIJ grants awarded to the NFSTC. The audit found internal control weaknesses with the NFSTC's accounting software and requests for drawdowns. It also identified \$252,336 in questioned costs for unsupported, unallowable, and unreasonable grant expenditures. The audit report contained eight recommendations, six of which were closed after OJP provided documentation to support the actions necessary for closure. The remaining two recommendations were combined into one recommendation during the follow-up process and addressed a transfer of funds from one grant to another. Because this recommendation remains open, during this audit we evaluated the NFSTC's actions to address the recommendations. We also assessed the corrective actions implemented by the NFSTC to address the internal control weaknesses we previously identified.

Background

OJP's mission is to increase public safety and improve the administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the art knowledge and practices across America by providing grants for the implementation of these crime-fighting strategies. To support this mission, the NIJ serves as the research, development, and evaluation agency of the Department of Justice and provides knowledge and tools to reduce crime and promote justice through the use of science. BJA provides leadership and assistance to local criminal justice programs that improve and reinforce the nation's criminal justice system with goals to reduce and prevent crime, violence, and drug abuse and to improve the way the criminal justice system functions. OJJDP provides national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization.

The NFSTC is located in Largo, Florida, a municipality in Pinellas County just north of St. Petersburg. The NFSTC is a nonprofit corporation established in 1995 by the American Society of Crime Laboratory Directors to provide services to forensic laboratories.

The initial grants awarded to the NFSTC by OJP were intended to expand the range and scope of services the NFSTC could offer to forensic laboratories. Services provided by the NFSTC include audits of forensic laboratories and training for the forensic community.

Prior to its first OJP grant in April 2000, the NFSTC was a small organization involved in designing curricula for forensic science programs; conducting pre-American Society of Crime Laboratory Directors Laboratory Accreditation Board audits; and presenting workshops on fire debris analysis, laboratory auditing, quality systems, and DNA statistics. Upon receiving OJP grant funds, the NFSTC expanded its staff and began providing forensic science services to the forensic community at no cost to the recipients. Since April 2000, the NFSTC has received 26 OJP grants totaling approximately \$83 million.

OIG Audit Approach

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, the Code of Federal Regulations, Office of Management and Budget (OMB) Circulars, and the grant documents. We tested:

- **Accounting and Internal Controls** to determine whether the grantee had sufficient accounting and internal controls in place for the processing and payment of funds and whether controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **Grant Drawdowns** to determine whether grant drawdowns were adequately supported in accordance with federal requirements;
- **Grant Expenditures** to determine the accuracy and allowability of costs charged to the grant;
- **Budget Management and Control** to examine the amounts budgeted and the actual costs for each approved cost category and determine if the grantee deviated from the approved budget, and if so, if the grantee received the necessary approval;
- **Federal Financial Reports (FFR) and Progress Reports** to determine whether the required reports were submitted on time and accurately reflected grant activity;

- **Property Management** to determine if property items acquired with grant funds are tracked in a system of property records, adequately protected from loss, and used for grant purposes; and
- **Accomplishment of Grant Requirements and Objectives** to determine if the grantee met or is capable of meeting the grant's objectives and whether the grantee collected data and developed performance measures to assess accomplishment of the intended objectives.

We also performed limited work to confirm that the NFSTC did not generate or receive program income and was not required to contribute any local matching funds. Consequently, we performed no testing in these areas.

FINDINGS AND RECOMMENDATIONS

We determined that the NFSTC provided the services as required under the grants but we identified internal control and reporting deficiencies. The NFSTC did not maintain proper supporting documentation for its drawdowns and Federal Financial Reports, and it did not maintain complete documentation for training sessions funded by DOJ grants. The NFSTC paid employees \$105,778 in retroactive salary payments not authorized by OJP, including one instance where the Human Resources Director analyzed her own salary level. We question \$105,778 in unreasonable retroactive payments. The NFSTC lacks proper controls to ensure its staff regularly and accurately compares expenditures to the approved budget to ensure transfers between budget categories do not exceed 10 percent without OJP approval. Consequently, the NFSTC may have exceeded the allowed amount of transfers between budget categories without approval for 7 of the 21 grants. The NFSTC received sole source approval for an event planner for four grants, but used the same event planner on seven other grants and did not obtain sole source approval from OJP. Finally, \$744,395 was improperly transferred from Grant Number 2000-RC-CX-K001 to Grant Number 2006-MU-BX-K002 and, consequently, we question \$744,395 as unsupported.

We performed audit work at the National Forensic Science Technology Centers' office in Largo, Florida, where we obtained an understanding of the accounting system and reviewed a sample of grant expenditures. In addition, we reviewed grant documents, including the application, award, budgets, and financial and progress reports. We also interviewed key National Forensic Science Technology Center personnel.

Accounting and Internal Controls

According to the OJP Financial Guide, grant recipients are required to establish and maintain accounting and internal control systems to account accurately for funds awarded to them. Further, the accounting system should ensure, among other things, the identification and accounting for receipt and disposition of all funds, funds applied to each budget category included in the approved grant, expenditures governed by any special and general provisions, and non-federal matching contributions.

Financial Management System

We conducted a limited review of the NFSTC's financial management system, which included a review of the financial management and reporting processes for funds awarded to the NFSTC, an examination of various grant accounting records and reports prepared by the NFSTC, and interviews with NFSTC personnel

regarding grant expenditures. To verify the NFSTC's financial management and reporting processes, we compared grant drawdowns identified in OJP drawdown records to NFSTC's accounting records. We also compared actual expenditures to the expenditures approved for each budget category. We determined that the NFSTC properly accounted for grant receipts and expenditures by grant.³ We reviewed the NFSTC's grant accounting system and its policies and procedures to assess the NFSTC's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. We identified an area of risk regarding budget management and control, which is discussed later in the report.

Internal Controls

The OJP Financial Guide states that grantees should establish and maintain program accounts. Such accounts should enable the separate identification and accounting for the receipt and disposition of all funds. The accounts should also demonstrate the application of all funds to each approved budget category.

We interviewed personnel responsible for the grants' financial and program management and observed accounting activities and processes. We requested a list of the accounting personnel and their duties. We also requested an accounting system report that identified individuals with system access and the roles of those individuals within the accounting system. We reviewed the documentation and concluded that the separation of duties within the accounting department appeared adequate. However, our testing identified internal control deficiencies for drawdowns, accountable property, personnel authorizations, budget management, and financial reports. These deficiencies are discussed in more detail later in this report.

Single Audits

According to the special conditions of the grant, the OJP Financial Guide, and OMB Circular A-133, any organization that expends \$500,000 or more in federal funds in the organization's fiscal year is required to have a single organization-wide audit conducted for that fiscal year. These audits are referred to as "Single Audits." As shown in Exhibit 2, the NFSTC's expenditures of federal funds exceeded \$500,000 in fiscal years (FY) 2008 through 2012.⁴

³ During the previous audit, we found that the NFSTC was not accounting for grant expenditures by grants in its accounting system. We recommended that OJP ensure that the NFSTC begin accounting for expenditures by grants to comply with the OJP Financial Guide requirements. OJP agreed with the recommendation.

⁴ The NFSTC's fiscal year is from January 1 through December 31.

**EXHIBIT 2: NFSTC EXPENDITURES OF
FEDERAL FUNDS FOR FISCAL YEARS 2008
THROUGH 2012**

Fiscal Year	2008	2009	2010	2011	2012
Total Federal Expenditures	\$10,498,773	\$12,386,216	\$12,976,360	\$10,796,198	\$4,499,096

Source: NFSTC's Single Audits

The NFSTC had Single Audits conducted by an independent accounting firm for fiscal years 2008 through 2012 in accordance with the provisions of OMB Circular A-133. We reviewed the independent auditors' assessments, which disclosed one weakness in the 2008 audit related to separation of duties for cash transaction processing and recording. The NFSTC corrected this issue, which was not repeated in the 2009 through 2012 audits. The Single Audits also tested compliance with Office of Management and Budget Circular A-133 and reported no instances of noncompliance. We did not identify any findings in the Single Audits that may have affected the grants included in our audit scope.

Accountable Property

The OJP Financial Guide requires that accountable property purchased with grant funds be identified in the grantee's official inventory. The NFSTC provided lists of its accountable property divided by fixed and non-fixed assets.⁵ The Financial Guide requires that a control system be in effect to ensure adequate safeguards to prevent loss, damage, or theft of property.

The list of fixed assets contained 59 items valued at \$1,215,670. We tested 100 percent of these assets and located each item. However, two large pieces of telephone equipment valued at \$25,110 were located in an unlocked equipment closet. When grant-funded equipment is not properly secured, the risk of loss or theft increases.

The list of non-fixed assets contained 306 items valued at \$172,510. We tested a judgmental sample of 94 items valued at \$97,633 (57 percent) and located all 94 of the items. The 94 items tested consisted of computers, audiovisual equipment, other information technology related items, and furniture. We identified the following three concerns.

- The property records contained a tablet computer, asset tag number 1916, shown as assigned to a senior official. We found that the tablet had been assigned to an information technology employee who kept it at home for use on work-related items. During the audit, the employee brought the

⁵ The NFSTC classified its assets as either fixed or non-fixed assets. A fixed asset is defined as any single tangible item or property with an original or market value of \$5,000 or more. Non-fixed assets are items or property with an original or market value of less than \$5,000.

tablet into the office and we verified it. While we were able to verify the tablet, we were not able to determine whether it was used for grant purposes.

- We located six other items, asset tag numbers 2011, 2012, 2013, 2057, 2076, and 2128, in a place different from that listed on the non-fixed asset list. NFSTC employees told us they would update the list to accurately note the location of these items.
- We identified a non-fixed asset item, asset tag number 1964, a portable audio player, stored in an unlocked desk drawer.

Accountable property records that do not accurately reflect the location of grant-funded equipment increase the likelihood for lost, damaged, or stolen equipment. Unsecured grant-funded equipment increases the risk for lost or stolen property. We recommend that OJP ensure the NFSTC updates its asset list to ensure that locations for DOJ grant-funded accountable property are identified accurately. We also recommend OJP to ensure the NFSTC maintains all grant-funded items in a locked location.

Grant Drawdowns

The OJP Financial Guide generally requires that recipients time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days. The Financial Guide also requires recipients to maintain all financial records and supporting documents for at least 3 years following the close of the grant. We interviewed NFSTC officials responsible for requesting drawdowns and reviewed the NFSTC's accounting records and drawdown procedures. The NFSTC submits drawdown requests monthly using a Statement of Revenues and Expenditures report developed from the NFSTC's accounting system.⁶ The NFSTC generates a Statement of Revenues and Expenditures report and calculates the difference between the total drawdowns received and expenditures incurred as of the drawdown request date. We found that the NFSTC did not maintain copies of these reports to support each drawdown request. Therefore, we could not determine whether total expenditures recorded in the accounting records reconciled to the drawdown requests.

During the audit, we told NFSTC officials that we were unable to properly test the drawdowns because the organization did not maintain support for the Statement of Revenues and Expenditures used to produce the drawdown requests. We discussed with NFSTC officials the documents we would need to properly test the drawdowns.

⁶ The Statement of Revenues and Expenditures Report provides details of the total expenditures incurred and funds received as of the drawdown request date.

The officials provided detailed documentation for their most recent drawdown requests and asked us whether the documentation was sufficient. We reviewed the documentation and concluded that such documentation would be sufficient to support future drawdowns.

Grant Expenditures

The OJP Financial Guide requires that expenditures be accounted for and adequately supported. The budgets approved by OJP for the 21 grants we reviewed totaled approximately \$48.2 million. Of that \$48.2 million, about \$9.8 million (20 percent) was for travel for NFSTC employees, trainees, and contractors; \$18.2 million (38 percent) was for contracts; \$2.4 million (5 percent) was for equipment and supplies; \$5.3 million (11 percent) was for "other expenditures"; and \$12.5 million (26 percent) was for personnel and fringe benefits. Contract expenditures include expenses for all contracts used by the NFSTC, including those for instructors and consultants on various projects. The "other expenditures" category includes expenses such as building rent, insurance, communication, professional development for the employees, postage and delivery, and printing and reproduction.

For purposes of our audit testing, we divided the NFSTC's expenditures into the broad categories of "direct expenditures" and "personnel expenditures." The following sections discuss the results of our testing.

Direct Expenditures

We reviewed grant expenditures to determine if costs charged to the grants were allowable, supported, reasonable, and properly allocated in compliance with grant requirements. We identified 25,921 direct expenditure transactions totaling \$24,495,776.⁷ We selected a sample of 260 of the 25,921 transactions valued at \$5,053,556 (21 percent of total expenditures). We obtained and reviewed supporting documentation for the 260 transactions and verified all of the expenditures. We determined that all expenditures were allowable, supported, reasonable, and properly allocated.

Personnel Expenditures

From the \$8,252,299 in NFSTC personnel and fringe benefit expenditures, we selected a judgmental sample of 101 transactions valued at \$225,237. These 101 transactions consisted of the salaries and fringe benefits paid to 18 employees. In some instances, we reviewed more than one transaction for some employees. For three employees, all pay periods within a year were selected to examine possible variations in payments within a calendar year. The 101 transactions consisted of

⁷ For testing purposes, we excluded from these transactions all personnel expenditures and all conference expenditures that were easily identifiable, on which we report separately. The details of the personnel and conference expenditures are discussed later in the report.

33 in 2008, 6 in 2009, 33 in 2010 and 29 in 2011. The exhibit below shows the number of transactions reviewed for the 18 employees.

EXHIBIT 3: PERSONNEL SAMPLE

Employee	Number of Transactions Tested
Employee 1	1
Employee 2	2
Employee 3	24
Employee 4	3
Employee 5	27
Employee 6	1
Employee 7	5
Employee 8	1
Employee 9	1
Employee 10	1
Employee 11	1
Employee 12	1
Employee 13	1
Employee 14	2
Employee 15	1
Employee 16	1
Employee 17	26
Employee 18	2
Total	101

Source: OIG Analysis

For each transaction, we requested supporting documentation to include timesheets, pay stubs, and check registers.⁸ We tested payroll records for each employee and each pay period selected to determine if the position and salary matched the applicable grant budget. We identified five positions that were not listed in the approved grant budgets. We also found that salaries paid were often higher than those in the approved grant budgets. We discussed these issues with NFSTC and OJP officials. NFSTC officials told us that the budgets were plans and not necessarily firm requirements and were often developed long before the actual salary payments were made or before the NFSTC officials knew which staff members were required to complete the grant-funded work.

⁸ Pay stubs contain the details of a person's paycheck, including the salary and any deductions taken from the salary. Check registers are lists of all the checks written, either by hand or electronically by the company.

OJP officials agreed that the budgeted payroll information, both positions and salaries were estimates. Based on those discussions, we consider the added positions and salary increases to be reasonable.

We identified 10 other employees who received payments that were greater than their normal salary payments. These higher payments ranged from approximately \$6,500 to \$35,000 made in a single pay period. NFSTC staff told us that these additional payments were retroactive adjustments to pay for certain employees based on evaluations of those employees' positions. NFSTC officials evaluated some employees' positions, determined the employees were not being paid at a level commensurate with the work being performed, and consequently increased the employees' salary.

We requested a list of all retroactive salary payments from January 1, 2008, through December 31, 2011, and identified 15 additional employees who received retroactive adjustments to their salaries.

As shown in the exhibit below, 25 employees received retroactive salary payments totaling \$105,778. Employee 16, who is the Director of the Human Resources Department, conducted an evaluation of her own position and recommended her own salary increase and retroactive pay. We believe this constitutes a conflict of interest. Properly segregated duties prevent an employee from performing such actions regarding their own compensation.

**EXHIBIT 4: RETROACTIVE PAYMENTS
FROM JANUARY 2008 THROUGH DECEMBER 2011**

Employee	Date of Payment	Retroactive Payment Amount
Employee 1	08/08/2008	\$1,840
Employee 2	10/03/2008	\$2,440
Employee 3	10/03/2008	\$508
Employee 3 ⁹	04/03/2009	\$56
Employee 4	02/20/2009	\$26,409
Employee 5	02/20/2009	\$5,701
Employee 6	02/20/2009	\$3,493
Employee 7	02/20/2009	\$3,443
Employee 8	02/20/2009	\$1,968
Employee 9	03/20/2009	\$4,241
Employee 10	04/03/2009	\$3,199
Employee 11	04/03/2009	\$16,136
Employee 12	04/03/2009	\$1,071

⁹ Employee number 3 and number 20 each received two separate retroactive salary payments.

Employee	Date of Payment	Retroactive Payment Amount
Employee 13	05/15/2009	\$1,048
Employee 14	05/29/2009	\$7,527
Employee 15	05/29/2009	\$7,323
Employee 16	05/29/2009	\$12,578
Employee 17	12/11/2009	\$747
Employee 18	04/16/2010	\$913
Employee 19	09/17/2010	\$637
Employee 20	08/08/2008	\$1,528
Employee 20	09/17/2010	\$512
Employee 21	10/01/2010	\$788
Employee 22	10/15/2010	\$256
Employee 23	03/04/2011	\$581
Employee 24	04/01/2011	\$125
Employee 25	04/01/2011	\$710
	Total	\$105,778

Source: OIG Analysis of Personnel Expenditures

We discussed the retroactive payments with OJP officials who told us that they consider the retroactive payments as unauthorized because the NFSTC did not obtain approval for the payments. In addition, OJP officials agreed that an employee within human resources should not evaluate their own compensation and recommend salary increase and retroactive pay.

We question the retroactive salary payments totaling \$105,778 as unreasonable expenses and recommend that OJP remedy the questioned costs. We also recommend that OJP ensure that the NFSTC establish internal controls to prevent a grant-funded employee from conducting self-evaluations of pay. We discussed the retroactive payments with NFSTC officials. We explained that we consider the retroactive payments as unallowable because the NFSTC did not receive approval from OJP. We also explained that we consider the retroactive payments unreasonable because the NFSTC did not include plans for making retroactive payments and the basis for the retroactive payments in the grant application submitted to OJP.

Budget Management and Control

According to the OJP Financial Guide, a grantee may transfer funds between approved budget categories without OJP approval if the total transfers are 10 percent or less than the grant amount. Requests for transfers of funds between budget categories of over 10 percent must be submitted to OJP for approval. Additionally, there are certain changes to approved budgets that, when anticipated,

grantees must obtain advance approval from the Office of Justice Programs. The changes requiring approval are:

- any budget revision that changes the scope of the project and affects a cost category that was not included in the original budget, and
- cumulative transfers among approved budget categories that exceed or are expected to exceed 10 percent of the total approved budget.

The NFSTC’s budget management and control procedures were not adequate to ensure the cumulative transfers of funds within the approved budget categories were 10 percent or less than the grant amount.¹⁰ We discussed with NFSTC officials the procedures followed to ensure actual grant expenditures remain within 10 percent of the amount approved for the budget categories. The NFSTC officials told us they reconcile actual expenditures to budget categories by grouping expenditures according to general ledger codes and then comparing total costs for each group to the budget categories.

The NFSTC officials provided us their analyses of the grouped expenditures compared to the approved budget categories for all 21 grants we reviewed. We attempted to verify the NFSTC’s analyses by using general ledger groupings provided by the NFSTC and comparing the total costs to the approved budget categories as described by the NFSTC. We found significant differences between our analysis of grant expenditures and the NFSTC’s. Exhibit 5 below provides an example of the discrepancies identified for 1 of the 21 grants included in our audit scope.

**EXHIBIT 5: NFSTC 2009 GRANT EXPENDITURES
FOR GRANT NUMBER 2008-LT-BX-K002**

Budget Category	NFSTC Budget Analysis	OIG Analysis of Accounting Records	Difference
Equipment	\$510,202	\$87,003	\$423,199
Consultants	\$212,808	\$210,304	\$2,504

Source: NFSTC Budget Analysis and OIG Analysis

We requested support for the differences. The NFSTC provided two more versions of its analyses, but neither matched our analyses. The NFSTC staff told us that the differences occurred because of adjustments for accruals, corrections, reclassifications of grant expenditures, and personnel changes within the accounting department that required reassignment of the duties for managing grant-funded expenditures.

Given the differences between the budget analyses and explanations for the discrepancies, we concluded that the NFSTC’s accounting records did not permit an

¹⁰ Grantees are allowed to transfer funds within the approved budget categories; however, the cumulative transfers should not exceed 10 percent of the grant total.

accurate comparison of actual expenditures to approved budget costs. However, we used the third analysis of actual expenditures to approved budget categories provided by the NFSTC to assess compliance with the 10 percent requirement. We used the third analysis because NFSTC staff told us that it was the most recent and updated reconciliation of actual expenditures to approved budget categories. From this analysis, it appears that cumulative transfers exceeded 10 percent of the total approved budgets for 7 grants. Exhibit 6 below shows the total cumulative transfer amounts for 7 of the 21 grants tested that exceeded the 10 percent rule.

EXHIBIT 6: 10 PERCENT ANALYSIS RESULTS

Grant Number	Total Cumulative Transfer Amount
2009-DN-BX-K198	\$62,918
2008-LT-BX-K002	\$80,926
2008-DN-BX-K073	\$7,245
2008-MU-MU-K212	\$121,500
2007-MU-BX-K008	\$264,644
2007-IJ-CX-K233	\$85,067
2007-DD-BX-K072	\$150,094
Total Cost	\$772,394

Source: OIG Analysis

We identified weaknesses in the NFSTC’s controls for managing actual expenditures in accordance with the approved budget categories. Corrections and adjustments were routinely made to the accounting records without reconciling the changes to the approved budget categories. Because accounting records are used to assess compliance with the 10 percent requirement, we do not believe the accounting records accurately reflect the actual expenditures for the grants reviewed. As a result, we do not consider the \$772,394 as questioned costs.

However, we believe the NFSTC could improve its budget management and control practices. The NFSTC should perform routine reviews of its budget analyses and ensure corrections and transfer of funds in the accounting records are considered when managing the grant’s budget. We recommend that OJP ensure that the NFSTC performs routine updates to its analyses of actual expenditures to approved budget costs to ensure corrections and adjustments are considered.

The NFSTC should also track all transfers of funds between budget categories. According to OJP, grantees should track transfers of funds and when the cumulative transfers are 10 percent of the grant, a Grant Adjustment Notice should be requested. We recommend that OJP ensure the NFSTC tracks cumulative transfers of funds.

According to OJP’s Chief Financial Officer, a Grant Adjustment Notice should have been requested when cumulative transfers reached 10 percent of the project costs. We also recommend that OJP require the NFSTC establish controls over

cumulative transfers so that OJP approval is obtained when total cumulative transfers reach 10 percent of the grant's budget costs.

Grant Reporting

The OJP Financial Guide states that two types of reports are to be submitted by the grantee. Federal Financial Reports (FFR) provide information on monies spent and the unliquidated obligations incurred during the grant period. Program progress reports provide information on the status of grant-funded activities and other pertinent information.

Federal Financial Reports

Grantees are required to submit timely and accurate financial reports and grant progress reports to the Office of Justice Programs. Prior to October 2009, the NFSTC was required to submit quarterly Financial Status Reports (FSR) within 45 days after the end of each quarterly reporting period. Beginning October 1, 2009, the Federal Financial Report (FFR) replaced the FSR. FFRs are due 30 days after the end of each calendar quarter. A final financial report is due 90 days after the end of the grant period. During the time period covered by our audit, the NFSTC was required to submit 175 FFRs for the 21 grants under review. To test those reports, we reviewed the most recent four quarters of reports for each of the 21 grants reviewed, for a total of 84 reports reviewed.

One of the 84 FFRs we reviewed was submitted late by the NFSTC. The single late report resulted from a technical issue with OJP's Grants Management System outside of the NFSTC's control. Consequently, we conclude that the NFSTC submitted timely FFRs.

We attempted to review the FFRs for accuracy but were unable to do so because of a lack of sufficient summary accounting data. NFSTC officials told us that beginning in 2008 when the NFSTC staff started using the new accounting system, the profit and loss statements were printed to determine costs to be reported in the financial reports. In May 2010, NFSTC staff determined the costs reported in the FFRs by compiling the monthly and cumulative financial data for the reporting period in spreadsheets. However, the NFSTC did not retain the spreadsheets for submitted reports.

The NFSTC provided an example of the spreadsheet used to summarize total costs for a reporting period. We determined that the spreadsheet along with the detailed accounting records for that time period provided sufficient support for the reported costs. During our audit work, NFSTC staff prepared and provided to us a cost spreadsheet for the FFRs that we tested. This spreadsheet prepared for our audit did not tie to the amounts on the submitted FFRs because the newly-prepared spreadsheet included adjustments made to the accounting records after the FFRs were submitted to OJP. The NFSTC did not retain a list of adjustments associated with each reporting period and recreating the original spreadsheet was consequently difficult and time consuming. Because the NFSTC did not retain

summary accounting data used to support the submitted FFRs, we could not verify the accuracy of those reports.

During the audit, we discussed with NFSTC officials the fact that summary accounting data for prior financial reporting periods was not retained by the NFSTC. We explained that we would recommend that such documentation be retained. The NFSTC officials immediately implemented revised procedures to retain appropriate documentation. We reviewed the documentation provided for one quarter to ensure that the NFSTC was retaining all of the necessary documentation to support the FFRs. The documentation for that quarter appeared adequate. Because the NFSTC corrected the problem during the audit, we make no recommendation regarding the support for the financial reports. However, we recommend OJP ensures that the NFSTC maintains adequate documentation to support explanations for all adjustments and corrections made to grant expenditures.

Progress Reports

According to the OJP Financial Guide, grant recipients must submit progress reports semi-annually for discretionary grants. These reports should describe the status of the project and include a comparison of actual accomplishments to the objectives, or other pertinent information. According to 28 Code of Federal Regulations, Section 66.40, progress reports will contain for each grant, brief information on:

- a comparison of actual accomplishments to the objectives established for the period;
- the reasons for slippage if established objectives were not met; and
- additional pertinent information including, when appropriate, analysis and explanation of cost overruns or high unit costs.

We tested whether the NFSTC submitted timely, complete, and accurate progress reports. During the time period covered by our audit, the NFSTC was required to submit 92 progress reports for the 21 grants under review. To test those reports, we reviewed the progress reports for the 2 most recent years for each of the 21 grants. We reviewed 82 reports and found that all were submitted timely.¹¹ We also tested the progress reports for completeness and accuracy by comparing a sample of program accomplishments described in the two most recent reports for each grant to the grant application and supporting documentation maintained by the NFSTC. We determined that the NFSTC's progress reports were complete. The NFSTC reported actual accomplishments in accordance with the program goals and objectives outlined in the grant application.

¹¹ For two of the grants reviewed, there were only three reports available at the time of our review. Each of the other 19 grants had 4 reports.

Many of the objectives of the 21 grants the NFSTC received were to deliver workshops and training sessions. The NFSTC reported that these workshops and training sessions were held as described in the grant applications. We reviewed the documentation maintained by the NFSTC for 52 reported accomplishments from the two most recent reports for each grant. These accomplishments included training sessions, quality assurance reviews of laboratories, and white papers prepared by the NFSTC.¹² The Financial Guide requires the funding recipient to ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. We verified the accuracy of the reported accomplishments by reviewing training documentation such as student sign-in sheets, training materials, and course completion certificates.

We also reviewed quality assurance reports and white papers. Other than the exceptions noted below, we determined that the NFSTC's progress reports were accurate for the items we tested.

We identified the following concerns regarding documentation for training sessions.

- For 25 training sessions, the NFSTC did not maintain sign-in sheets. The NFSTC only required sign-in sheets for courses where the NFSTC was paying stipend checks for travel costs. For those sessions that did not require stipend checks, the NFSTC did not maintain sign-in sheets and used class rosters to track participants for reporting purposes.
- For 19 training sessions, the sign-in sheets were incomplete in that the date of the training was not recorded or daily sign-in sheets were not maintained for multi-day courses.
- For 3 training sessions, the number of participants was understated. For the 3 training locations, the NFSTC reported 20 participants, however the sign-in sheets indicated that two of the locations had 21 participants and the third had 22 participants.

As a result, we could not determine if the number of reported participants was accurate for 47 of 67 training sessions that we reviewed. By not maintaining proper documentation for the training sessions, the NFSTC is unable to support all of its progress towards the goals of the grants and is potentially unable to properly determine future needs for training sessions.

Program Performance and Accomplishments

Grant goals and accomplishments should be based on measurable outcomes rather than on counting activities. The Government Performance and Result Act

¹² A white paper explains the results, conclusions, or construction resulting from some organized committee, research collaboration or design and development effort.

provides a framework for setting goals, measuring progress, and using data to improve performance. To measure progress, grantees should establish a baseline measure and a system for collecting and analyzing data needed to measure progress.

To identify specific objectives for the grants covered in our audit, we reviewed grant applications submitted by the NFSTC. We identified 42 objectives from the 21 grants in our audit and compared each objective to the status of the projects reported in the NFSTC's semiannual reports. We determined that 19 of the 21 grants had ended as of February 14, 2014.

We found that the NFSTC generally accomplished the grants' objectives for the grants reviewed. These objectives consisted of developing and providing training sessions in various technical and forensic areas, providing DNA assessment audits and Grant Progress Assessments to local laboratories around the country, supporting the adoption of new technology, and providing technology assistance and support to criminal justice agencies on a national basis. We reviewed the NFSTC's progress reports to determine if the NFSTC was meeting the goals it had established in the grant applications. We found that the NFSTC had met or was in the process of meeting most of the 42 objectives. Because the NFSTC did not maintain attendance sign-in sheets for 25 training sessions, training dates were incomplete for 19 training sessions, and attendance numbers were under reported for 3 training sessions, we could not determine if all objectives were fully met. Exhibit 7 shows the 42 objectives and the results of our analysis of the program performance and accomplishments.

EXHIBIT 7: OBJECTIVES FOR NFSTC GRANTS

Count	Grant Number	Objectives	Objective Met
1	2010-MC-CX-K063	Combat Internet Crimes Against Children (ICAC) more effectively by extending the reach and enhancing the delivery of specialized training and technical assistance to ICAC Task Forces and affiliated law enforcement agencies.	YES
2		Foster collaborative relationships among agencies charged with fighting Internet Crimes Against Children.	YES
3		Extend the reach of the ICAC training program to include more law enforcement agencies by participating in conferences and other outreach efforts.	YES
4		Compile and disseminate ICAC material to law enforcement through the Office of Juvenile Justice and Delinquency Prevention (OJJDP) website and conferences.	YES
5		Report program information to OJJDP regarding continuation, expansion and enhancement of ICAC Training Program.	YES

Count	Grant Number	Objectives	Objective Met
6	2010-DN-BX-K266	Analyze the requirements of crime scene investigators.	YES
7		Design and develop training that meets the requirements of investigators who possess more than three years of experience in crime scene investigations.	YES
8		Deliver a blended learning program that imparts the requisite skills and knowledge via online and hands-on instruction.	YES
9	2010-DN-BX-K265	Increase the number of formally trained pattern evidence personnel providing comprehensive 11-course training for up to 15 entry-level latent print examiners.	CND Training Date Incomplete
10	2010-DN-BX-K210	Identify technology requirements.	YES
11		Support NIJ's research and development programs.	YES
12		Test, evaluate, and demonstrate technologies.	YES
13		Support the adoption of new technology.	YES
14		Develop and/or update technology guidelines.	YES
15		Provide technology assistance and support to criminal justice agencies on a national basis.	YES
16		Operate a DNA Quality Assurance audit program and Grant Progress Assessment (GPA) Program.	YES
17	2010-DD-BX-K009	NFSTC will work in conjunction with BJA to respond to the need of practitioners by providing expertise and support via: <ul style="list-style-type: none"> • Conferences and meetings • Training events Technical Assistance (field demonstrations and efficiency/improvement programs).	CND No cost extension through Sep 2014
18	2009-DN-BX-K223	Create an online program that educates law enforcement practitioners on the policy and practice issues regarding the use of DNA analysis to investigate crimes. Will work with outreach coordinator to promote training program through activities with organizations such as the International Association of Chiefs of Police, the National Security Agency, and the National Association of Attorneys General.	YES
19	2009-DN-BX-K198	Enhance the existing Pattern Evidence training program while leveraging trademarked curricula and program materials to explore new and innovative solutions to meet training needs of Pattern Evidence practitioners.	CND Training Date Incomplete
20	2009-DN-BX-K197	Develop and deliver online medico legal death investigation training materials utilizing content from pilot training program that NFSTC delivered in 2008.	CND Training Date Incomplete
21		Administer this online course to 200 medical examiners or coroners.	YES
22		Create and deliver 3 day capstone course that will be offered 4 times on-site at NFSTC to 25 students (100 total).	CND Training Date Incomplete
23		Provide over 8,000 hours of training in the areas of the forensic science discipline.	YES

Count	Grant Number	Objectives	Objective Met
	2009-D1-BX-K028	Deliver services that will support the goals and objectives of the Bureau of Justice Assistance (BJA) in addressing forensic training needs within the law enforcement community such as:	
24		DNA Biological Screening for Law Enforcement	YES
25		Tactical Crime Scene Investigation	YES
26		Law Enforcement Conference-Maximizing Forensic Resources	CND
27		Medical Examiner Training	N/A Service never requested
28		Infrastructure and Technology Support	N/A Service never requested
29	2008-MU-MU-K212	The NIJ's goal is to continue supporting the justice community by providing relevant training opportunities for forensic science practitioners, members of the judiciary, and law enforcement officers, thereby contributing to a more accurate determination of guilt or innocence of those individuals charged with committing criminal acts.	CND Training Date Incomplete and inaccurate attendance number
30	2008-MU-MU-K003	Focus on developing and delivering programs that support the NIJ's DNA Initiatives and Forensic Backlog Reduction efforts.	CND No sign-in sheet
31	2008-LT-BX-K002	Provide funding to support the maintenance, repair, transportation and improvement of the deployable forensic laboratories.	YES
32		Infrastructure support equipment purchases.	YES
33	2008-IJ-CX-K405	Forensic Information Data Exchange (FIDEX) Project	YES
34		CSI Effect – Forensic Fact or Fiction	YES
35	2008-DN-BX-K201	Develop new training programs, leverage existing training curricula, and explore new and innovative solutions to meet the training needs of crime scene examiners, which reduce the impact that current training programs have on agency operations.	CND Training Date Incomplete
36	2008-DN-BX-K186	Develop new training programs, leverage existing training curricula, and explore new and innovative solutions to meet the training needs of Pattern Evidence practitioners, which reduce the impact that current training programs have on agency operations.	CND No sign-in sheet
37	2008-DN-BX-K073	The objectives of the proposed training programs are aimed at providing training opportunities in the forensic discipline area of Forensic DNA by specifically addressing the following community need: Emerging Technologies.	CND Training Date Incomplete and sign-in sheet missing for one day

Count	Grant Number	Objectives	Objective Met
38	2008-DN-BX-K072	Enhance existing training; leverage approved training curricula; and to explore new and innovative solutions to meet the training needs of forensic science practitioners. The NFSTC will design and develop training resources that accommodate multiple delivery methods, including traditional face-to-face and distance/blended learning. Training will be delivered and disseminated using portal and learning management system technologies.	CND No sign-in sheet
39	2007-MU-BX-K008	Provide testing, evaluation, technology assistance programs, and other services with regard to tools and technologies for use by law enforcement and other criminal justice agencies.	Papers partially presented but no sign-in sheets
40	2007-IJ-CX-K233	Develop new training programs, leverage existing training curricula, and explore innovative solutions to meet the training needs of forensic science practitioners. All programs are aimed at providing training opportunities in the following areas: <ul style="list-style-type: none"> • Cold Case Regional Training for Law Enforcement; • Missing Persons and Unidentified Decedents Regional Training for Law Enforcement; • Forensic DNA (delivery only) Pattern Evidence; • Controlled Substances; • Toxicology; • Firearms and Toolmarks; and • Forensic Microscopy. 	CND No sign-in sheet
41	2007-IJ-CX-K023	Develop portal from which to access the National Missing and Unidentified Persons System where the Unidentified Decedent Reporting System and the Find-the-Missing system databases can be accessed by law enforcement, medical examiners, coroners, victim advocates and the public providers and searched by the public.	YES
42	2007-DD-BX-K072	To develop forensic service support for law enforcement agencies in the Tampa Bay region of Florida based, in part, on the Regional Cold Case Training Conferences co-sponsored by the National Institute of Justice (NIJ) and the National Forensic Science Technology Center (NFSTC); and <ul style="list-style-type: none"> • To develop a basic Medical Examiner training resource for forensic fellows; and • To integrate new technologies into the delivery of forensic science services. 	CND No sign-in sheet

Source: OIG Analysis

Conferences

In addition to assessing the NFSTC's use of grant funds and program performance for the grants included in our audit scope, we conducted a limited review of NFSTC-sponsored conferences funded by the Department of Justice. We also reviewed the NFSTC's use of event planners for the conferences.

Conference Expenditures

To identify NFSTC-sponsored conferences paid with the DOJ grants included in our audit scope, we reviewed grant applications, the NFSTC's website, and requested a list of conferences from the NFSTC. We found that the NFSTC held 21 conferences of varying sizes, times, and scopes between 2007 and 2011. The total expenses paid to the hotels for the 21 conferences were \$1,327,082 and all expenditures were charged to the grants we reviewed. We obtained expenditure information for the conferences to determine the costs by expenditure category. The categories included food, audio-visual, lodging, and room rental. We selected nine conferences to evaluate the expenditure categories in more detail. The conference selections were based on the highest hotel contract costs to include the cost per person per day, food costs, audio-visual costs, and conferences held in places considered as resort locations.

We requested detailed information from the NFSTC about the hotel contracts, the accounting records, and any other pertinent details available to support conference expenditures. We also contacted the conference hotels to obtain documentation supporting conference expenditures. The nine conferences were held at eight different hotels. We were unable to obtain conference information from one of the hotels because of a change of ownership and conference records were no longer available.

We reviewed 264 conference expenditures totaling \$658,989 to determine if there were any expenses that appeared unreasonable or unallowable. The conference expenditures included items for food, beverages, audio-visual equipment, room rentals, and lodging. The conference expenditures appeared to be reasonable and properly supported.

Use of Event Planners for NFSTC-sponsored Conferences

We also reviewed the NFSTC's use of event planners for the 21 conferences. We found that the NFSTC used one event planner regularly to plan its conferences. The NFSTC awarded the event planner five grant-funded contracts. Under the contracts, the event planner performed services such as: (1) attending planning meetings, (2) researching lodging sites, (3) coordinating travel arrangements for participants, (4) planning and contracting for food services during the event, and (5) providing onsite support during events. From 2008 through 2011, NFSTC paid the event planner \$607,918 from DOJ grant funds. The event planner submitted monthly invoices for management services provided under the contracts. NFSTC

staff reviewed and signed off on the monthly invoices and by doing so indicated that the services had been provided and that the invoice should be paid.

We reviewed invoices totaling \$258,775, which was 43 percent of the \$607,918 paid to the event planner. All of the transactions we reviewed were supported by monthly invoices and were allowable under the contracts.

The NFSTC established five sole source contracts with the event planner for services provided during September 2008 to December 2011.¹³ Three of the five event planner contracts were sole source contracts for more than \$100,000, and such contracts require OJP approval.¹⁴ The three contracts requiring sole source approval totaled \$521,475.

We verified that OJP provided approval for the use of sole-source event planner contracts under 4 of the 11 grants that were used to pay event planner costs under sole-source contracts over \$100,000. However, the NFSTC did not obtain OJP approval for the use of sole-source event planner contracts for the other seven grants used to pay event planner costs under sole source contracts over \$100,000. We confirmed this analysis with OJP officials. We did not question the event planner expenditures that were charged to the contracts without sole source approval because the NFSTC financial records did not consistently indicate to which contract each expense was applied. We recommend that OJP ensure that the NFSTC obtains proper approval for all sole source contracts over \$100,000. The sole source approval should apply to all grants used to pay the contract costs.

Open Recommendation from Previous Audit

During our previous audit of the NFSTC, we identified a potentially inappropriate drawdown from Grant Number 2000-RC-CX-K001 that occurred prior to the expiration of the grant. To explain the circumstances regarding this drawdown, we provide below an extended excerpt from our previous audit report.¹⁵

For Grant Number 2000-RC-CX-K001, we identified a questionable drawdown that occurred on December 14, 2007, just before that grant was to expire at the end of the month. In this transaction, the NFSTC drew \$744,395 from the 2000 grant, which was the full amount remaining unspent for the grant. NFSTC officials told us that the purpose of the drawdown was to reassign expenditures to the 2000 grant from the 2006 grant. These were expenses that NFSTC officials believe should have been drawn from the 2000 grant, but had been

¹³ A sole source contract is a contract that is entered into after soliciting and negotiating with only one source.

¹⁴ The 2008 OJP Financial Guide states regarding procurement that all sole-source procurements in excess of \$100,000 must receive prior approval from the awarding agency.

¹⁵ U.S. Department of Justice Office of the Inspector General, *National Institute of Justice Cooperative Agreements and Grants Awarded to the National Forensic Science Technology Center, Largo, Florida*, Audit Report GR-40-09-005 (September 2009), 17-19.

inadvertently drawn from the 2006 grant. This would effectively replace unspent funds of \$744,395 back in the budget for the 2006 grant, which would then be available for the NFSTC to spend. As part of this transfer of expenses from one grant to another, NFSTC staff sent a check back to OJP for that same amount to be refunded to the 2006 grant.

The OJP Financial Guide does not permit the transfer of funds from one grant to another. This questionable drawdown allowed the NFSTC to use all remaining funds in the expiring grant and to increase the funds that will be available for future expenses in the 2006 grant. Since the NFSTC's accounting practices failed to account for funds by individual grants and it combined expenditures for various grants in the same drawdowns, we questioned NFSTC staff about the basis for determining the \$744,395 worth of expenditures that had been mistakenly claimed for the wrong grant.

We requested documentation from the NFSTC to support the \$744,395 NFSTC staff told us was inadvertently drawn from the 2006 grant. The documentation that NFSTC staff provided dated at the beginning of 2007. However, the initial draw for the 2006 grant was on May 9, 2007. It would not be consistent with the NFSTC's procedures for timely and frequent drawdowns for expenses dating back to the beginning of 2007 to have been held until May. We brought this to the attention of NFSTC staff, which then provided us a second set of expenditure documentation to support the \$744,395 drawdown.

The second set of expenditures provided to us included some costs that appeared allowable and others that did not. The expenditures included costs for two projects, the Firearms Academy and Community Outreach, which appear to be appropriate under the 2000 grant. Our review of the budgets for the various grants showed the Firearms Academy was budgeted solely in the 2000 grant, while Community Outreach efforts were budgeted in all three grants.

However, the second set of expenditure documentation also included unallowable indirect costs. The documentation included indirect costs of 14 percent and 7 percent for the Firearms Academy and Community Outreach projects, respectively, consisting of labor and benefits for support staff and overhead expenses. The NIJ did not approve any indirect costs or rates for the grants. Consequently, all transactions must be directly attributable to a project defined in the grant and no indirect costs are allowable.

We analyzed the information provided to support the shifting of costs from one grant to the other and held discussions with NFSTC officials. NFSTC officials were unable to support clearly that the funds

were all inadvertently originally charged to the wrong grant. The NFSTC was unable to provide accurate and consistent information regarding the expenses that were charged to each grant, and we were unable to determine which transactions were charged to the wrong grant. While some of the transactions used to support the inadvertent drawdowns appear to be legitimate and allowable, other costs, such as the indirect costs, were not. Therefore we recommend that OJP require the NFSTC to accurately account for the \$744,395 in costs shifted from the 2006 grant to the 2000 grant. Additionally, because the NFSTC did not have an approved indirect cost rate, we are questioning \$229,229 of the \$744,395, which is the amount NFSTC attributed to indirect costs for Grant Number 2000-RC-CX-K001.

In our previous audit report, we recommended that OJP require the NFSTC to account for the entire \$744,395 in costs it shifted from Grant Number 2006-MU-BX-K002 to Grant Number 2000-RC-CX-K001. Subsequent to the audit, we corresponded with OJP regarding corrective action on the recommendation. In that correspondence, we stated that the recommendation could be closed when OJP provided documentation showing that the NFSTC had adequately supported the \$744,395 or that the NFSTC returned any unsupported and unallowable costs to the Department of Justice.

OJP requested that we close the recommendation because:

- the NFSTC mistakenly drew down the \$744,395 in funds from the 2000 grant rather than from the 2006 grant;
- the NFSTC contacted OJP to determine the best way to correct this error and was advised to return the funds to OJP;
- the refund payment was erroneously applied to the 2006 grant;
- the NFSTC provided a copy of its general ledger to support the federal expenditures reported for both the 2000 and 2006 grants; and
- the expenditures agree with the payment history reports for both grants.

We declined to close the recommendation because we believe that the \$744,395 returned by the NFSTC should have been added to the 2000 grant, which had then reached the end of its grant period. OJP should then have either deobligated the \$744,395 from the 2000 grant or sought to extend the period for the 2000 grant to allow the NFSTC to use the remaining funds for allowable expenditures under the 2000 grant. Further, we believe that the net effect of the NFSTC's and OJP's actions was that the NFSTC was allowed to shift \$744,395 that it could not expend under the 2000 grant into the 2006 grant. This permitted the NFSTC to expend under the 2006 grant \$744,395 more than the amount authorized for that grant.

Given that the NFSTC and OJP transferred \$744,395 from the 2000 grant to the 2006 grant, we did not close the recommendation. Instead, we determined to seek, as part of this second NFSTC audit, specific support for how the NFSTC used the \$744,395 shifted from the 2000 grant to the 2006 grant.

During this audit, we discussed the shifted funds with the NFSTC's then Chief Operations Officer and reviewed documents provided to us by the NFSTC. The Chief Operations Officer told us that the NFSTC is not able to provide documentation specifically supporting the \$744,395. The documents provided for our review consisted for the most part material previously provided during the prior audit or our follow-up on the prior audit recommendation. The documents provided did not constitute support for the expenditures. The Chief Operations Officer mainly reiterated to us that NFSTC managers believed they had received OJP approval for the transfer of funds from the 2000 grant to the 2006 grant and thus they believed the transfer was acceptable.

Based on our prior audit, follow-up correspondence related to that audit, and our work on the current audit, it is clear that on December 19, 2007, NFSTC sent OJP a refund check from its 2000 grant funds in the amount of \$744,395. NFSTC staff annotated on the check the 2006 grant number, and OJP staff applied the refund to the 2006 grant. Subsequently, the NFSTC drew down all funds from the 2006 grant, including the excess funds created by the refund. Although the NFSTC staff should not have annotated the refund check with 2006 grant number and, we believe that, regardless of the annotation, OJP staff should not have applied the refund to the 2006 grant.

In conclusion, the shifting of \$744,395 from Grant Number 2000-RC-CX-K001 to Grant Number 2006-MU-BX-K002 violated policy that: (1) grant monies may not be transferred from one grant to another and (2) unobligated balances at the end date of grants should be returned to the awarding agency. The 2006 OJP Financial Guide states that funds specifically budgeted and received for one project may not be used to support another and any unobligated funds will be deobligated by the awarding agency. Consequently, we question \$744,395 as unsupported.

Views of Responsible Officials

We discussed the results of our review with grantee officials as the audit work progressed and at a formal exit conference. We have included their comments as appropriate.

Recommendations

We recommend that OJP:

1. Ensure that the NFSTC establishes controls to adequately secure grant-funded equipment.
2. Ensure the NFSTC updates its asset list to ensure that locations for DOJ grant-funded accountable property are identified accurately.
3. Remedy the \$105,778 in unreasonable questioned costs for retroactive pay that the NFSTC provided based on reevaluations of employee job descriptions.
4. Ensure that the NFSTC establishes controls to ensure proper segregation of duties for individuals assigned to recommend salary increases paid with grant funds.
5. Ensure that the NFSTC establishes controls to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.
6. Ensure that the NFSTC establishes controls to track cumulative transfers of grant funds within budget categories.
7. Ensure that the NFSTC accurately reports progress on the grants in the semiannual progress reports.
8. Ensure that the NFSTC maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.
9. Ensure that the NFSTC obtains approval for all sole source contracts greater than \$100,000. The sole source approval should apply to all grants used to pay the contract costs.
10. Remedy the \$744,395 in unallowable questioned costs from the transfer of funds from Grant Numbers 2000-RC-CX-K001 to 2006-MU-BX-K002.

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this 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, and to determine program performance and accomplishments.

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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This was an audit of 21 grants awarded to the National Forensic Science Technology Center for \$48,197,117. In conducting our audit, we reviewed Federal Financial Reports and progress reports and performed testing of grant expenditures, including reviewing supporting accounting records. A full random sample was done due to the transaction population size, along with a review of internal controls and procedures for the grants we audited. This non-statistical sample design does not allow for projection of the test results to all grant expenditures or internal controls and procedures. In total, the grantee had expended \$41,984,483 between January 1, 2008, and December 31, 2011, and had drawn down \$47,525,064 as of November 7, 2013. We initially judgmentally selected 40 transactions. During our testing, we expanded our sample to include 260 randomly selected transactions, which totaled \$5,053,556.

The primary objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel and indirect costs; (4) budget management and control; (5) local matching funds; (6) property management; (7) program income; (8) federal financial and progress reports; (9) grant requirements; (10) program performance and accomplishments; and (11) monitoring of sub-grantees and contractors. In addition, we performed follow-up work on the recommendations provided in our previous audit report GR-40-09-005, issued in September 2009.

We performed limited testing of source documents to assess the timeliness and accuracy of Federal Financial Reports, reimbursement requests, expenditures, and progress reports; evaluated performance to grant objectives; and reviewed the grant-related internal controls over the financial management system. We tested invoices as of December 2011. However, we did not test the reliability of the financial management system as a whole. We reviewed the grantee's Single Audit Reports, which were prepared under the provisions of the Office of Management and Budget

Circular A-133. We reviewed the independent auditor's assessments, which disclosed no weaknesses or noncompliance issues directly related to grants awarded to the National Forensic Science Technology Center.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ¹⁶	<u>AMOUNT</u>	<u>PAGE</u>
Unreasonable Retroactive Salary Payments	\$105,778	11
Unsupported Budget Transfers	\$744,395	23
Total Questioned Costs	\$850,173	
TOTAL NET DOLLAR-RELATED FINDINGS	\$850,173	

¹⁶ **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.

OFFICE OF JUSTICE PROGRAMS RESPONSE
TO THE DRAFT REPORT



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

MAR 21 2014

Washington, D.C. 20531

MEMORANDUM TO: Ferris B. Polk
Regional Audit Manager
Atlanta Regional Audit Office
Office of the Inspector General

FROM: 
LeToya A. Johnson
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, National Institute of Justice Grants and Cooperative Agreements Awarded to the National Forensic Science Technology Center, Largo, Florida*

This memorandum is in reference to your correspondence, dated February 20, 2014, transmitting the above-referenced draft audit report for the National Forensic Science Technology Center (NFSTC). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **10** recommendations and **\$850,173** 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.

- 1. We recommend that OJP ensure that the NFSTC establishes controls to adequately secure grant-funded equipment.**

OJP agrees with the recommendation. We will coordinate with NFSTC to obtain a copy of policies and procedures developed and implemented to strengthen controls over equipment purchased with Federal funds.
- 2. We recommend that OJP ensure that the NFSTC updates its asset list to ensure that locations for DOJ grant-funded accountable property are identified accurately.**

OJP agrees with the recommendation. We will coordinate with NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that locations of accountable property purchased with Federal funds are accurately identified in NFSTC's records.

- 3. We recommend that OJP remedy the \$105,778 in unreasonable questioned costs for retroactive pay that the NFSTC provided based on reevaluations of employee job descriptions.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to remedy the \$105,778 in questioned costs related to retroactive pay that the NFSTC provided based on reevaluations of employee job descriptions.

- 4. We recommend that OJP ensure that the NFSTC establishes controls to ensure proper segregation of duties for individuals assigned to recommend salary increases paid with grant funds.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure proper segregation of duties for individuals who are assigned to recommend salary increases paid with Federal grant funds.

- 5. We recommend that OJP ensure that the NFSTC establishes controls to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that analyses of actual expenditures to approved budget categories are routinely updated, and corrections and adjustments are considered, as applicable.

- 6. We recommend that OJP ensure that the NFSTC establishes controls to track cumulative transfers of grant funds within budget categories.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that cumulative transfers of Federal grant funds within budget categories are properly tracked.

- 7. We recommend that OJP ensure that the NFSTC accurately reports progress on the grants in the semi-annual progress reports.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure the accuracy of data reported in future semi-annual progress reports.

8. **We recommend that OJP ensure that the NFSTC maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure the maintenance of complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.

9. **We recommend that OJP ensure that the NFSTC obtains approval for all sole source contracts greater than \$100,000. The sole source approval should apply to all grants used to pay the contract costs.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that prior approval is obtained from the awarding agency for all sole source contracts greater than \$100,000, which are funded by Federal grants.

10. **We recommend that OJP remedy the \$744,395 in unallowable questioned costs from the transfer of funds from grant numbers 2000-RC-CX-K001 to 2006-MU-BX-K002.**

OJP agrees with the recommendation. We will coordinate with the NFSTC to remedy the \$744,395 in unallowable questioned costs related to the transfer of funds from grant number 2000-RC-CX-K001 to grant number 2006-MU-BX-K002.

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

Denise O'Donnell
Director
Bureau of Justice Assistance

Tracey Trautman
Deputy Director for Programs
Bureau of Justice Assistance

Eileen Garry
Deputy Director
Bureau of Justice Assistance

cc: James Simonson
Budget Director
Bureau of Justice Assistance

Amanda LoCicero
Budget Analyst
Bureau of Justice Assistance

Lucia Turck
Grant Program Specialist
Bureau of Justice Assistance

Elizabeth White
Grant Program Specialist
Bureau of Justice Assistance

Gregory Ridgeway
Acting Director
National Institute of Justice

Gerald Laporte
Acting Director, Office of Investigative and Forensic Sciences
National Institute of Justice

Portia Graham
Office Director, Office of Operations
National Institute of Justice

Charlene Hunter
Program Analyst
National Institute of Justice

Charles Heurich
Physical Scientist
National Institute of Justice

Steve Schuetz
Physical Scientist
National Institute of Justice

Alan Spanbauer
Physical Scientist
National Institute of Justice

cc: Robert Listenbee
Administrator
Office of Juvenile Justice and Delinquency Prevention

Chyrl Jones
Deputy Administrator
Office of Juvenile Justice and Delinquency Prevention

Amy Callaghan
Special Assistant
Office of Juvenile Justice and Delinquency Prevention

Lou Ann Holland
Grant Program Specialist
Office of Juvenile Justice and Delinquency Prevention

Leigh A. Benda
Chief Financial Officer

Christal McNeil-Wright
Associate Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Jerry Conty
Assistant Chief Financial Officer
Grants Financial Management Division
Office of the Chief Financial Officer

Lucy Mungle
Manager, Evaluation and Oversight Division
Grants Financial Management Division
Office of the Chief Financial Officer

Richard P. Theis
Assistant Director, Audit Liaison Group
Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20140310090751

THE NATIONAL FORENSIC SCIENCE TECHNOLOGY CENTER
 RESPONSE TO THE DRAFT REPORT¹⁷



7881 114th Avenue North
 Largo, FL 33773
 ph (727) 549-6067
 fx (727) 549-6070
www.nfstc.org

TO: Ferris B. Polk, Regional Audit Manager, OIG, DOJ
 Atlanta Regional Audit Office

FROM: Kevin L. Lothridge, CEO *Kevin L. Lothridge*

DATE: March 7, 2014

RE: NFSTC RESPONSES TO OIG RECOMMENDATIONS

Enclosed you will find NFSTC’s responses to the recommendations provided by OIG in the audit draft report dated February 2, 2014. NFSTC respectfully submits these responses and supporting documentation to resolve any outstanding questions that may be present.

Response summary:

OIG Recommendation:	NFSTC:
1. Ensure that the NFSTC establishes controls to adequately secure grant-funded equipment.	Does not concur
2. Ensure the NFSTC updates its asset list to ensure that locations for DOJ grant funded accountable property are identified accurately.	Concurs
3. Remedy the \$105,778 in unreasonable questioned costs for retroactive pay that the NFSTC provided based on reevaluations of employee job descriptions.	Does not concur
4. Ensure that the NFSTC establishes controls to ensure proper segregation of duties for individuals assigned to recommend salary increases paid with grant-funds.	Concurs
5. Ensure that the NFSTC establishes controls to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.	Does not concur
6. Ensure that the NFSTC establishes controls to track cumulative transfers of grant funds within budget categories.	Does not concur
7. Ensure that the NFSTC accurately reports progress on the grants in the semiannual progress reports.	Does not concur
8. Ensure that the NFSTC maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.	Does not concur
9. Ensure that the NFSTC obtains approvals for all sole source contracts greater than \$100,000. The sole source approval should apply to all grants used to pay the contract costs	Concurs
10. Remedy the \$744,395 in unallowable questioned costs from the transfer of funds from grant 2000-RC-CX-K001 to 2006-MU-BX-K002.	Concurs

¹⁷ In the NFSTC’s detailed response to the recommendations contained in this appendix, references are made to attachments. Those attachments consisted of 430 pages and are not included here because of the length of those documents. In addition, the colored text in this appendix was contained in the documents provided by the NFSTC.

Recommendation #1:

Ensure that the NFSTC establishes controls to adequately secure grant-funded equipment.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #1.

NFSTC understands the need for asset control at all levels and has always maintained a well-secured facility. This excellent record was recognized when NFSTC was awarded a "Top Secret" facility clearance by the U.S. Defense Security Service (DSS).

Asset control:

NFSTC facilities and assets are controlled using a key card system for all areas beyond the lobby. Because of this, all NFSTC assets, fixed or non-fixed, remain secured. Administrative and executive offices, company files, copy and fax machines, office supplies, training rooms, and video production studios, are housed in the area beyond the main lobby area. Although individuals have the ability (keys) to lock their offices and/or their desks, neither offices nor desks are commonly locked in this area because of the building's security controls.

Non-fixed items referenced by OIG on pages 12 and 13 lack sufficient detail such as item name, inventory number, search date and location of the items. NFSTC's ability to respond is hampered by this lack of specificity, however, the following information details property control/records that apply to all NFSTC assets:

Capitalized property and equipment are recorded in a property register. NFSTC utilizes the Sage Fixed Asset System (FAS) for this purpose. This register includes the following information:

- a. Date of acquisition
- b. Cost
- c. Description (i.e. color, model, serial number, other identifying information)
- d. Depreciation method
- e. Estimated useful life

A physical inventory of capitalized assets is conducted periodically at the discretion of the Director of Finance or the Finance Supervisor. The physical inventory is reconciled to the property log and adjustments made as necessary. All adjustments resulting from this reconciliation are approved by the Director of Finance. NFSTC's annual inventory is reconciled to FAS Inventory, and reviewed as part of the annual external audit by a CPA firm.

Items listed in the inventory and not found to be where they were last documented by the inventory are usually being used by an employee for a specific purpose or project. After use, the items are returned to their normal storage place.

NFSTC currently has 168 asset items and 1,700 items in inventory which are all labeled and tagged with bar coding for inventory purposes. The items are stored in secured locations. Reference "Asset Inventory Transfer Tracking Form", attached.

Regarding non-fixed items referenced by OIG on pages 12 and 13:

1. NFSTC does not consider the **portable audio player** cited in the OIG's Draft Audit Report (page 13, third bullet) as having been unsecured due to the access controls for the building. The player was not referenced with regard to make, model, inventory tag number or office location, so it is likely that the item referenced was the personal possession of an employee or visitor. NFSTC does not routinely check the desk drawers of its employees or those in offices that are not occupied.

The nature of work performed by NFSTC requires quality assurance testing on various devices and multiple operating systems. Employees often donate use of their own personal devices as part of the QA process, so personal equipment in the NFSTC facilities would not be considered unusual.

2. The **tablet computer** referenced in the bullet on the bottom of page 12 was assigned to [REDACTED]. [REDACTED] assigned the tablet [REDACTED] to [REDACTED] Technology Manager, for the development of eBooks for an NIJ project entitled "Guideline Updates". NIJ Program Manager [REDACTED] requested the updated guidelines be made available for use as eBooks, which require formatting and testing via multiple systems. [REDACTED] was authorized to use the tablet for this project.



Facility access:

NFSTC designed a perimeter control system that forms a credible deterrent to visitors and employees alike to prevent the transfer of material without proper authority. This system is maintained to:

1. Deter and detect the unauthorized introduction of material (classified and unclassified) into NFSTC.

2. Deter and detect the unauthorized removal of material (classified and unclassified) material from NFSTC. Reference Figure 1.

FIGURE 1: DIAGRAM OF MAIN OFFICE BUILDING

Key card access points noted.



NFSTC uses **Stanley Security**, an automated access control system, [REDACTED], that helps prevent unauthorized access to NFSTC's facility. Signs documenting visitor access requirements are posted at the front and back entrances of the building. Reference Figures 2 and 3 below:



Figure 2: Front Entry Building Access



Figure 3: Back Door Building Access

Upon gaining access to NFSTC, visitors are required to check-in by presenting proper identification (with a picture). Once the ID has been verified, visitors are provided with an NFSTC visitor ID badge which must be worn and displayed at all times while they are on the premises. Reference figure 4 below:



Figure 4: Sample Visitor ID Badge

At the end of each business day, the badges are returned to the proper NFSTC representative.

Depending upon the requirements for building access, some visitors may receive a Key Card along with their visitor ID badges. [REDACTED]

[REDACTED] The individual with whom the Key Card is associated becomes responsible for the card in case it is lost, stolen, or damaged.

Representatives from U.S. Government agencies, acting in their official capacities as inspectors, auditors, or investigators and upon presentation of their U.S. Government credentials, may visit NFSTC without advance notification. NFSTC maintains an official record of all incoming classified and unclassified visits. The record includes the visitors' name, name of activity representative, and the date of the visit.

SEE ATTACHMENTS:

1. NFSTC's "Top Secret" designation
2. Asset Inventory Tracking Form
3. NFSTC's Security, Safety, and Access Guidelines
4. NFSTC's Standard Practice Procedures for Security Services
5. NFSTC's New Visitor Briefing
6. Email request for e-book formats

Recommendation #2:

Ensure the NFSTC updates its asset list to ensure that locations for DOJ grant funded accountable property are identified accurately.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") concurs with the OIG's Recommendation #2.

NFSTC confirms that it does, and will continue to, routinely update its asset list to ensure that locations for all items, including DOJ grant-funded property are accurate. As demonstrated in NFSTC's response to OIG Recommendation #1, NFSTC properly identifies all assets by including the following information in the Sage Fixed Asset System (FAS):

- Date of acquisition
- Cost
- Description (i.e. color, model, serial number, other identifying information)
- Depreciation method
- Estimated useful life

NFSTC has a procedure in place to track the transfer of items. Upon conducting a physical inventory of capitalized assets, items will be returned to their proper location if they are not being used for a specific project. NFSTC's annual inventory is reconciled to FAS Inventory, and reviewed as part of the annual external audit by a CPA firm.

ATTACHMENTS:

Asset Inventory Tracking Form

Asset Tracking screenshot from Sage Fixed Asset-Premier

Fixed Asset screenshot from Sage

Recommendation #3:

Remedy the \$105,778 in unreasonable questioned costs for retroactive pay that the NFSTC provided based on reevaluations of employee job descriptions.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #3.

It is a standard business practice for companies to review employee positions, job descriptions, and rates of pay in order to maintain their competitive status in the job market. NFSTC is committed to paying its employees equitable wages that reflect the requirements and responsibilities of their positions and are comparable to the pay received by similarly situated employees in other organizations in the area.

NFSTC does not concur that the activity was unreasonable, but understands the potential for misunderstanding. In the future, NFSTC will no longer apply retroactive pay increases beyond 30 days.

The process NFSTC uses for job and compensation analysis is based on the Office of Personnel Management's Point Factor System and was modified for NFSTC use by an external consultant, [REDACTED] a certified Compensation Specialist in 2005. The analysis for NFSTC's Human Resources Director's job category and salary were performed by the Sr. Human Resources Generalist, whose primary responsibility includes job analysis for all position responsibilities and compensation alignment, in partnership with the HR Director, then sent to the Executive staff for their independent review and evaluation. It is within the HR Director's job scope to prepare evaluations and recommendations of this type for all staff, and NFSTC Executives use the point factor tools to evaluate each recommendation independently before approving or denying.

NFSTC makes the following statement in its Compensation Administration Policy¹:

"NFSTC's Compensation Administration Program serves to establish consistent pay practices, comply with Federal and State laws, and mirror the organization's commitment to Equal Employment Opportunity. NFSTC offers a compensation plan based on the U.S. Office of Personnel Management's Federal Salary Tables with the exception of those highly skilled occupations where to recruit the necessary talent NFSTC would have to offer competitive salaries based on the prevailing wages within the area for those fields. Recruitment and retention of talented employees is critical to the success of the organization.

Compensation levels are based on an assessment performed by the employee's supervising manager and the Unit Manager of Human Resources. Final approval

¹. Reference Attachment: NFSTC's Compensation Administration Procedure.

of compensation levels are conducted by the Executive Team. NFSTC's total salary budget is reviewed and approved by the organization's Board of Directors on an annual basis."

NFSTC's Compensation Administration Procedure includes the following guidance:

"When a position's scope (including complexity, responsibility increase/decrease, etc.) is adjusted due to organizational requirements, or when information is provided that a substantive position scope change has been demonstrated as a change of responsibilities for a period greater than six months, then a position may be re-evaluated to determine if the position's required factor degree point values equate to a higher grade or step-in-grade² (must be demonstrated as a change of responsibilities of twenty percent or more for consideration). Evaluation for adjustments is determined by review of point factor degrees and requires completion of the established process for defining a new position description. Requests for evaluation may be made by an employee to their direct supervisor or the unit manager responsible for Human Resources. The unit responsible for human resources will conduct an evaluation of all positions every two years." Reference Attachment: Compensation Administration Policy.

Due to the extremely fast-paced growth of the NFSTC's staffing levels which were required to support the delivery of grant-funded activities, NFSTC was delayed in completing these evaluations within the two year period. Once they were completed, NFSTC chose to make these adjustments retroactive in order to ensure equitable treatment of its employees who had performed the work at those levels without formal recognition.

Per the OCFO's 2011 Financial Guide³, "Compensation for Personal Services – Limit on Use of Grant Funds for Salaries of Grantee's Employees" – no salaries paid with grant funds exceeded 110% of the annual salary payable to someone at the Federal Governments' Senior Executive Service (SES) level.

The OCFO's 2011 Financial Guide provides additional information about specific factors that affect whether costs are allowable for Nonprofit Organizations in Title 2 CFR Part 230 which provides the following guidance:

"8. Compensation for personal services. a. Definition. Compensation for personal services includes all compensation paid currently or accrued by the organization for services of employees rendered during the period of the award (except as otherwise provided in subparagraph 8.h of this appendix). It includes, but is not limited to, salaries, wages, directors and executive committee member's fees, incentive awards, fringe benefits, pension plan costs, allowances for offsite pay, incentive pay, location allowances, hardship pay, and cost of living differentials.

² NFSTC uses the OPM's RUS Tables for grading positions and labor categories.

³ 2011 OCFO Financial Guide used as a reference because this audit began in 2011.

b. Allow-ability. Except as otherwise specifically provided in this paragraph, the costs of such compensation are allowable to the extent that:

- (1) Total compensation to individual employees is reasonable for the services rendered and conforms to the established policy of the organization consistently applied to both Federal and non-Federal activities; and*
- (2) Charges to awards whether treated as direct or indirect costs are determined and supported as required in this paragraph.*

c. Reasonableness.

- (1) When the organization is predominantly engaged in activities other than those sponsored by the Federal Government, compensation for employees on federally-sponsored work will be considered reasonable to the extent that it is consistent with that paid for similar work in the organization's other activities.*
- (2) When the organization is predominantly engaged in federally-sponsored activities and in cases where the kind of employees required for the Federal activities are not found in the organization's other activities, compensation for employees on federally sponsored work will be considered reasonable to the extent that it is comparable to that paid for similar work in the labor markets in which the organization competes for the kind of employees involved. Special considerations in determining allow-ability. Certain conditions require special consideration and possible limitations in determining costs under Federal awards where amounts or types of compensation appear unreasonable. Among such conditions are the following:
 - (1) Compensation to members of non-profit organizations, trustees, directors, associates, Determination should be made that such compensation is reasonable for the actual personal services rendered rather than a distribution of earnings in excess of costs.*
 - (2) Any change in an organization's compensation policy resulting in a substantial increase in the organization's level of compensation, particularly when it was concurrent with an increase in the ratio of Federal awards to other activities of the organization or any change in the treatment of allow-ability of specific types of compensation due to changes in Federal policy."**

NFSTC's compensation is fair and reasonable and consistent with wages paid in similar and competing job markets. Almost every position has market rate analysis in addition to the Point Factor Evaluation (PFE) analysis. NFSTC's rates were in-line or slightly below market rate on average for the majority of positions during this period. Per Title 2

CFR Part 230, NFSTC's compensation policy is reasonable and conforms to established company policy.

NFSTC submitted and received approval for the following Grant Adjustment Notices detailing personnel changes and adjustments:

GAN ID	Program Office	Status	Award #	Date
211076	NIJ	Approved	2008-MU-MU-K003 ⁴	10/19/2010
202215	NIJ	Approved	2008-IJ-CX-K405	08/24/2010
196156	NIJ	Approved	2007-IJ-CX-K023	07/27/2010
190023	NIJ	Approved	2008-LT-BX-K002	05/14/2010
180890	NIJ	Approved	2008-IJ-CX-K405	03/16/2010
221130	NIJ	Approved	2008-DN-BX-K072	11/12/2010

The budget modifications included updated salary data and job category for each position funded by the award. The Grant Adjustment Notices were all approved.
[Reference Attachments: Approved GANs.](#)

All NFSTC responses to subsequent OJP solicitations included budgets that reflected the adjusted personnel descriptions and associated salaries. NFSTC received the following FY09, FY10, FY11, and FY12 awards which all included the updated personnel data (position descriptions, role, salary, and fringe data):

Fiscal Year	NFSTC AWARD #	Program Office
FY09	2009-DN-BX-K197	NIJ
FY09	2009-DN-BX-K198	NIJ
FY09	2009-DN-BX-K223	NIJ
FY09	2009-D1-BX-K028	BJA
FY09	2007-MU-BX-K008	NIJ
FY09	2007-IJ-CX-K028	NIJ
FY10	2010-DN-BX-K210	NIJ
FY10	2010-MC-CX-K063	OJJDP
FY10	2010-DD-BX-K009	BJA
FY10	2010-DN-BX-K265	NIJ
FY10	2010-DN-BX-K266	NIJ
FY11	2010-MC-CX-K063	OJJDP
FY11	2011-DN-BX-K568	NIJ
FY11	2011-DN-BX-K571	NIJ
FY12	2010-MC-CX-K063	OJJDP

NFSTC's Human Resources area consists of three (3) positions that include the Director of Human Resources and two (2) Sr. HR Generalists. The Director of Human Resources was involved in the evaluation process as a whole for all affected staff,

⁴ Reference details provided in GAN for 2008-MU-MU-K003

including her own job category and job description in partnership with the Sr. Human Resources Generalist; the resulting recommendation was then independently evaluated and concurred by the Executives. The Sr. Human Resources Generalist was available to answer questions and provide additional information to the Executives during this review. [Reference Attachment: Director of H/R Job Evaluation and Approval.](#)

Attachments:

- Compensation Administration Procedure
- Compensation Administration Policy
- GAN Data
- 2008-MU-MU-K003 GAN Details
- Director of HR Evaluation and Approval

Recommendation #4:

Ensure that the NFSTC establishes controls to ensure proper segregation of duties for individuals assigned to recommend salary increases paid with grant-funds.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") concurs with the OIG's Recommendation #4.

NFSTC understands that there is potential for misunderstanding and has put processes in place that allow for the separation of duties and responsibilities with regard to job and salary evaluations and reviews. In addition, as per Recommendation #3, NFSTC will no longer apply retroactive pay increases beyond 30 days.

NFSTC is a small organization consisting of a total of 42 full-time regular employees. To the extent possible, and wherever it makes sense, NFSTC has always segregated pertinent job duties and responsibilities. NFSTC abides by this practice and is assessed annually on this point by the independent Certified Public Accounting firm of Lewis, Birch, and Ricardo, LLC during the organization's annual audit which also serves as its A-133 Single Point Audit.

The process NFSTC uses for job and compensation analysis is based on the Office of Personnel Management's Point Factor System and was modified for NFSTC use by an external consultant, [REDACTED], a certified Compensation Specialist in 2005. The analysis for NFSTC's Human Resources Director's job category and salary were performed by the Sr. Human Resources Generalist, whose primary responsibility includes job analysis for all position responsibilities and compensation alignment, in partnership with the HR Director, then sent to the Executive staff for their independent review and evaluation. It is within the HR Director's job scope to prepare evaluations and recommendations of this type for all staff, and NFSTC Executives use the point factor tools to evaluate each recommendation independently before approving or denying.

The analysis in question was reviewed and approved by the organization's Chief Operations Officer, who directly supervised the Human Resources Director, and his decision was confirmed by the Chief Executive Officer.

Attachments

- NFSTC Compensation Administration manual
- PFE Manual and communications
- GAN Data

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Recommendation #5:

Ensure that the NFSTC establishes controls to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #5.

Throughout its history with all OJP awards, NFSTC has maintained a database with actual and budgeted expenditures. The approved budget category amounts are updated based on information contained in the most recent approved budget modification Grant Adjustment Notice (GAN) for each award. Actual expenditures are maintained daily and reported directly from the accounting system, including any adjustments that have been made.

Expenditures are grouped based upon the Government's A through I expense categories (i.e. A-Personnel, B-Fringe Benefits, C-Travel, D-Equipment, E-Supplies, F-Construction, G-Contractual, H-Other, and I-Indirect). The actual expense detail for each grant is maintain monthly and is cumulative for each of the expense categories. The actual expenses are then compared to the most recent approved budget amounts.

Variances are reflected, positive or negative, for each category of expense. Over the period of the audited awards, the policies and procedures surrounding the budget management process remained consistent, however one change that could impact the reporting of actual costs versus approved budget categories is NFSTC's financial closing process. At one point, the organization's financial books were closed on a quarterly basis however, they are now closed monthly. Hence, it is highly possible, depending upon the selected interim period that may have been tested by the OIG auditors that the sampled accounting data may have differed from budget actual data.

There are controls within NFSTC's accounting system to verify the accuracy of all data reported. One of these controls is the organization's external annual audit. This annual audit is performed by an independent firm of Certified Public Accountants who specialize in audits involving cooperative agreements and other government awards. The annual external audit is performed by independent CPAs and includes a reconciliation of each award using NFSTC's spreadsheet budget and actual data. This information was made available to the OIG audit staff.

Attachment:
Financial Status Reports (FSR) Reconciliation

Recommendation #6:

Ensure that the NFSTC establishes controls to track cumulative transfers of grant funds within budget categories.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #6.

The attached schedule is taken directly from Lewis Birch & Ricardo, CPAs 2011 audit work papers of NFSTC. For each award all costs and related audit adjustments are reconciled between the NFSTC General Ledger and the financial status reports. The CPA firm also reconciled the budget categories (A through I) for each award.

Unallowable costs are separately reflected on the reconciliation. The first two columns are for other NFSTC contracts not requiring Financial Status Reports. The references noted in red are indexes for other audit work files.

Similar documentation was made available to OIG Auditors.

Attachment:

Financial Status Reports (FSR) Reconciliation

Recommendation #7:

Ensure that the NFSTC accurately reports progress on the grants in the semiannual progress reports.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #7.

NFSTC maintains accuracy in its semiannual programmatic reports and meets, if not exceeds, programmatic objectives and reporting requirements. In each of the awards, reporting requirements did not include or stipulate that sign-in sheets would be used as a performance measurement to determine program success. NFSTC's reports were received and approved by program managers in every case.

Details of the measurement requirements for awards from 2008-2011 are below.

Program Performance and Accomplishments

OJP Solicitation Requirements

From 2008 to 2011, NFSTC responded to solicitations issued by various bureaus within OJP to support forensic science training initiatives. The solicitations set forth specific goals, objectives, and performance measures designed to help make training and training resources available to the justice community. NFSTC's proposal responses addressed how it would meet the goals, objectives, and performance measures. Performance metric and/or survey data was provided in the semi-annual reports to the appropriate OJP Bureau (NIJ, BJA, OJJDP, etc.), that detailed how those objectives were met, but report contents such as sign in sheets were not indicated as a requirement.

Stated Program Requirements

2008 OJP Training Solicitation Objectives

Page 7 of the 2008 OJP Training Solicitation entitled, "*Forensic Science Training Development and Delivery Program*" (SL #000829; 2008-NIJ-1746) includes the following table of objectives:

Objective	Performance Measures	Data Grantee Provides
To increase the number of relevant no-cost training opportunities provided to the forensic community.	1. The number of forensic science personnel successfully completing developed or delivered	1. A description of the relevant training provided to the forensic community. 2. The number of forensic science personnel

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	<p>training, or both, under this solicitation.</p> <p>2. The percent of forensic science personnel participating in the training who felt that the training was relevant to their needs.</p>	<p>successfully completing the developed/delivered training.</p> <p>3. The number of forensic science personnel who felt the training was relevant to their needs.</p>
--	--	--

NFSTC was awarded four (4) FY08 Training awards:

- 2008-DN-BX-K072
- 2008-DN-BX-K073
- 2008-DN-BX-K186
- 2008-DN-BX-K201

The semi-annual and final reports for each award listed above include spreadsheets¹ that capture all the required performance metric data. This data thoroughly demonstrates the objectives for the training programs were met and in most cases, exceeded. The spreadsheets captured and provided the following data:

- Course Assessment
- Population
 - Course Name
 - Date
 - Number of Applicants
 - Number of Qualified Applicants
 - Number of Intended Participants Outlined in Proposal
 - Number of Actual Participants
 - Hours of Instruction
 - Total Hours of Instruction ((Number of Actual Participants) x (Hours of Instruction))
 - Continuing Education Credits
 - CEU Accrediting Organization
 - Number of Participants that Pass the Course or Receive a Certificate
- Geographical Data
 - Course Name
 - Date
 - Actual Participants
 - Number of Tribal Participants
 - Number of States Represented
 - Number of Counties Represented
 - Number of Organization Represented
- Technology
 - Course Name

¹ The Spreadsheets were provided by the Program Office. [Reference Attachment 1.](#)

- Date
- Training Format
- Web Access
 - How long is it Available?
 - Will it be available to General Public for Free?
 - Traffic Information (Average Number of Hits per Week)
 - Is it compatible with mobile devices?
- Roster
 - First Name
 - Last Name
 - Organization
 - City
 - State
 - Zip
 - Phone
 - Email
 - Discipline

The reports were all reviewed, accepted, and approved by the Program Manager.

2009 OJP Training Solicitation Objectives

At the top of page 9, of the 2009 OJP Training Solicitation entitled, “Forensic Science Training Development and Delivery Program” (SL #000855; NIJ-2009-1942) includes the following table of objectives:

Objective	Performance Measures	Data Grantee Provides
To increase the number of relevant no-cost training opportunities provided to forensic science and criminal justice practitioners and policymakers.	1. The number of forensic science personnel successfully completing developed or delivered training, or both, under this solicitation. 2. The percentage of forensic science personnel participating in the training who felt the training was relevant to their needs. 3. Quality of management as measured by whether significant interim project milestones were achieved, final deadlines were met, and costs remained within approved limits.	1. A description of the relevant training provided to the forensic community. 2. The number of forensic science personnel successfully completing the developed/delivered training. 3. The number of forensic science personnel who felt the training was relevant to their needs.

NFSTC was awarded three (3) FY09 training awards:

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- 2009-DN-BX-K197
- 2009-DN-BX-K198
- 2009-DN-BX-K223

As with the previous year's reporting requirements, the semi-annual and final reports for each award listed above included spreadsheets that captured the required performance metric data. Again, this information thoroughly demonstrates the objectives for the training programs were achieved. The spreadsheets captured and provided the same data referenced above for the 2008 OJP Training Solicitation Objectives.

The reports were all accepted, reviewed, and approved by the Program Managers.

2010 OJP Training Solicitation Objectives

Page 8, of the 2010 OJP Training Solicitation entitled, "Forensic Science Training Development and Delivery Program" (SL #000907) includes the following table of objectives:

Objective	Performance Measures	Data Grantee Provides
To increase the number of no-cost training opportunities for State and local forensic science practitioners and State and local criminal justice partners.	<ol style="list-style-type: none"> 1. The number of State and local forensic science (and other State and local criminal justice) personnel who successfully complete the training courses developed and delivered under this solicitation. 2. The percentage of State and local forensic science (and other State and local criminal justice) personnel participating in the training who felt the training was relevant to their needs. 3. Quality of the delivered training courses as measured by students, subject matter experts, and possible evaluation by NIJ. 4. Quality of management measured by successfully meeting significant interim project milestones, final deadlines, and costs that are within the approved limits. 	<ol style="list-style-type: none"> 1. A description and dates of the relevant training provided to the forensic community and its effectiveness. 2. The number of State and local forensic science (and other State and local criminal justice) personnel who successfully complete the developed/delivered training. 3. The number of State and local forensic science participants who felt the training was relevant to their needs. 4. Quarterly financial reports, semi-annual progress reports, and a final progress report. 5. For courses developed with NIJ funds, the final report must be accompanied by hard and electronic copies of all training materials. For electronic-based courses (browser, computer, and video-based training), this includes a master copy, all

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		source codes, and supporting files and documentation.
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The FY10 solicitation issued by the Office of Juvenile Justice and Delinquency Prevention (OJJDP) entitled, "OJJDP 2010 Internet Crimes Against Children Program Support" lists the following objectives on page 7 of the solicitation.

Objective	Performance Measures	Data Grantee Provides
The primary objective will be the development of specific technical assistance products to OJJDP, to law enforcement, and other service providers. The deliverables (technical assistance, meeting and conference support, and information management) should be directed toward the continuation, expansion, and enhancement of DOJ's ICAC program.		OJJDP has an online system for grantee performance measures data reporting. To access, see (http://ojjdp.ncirs.gov/grantees/pm) During the reporting period:
	Number of technical assistance requests received.	Number of technical assistance requests received.
	Number of program materials developed.	Number of program materials developed.
	Number of planning or training events held.	Number of planning or training events held.
	Number of people trained.	Number of people trained.
	Percent of people exhibiting increased knowledge of the program area.	Number of people exhibiting increased knowledge of the program area (determined by pre- and post- testing).
	Number of program policies changed, improved, or rescinded.	Number of program policies changed, improved, or rescinded.
	Percent of organizations reporting improvements in operations based on training and technical assistance.	Number of organizations that receive training and technical assistance. Number of those served by grantee.

NFSTC was awarded three (3) FY10 training awards:

- 2010-DN-BX-K265
- 2010-DN-BX-K266
- 2010-MC-CX-K063

The semi-annual and final reports for awards 2010-DN-BX-K265 and 2010-DN-BX-K266 included the same spreadsheet performance metric data as the ones in previous years. As with the other reports, this data thoroughly demonstrates the objectives for the training programs were achieved. The information provided data for both online and onsite training formats.

The semi-annual and final reports for award 2010-MC-CX-K063 included participant survey data that provided feedback on the following topics:

- Survey Overview
 - Number of drop-outs
 - Number of completions
- Instructor knowledge in subject matter
- Opportunity to learn specialized software with hands-on activities
- The impact of the training programs' practical exercises
- Classroom material
- Improving the online learning experience
- Ways to improve the course
- Other areas of training interests
- Ways to improve class environment

Underreporting of Attendance

The Program Performance and Accomplishments section of the OIG's Draft Audit Report (page 23, paragraph 3), references attendance numbers being underreported for three (3) training sessions. The report does not provide details regarding the specific training programs or award numbers however, NFSTC is aware of training sessions for its OJJDP ICAC program (award number 2010-MC-CX-K063) where onsite participants made spur-of-the-moment requests to "sit-in on the training".

The ICAC training program is delivered at various law enforcement agency facilities across the United States to make the training more accessible to those local agencies and to help reduce the impact of long distance travel expenses on agency budgets. The courses require participants to pre-register so class capacity (up to 20 participants) can be managed. The participants who made a "last minute decision" to participate were not enrolled in the training sessions and were not included in the official course participant count. Because of NFSTC's diligence in managing the budget for the FY2011 Program, NFSTC was able to provide 2 additional classes for 40 more participants than was originally projected.

During a conference call with the OIG on August 26, 2013, NFSTC was informed that a potential finding may result from the "underreporting" of attendees associated with award 2010-MC-CX-K063. NFSTC addressed this matter with the award's Program Manager (Ms. Lou Ann Holland) and submitted a revised final report on September 20, 2013. [Reference Attachment 2: Email Concerning OJJDP Report.](#)

2011 OJP Training Solicitation Objectives

The top of page 9, of the 2011 OJP Training Solicitation entitled, "*Forensic Science Training Delivery and Research Program*" (SL #000949; NIJ-2011-2812) includes the following table of objectives:

Objective	Performance Measure(s)	Data Grantee Provides
1) To increase the number of no-cost training opportunities to forensic science and criminal justice practitioners. 2) To support targeted research of formal and informal forensic science training programs employed by the forensic science community at the State and local levels.	1. Relevance to the needs of the field as measured by whether the grantee's substantive scope did not deviate from the funded proposal or any subsequent agency modifications to the scope. 2. Quality of the training or research as assessed by peer reviewers. 3. Quality of management as measured by whether significant interim project milestones were achieved, final deadlines were met, and costs remained within approved limits. 4. If applicable, number of NIJ final grant reports, NIJ research documents, and grantee research documents published.	1. Track 1: A description of the relevant training provided to the forensic community and its effectiveness. The number of forensic science personnel successfully completing the developed/delivered training. The number of participants who felt the training was relevant to their needs. Track 2: A final report providing a comprehensive overview of the project and a detailed description of the project design, data, and methods; a full presentation of scientific findings; and a thorough discussion of the implications of the project findings for criminal justice practice and policy in the United States. 2. Quarterly financial reports, semi-annual progress reports, and a final progress report. 3. If applicable, each data set that was collected, acquired, or modified in conjunction with the project. 4. If applicable, citation to report(s)/document(s).

NFSTC was awarded two (2) FY11 training awards:

- 2011-DN-BX-K568
- 2011-DN-BX-K571

The associated spreadsheets captured and provided the same data referenced above for the 2008 OJP Training Solicitation Objectives; the spreadsheet for award 2011-DN-BX-K568 provided information for both online and onsite training formats.

The reports were all accepted, reviewed, and approved by the Program Managers.

Additional Information

NFSTC has more than demonstrated that in all cases, training program objectives and performance measures were met, if not exceeded. NFSTC's programmatic achievements have been validated by the Program Manager's acceptance of final reports and reported performance metrics. Sign-in sheets were not an agreed upon or required performance measurement, so using them to determined achievement of objectives is not valid.

The following awards were singled out as either having no sign-in sheets, incomplete training dates, or inaccurate attendance number. Here is additional information we present concerning those awards:

Award #	Status	Notes
2010-DN-BX-K265	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2010-DD-BX-K009	No-Cost Extension	OIG Draft Audit Report cites incorrect award end date of 09/2015; correct end date is 09/30/2014.
2009-DN-BX-K198	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2009-DN-BX-K197	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2009-D1-BX-K028	Ongoing	Maximizing Forensic Resources was proposed but never realized. The National Public Safety Summit was agreed upon by NFSTC and the BJA Program Office and delivered on 10/18/2011 – 10/20/2011.
2008-MU-MU-K212	Closed	<p>This award was used to support 3 conferences – not training:</p> <ol style="list-style-type: none"> 1. NIJ Post Conviction Symposium – Attendee list provided in final report – true and accurate. 2. NIJ Grant Management Summit – Attendee list provided in final report – true and accurate. 3. NIJ Trace Evidence Symposium – Attendee list provided in final report – true and accurate. 4. Conference dates clearly stated on attendee list and hotel contracts provided in final report

2008-MU-MU-K003	Closed	This award was for the FY08 Forensic Technologies Center of Excellence. No training was provided under this award per the solicitation: "Forensic science training is outside the scope of this solicitation and the work of the proposed Forensic Technologies Center of Excellence." Solicitation #SL000799; 2007-NIJ-1630. The original solicitation was used to respond for the FY08 award as a new solicitation was not issued by OJP.
2008-DN-BX-K201	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2008-DN-BX-K186	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2008-DN-BX-K073	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2008-DN-BX-K072	Closed	<ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2007-MU-BX-K008	Closed	This award number was for the FY07 and FY09 Forensic Technologies Center of Excellence. No training was provided under this award per the solicitation: "Forensic science training is outside the scope of this solicitation and the work of the proposed Forensic Technologies Center of Excellence." Solicitation #SL000799; 2007-NIJ-1630.
2007-IJ-CX-K233	Closed	<p>This was NFSTC's original training award for Pattern Evidence Training.</p> <ol style="list-style-type: none"> 1. Closeout package and final report reviewed, accepted, and approved by Program Manager. 2. Performance Measures and objectives achieved. Reference Metric Measurement Spreadsheet
2007-DD-BX-K072	Closed	<p>This was NFSTC's first BJA award (Discretionary Funding) which supported:</p> <ol style="list-style-type: none"> 1. Homicide Investigation Symposium 2. Medical Examiner Training – Workshop 3. New Technologies Integration <p>Projects have all been completed / objectives achieved.</p>

Successful achievement of course objectives and completion all the course requirements were corroborated by course instructors. Certificates of Completion were issued at the end of training events for participants who successfully completed the training (which requires daily attendance). Certificates provide attendees' names, date of certificate award, training hours successfully completed, and are signed by an NFSTC Executive.

In addition to the Certificate of Completion, participants receive a letter thanking them for their participation in the training event. In certain instances, NFSTC has provided participant agencies with status updates as to how their employee was progressing. Participants who did not successfully complete a training event were provided a Certificate of Attendance only. Participants completing online course deliveries received a Certificate of Completion if they successfully achieved 80% or above on the online assessment.

Dates for all training events were provided in the spreadsheets; dates are one of the factors used in calculating participant expense reimbursements.

Attachments:
Training program spreadsheets
OJJDP Report/Email

Recommendation #8:

Ensure that the NFSTC maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") does not concur with the OIG's Recommendation #8.

To date, there has been no requirement for NFSTC to use sign-in sheets to document and track training objectives. As detailed in NFSTC's response to OIG recommendation #7, none of the documentation requirements in the OJP solicitations, solicitation performance measures, the OCFO Financial Guide, OJP's Conferences and Meetings Reporting Guidance, and the Special Conditions provided in grant awards reference the use of sign-in sheets. NFSTC will willingly comply with a mandate to use sign-in sheets as a method of meeting training objectives if OJP requires it.

Based upon the OIG's Draft Audit Report, it appears that NFSTC's use of sign-in sheets has been misunderstood and in that context it may seem that it was inconsistent. NFSTC sign-in sheets were only used for those training events that required expense reimbursement, as detailed below. NFSTC has never used, nor has been required to use, sign-in sheets as a means of tracking performance objectives.

NFSTC's Use of Sign-in Sheets

Page 23 of the OIG Draft Audit Report (Program Performance and Accomplishments, paragraph 3) states:

"...Because the NFSTC did not maintain attendance sign-in sheets for 25 training sessions, training dates were incomplete for 19 training sessions, and attendance numbers were under reported for 3 training sessions, we could not determine if all the objectives were fully met..."

One requirement for all the work NFSTC performed under OJP grant awards has been that services be provided at no cost to the participant, meaning that attendees who travel need to be reimbursed. In 2008, NFSTC began issuing stipend checks instead of processing individual travel reimbursement requests for meeting and conference participants, and adopted the same process for training events in 2010. Stipends provided a better means of managing the reimbursement process, which could have as many as 300 attendees, and was also a more efficient means of managing grant funds.

NFSTC, in collaboration with Program Managers, decided to issue stipend checks to cover participant event travel expenses for meals, mileage, parking, baggage fees, and

ground transportation. The checks were processed in advance using standard rates and were made available to attendees on the last day of an event.

Because expenses included in the stipend were calculated in advance and were based on the number of days of an event's duration, the criteria established for stipend eligibility required strict daily event attendance. To ensure attendance criteria was met, an NFSTC representative was present during the entire event (for on- and off-site events) and to ensure participants signed in each day. After signing in on the last day of the event, a participant was then eligible to receive the stipend check.

Participants who did not attend one (or more) day(s) of an event would not receive the check that had been processed for them. Instead, they would be required to complete and submit a travel reimbursement request upon returning home. They would not be eligible to receive the full reimbursement amount, but would only receive reimbursement for their actual event participation expenses. The sign-in sheets referenced in the audit report were a means of determining whether an event participant would be eligible to receive the entire stipend amount or a lesser amount.

Recommendation #9:

Ensure that the NFSTC obtains approvals for all sole source contracts greater than \$100,000. The sole source approval should apply to all grants used to pay the contract costs.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") concurs with the OIG's Recommendation #9. NFSTC routinely seeks sole source approval when vendor costs exceed the \$100,000 sole source threshold. We are familiar with the requirement and every attempt is made to adhere to it when warranted.

As detailed below, NFSTC inadvertently did not submit a request for sole source approval to use a specific vendor that had been approved just two months prior. Going forward, NFSTC will ensure that it receives sole source approval for vendors whose services exceed the \$100,000 threshold, as required. In addition, although the award in question is closed, NFSTC will submit a request for retroactive approval for JMA's services directly to the Program Manager.

Sole Source Approval Detail

On page 28 of the OIG's Draft Audit Report (paragraph 4), OIG Auditors make the following statement:

"We verified that OJP provided approval for the use of sole-source event planner contracts under 4 of the 11 grants that were used to pay event planner costs under sole-source contracts over \$100,000. However, the NFSTC did not obtain OJP approval for the use of sole-source event planner contracts for the other seven grants used to pay event planner costs under sole source contracts over \$100,000."

Since the Report does not provide a list of the referenced grants, NFSTC provides the following table, supported by the attached source documents taken directly from NFSTC's accounting system and a summary spreadsheet which tabulates the information. [Reference Attached.](#)

Co Ag # ¹	Award Number	Total Amount Charged By JMA ²	Sole Source Approval Required?	Sole Source Received?
01	2007-DD-BX-K072	\$30,007.78	No	No
07	2006-MU-BX-K002	\$15,729.00	No	No
08	2007-IJ-CX-K023	\$2,010.14	No	No
09	2007-IJ-CX-K233	\$218.16	No	No
10	2007-MU-BX-K008 – FY07	\$36,571.38	No	No
11	2008-MU-MU-K212	\$108,153.49	Yes	Yes

¹ Co Ag = Cooperative Agreement – numbering system used internally by NFSTC in its accounting software to identify funding sources. OIG Auditors were provided a list of Co Ag numbers and the associated OJP award numbers.

² Total amount charged by JMA from 2008 – 2011.

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12	2008-MU-MU-K003	\$125,630.59	Yes	Yes
13	2008-LT-BX-K002	\$5,162.50	No	Yes
15	2008-DN-BX-K073	\$25,857.32	No	No
17	2008-DN-BX-K186	\$19,349.23	No	No
19	2009-D1-BX-K028	\$17,500.62	No	No
20	2007-MU-BX-K008 – FY09	\$115,384.75	Yes	No
22	2009-DN-BX-K198	\$3,888.52	No	No
25	2010-DN-BX-K210	\$118,183.18	Yes	Yes

Of the fourteen (14) awards listed above, four (4) were charged for meeting planning services provided by JMA Consulting, LLC (“JMA”) that exceeded the \$100,000 threshold for sole source justification/approval. Of the four (4) awards, three (3) received sole source approval to use JMA. [Reference Attached.](#)

The sole source approval for award number 2008-MU-MU-K003 (FY08 Forensic Technologies Center of Excellence - FTCoE) was obtained on July 17, 2009; less than two (2) months later (September 21, 2009), NFSTC was awarded the FY09 Forensic Technologies Center of Excellence grant (2007-MU-BX-K008). Although NFSTC had just recently (less than two (2) months) received approval to use JMA's services, the organization did not receive sole source approval to continue using their services under the new FY09 FTCoE award even though JMA was paid in excess of \$100,000 under the FY09 FTCoE award. NFSTC mistakenly did not submit a request for sole source approval for the FY09 FTCoE because of the short length of time between the last sole source approval for JMA.

Page 28 of the OIG’s Draft Report contains the following statement:

“We did not question the event planner expenditures that were charged to the contracts without sole source approval because the NFSTC financial records did not consistently indicate to which contract each expense was applied.”

The attached spreadsheets, identified as source documents, were downloaded directly into MS Excel from NFSTC’s accounting software. Similar documentation was provided to the OIG Auditors. Information provided includes:

- Document Number (usually the Vendor’s invoice number)
- NFSTC’s internal numbering for the cooperative agreement (Co Ag Code)
- Internal Project Code Number
- Internal Event Code (when applicable)
- GL Code
- GL Title
- Effective Date
- Debit amount
- Credit amount
- Transaction Description

OIG Auditors received information tying Co Ag codes to OJP award numbers. Every invoice is associated directly with its funding source.

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Recommendation #10:

Remedy the \$744,395 in unallowable questioned costs from the transfer of funds from grant 2000-RC-CX-K001 to 2006-MU-BX-K002.

NFSTC's Response:

The National Forensic Science Technology Center, Inc. ("NFSTC") concurs with the OIG's Recommendation #10.

The Office of Justice Programs (OJP) has recommended that the outstanding audit Recommendation (Number 4, OIG Audit Report GR-40-09-005) regarding the transfer of \$744,395 from Cooperative Agreement 2000-RC-CX-K001 to 2006-MU-BX-K002 be closed because¹:

- NFSTC mistakenly drew down the \$744,395 in funds from the 2000 grant rather than from the 2006 grant;
- NFSTC contacted OJP to determine the best way to correct this error and was advised to return the funds to OJP;
- The refund payment was erroneously applied to the 2006 award;
- NFSTC provided a copy of its general ledger to support the Federal expenditures reported for both the 2000 and 2006 award; and
- The expenditures agree with the payment history reports for both awards.

NFSTC agrees with OJP's recommendation that this matter be closed.

¹ Excerpt from OIG Draft Report, pages 30 and 31.

**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 the National Forensic Science Technology Center (NFSTC) and Office of Justice Programs (OJP). The OJP response is incorporated in Appendix 3 and the NFSTC response is in Appendix 4 of this final report. In this final audit report we made minor technical changes to reflect additional information provided to us by the NFSTC in response to our draft report. These changes have no effect on our findings, conclusions, or recommendations. The following provides the OIG analysis of the responses and a summary of actions necessary to close the report.

Recommendation:

- 1. Ensure that the National Forensic Science Technology Center establishes controls to adequately secure grant-funded equipment.**

Resolved. OJP concurred with our recommendation and stated in its response that it will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to strengthen controls over equipment purchased with federal funds.

The NFSTC did not concur with this recommendation and stated that its facilities and assets are controlled using a key card system for all areas beyond the lobby so that all fixed or non-fixed assets remain secure. The NFSTC further stated that the non-fixed items discussed in the report lack sufficient detail to provide a response regarding these items. The NFSTC response said it was likely that the item referenced in our audit finding was the personal possession of an employee or visitor.

During the audit, we noted that certain areas within the NFSTC facility did not have key card access, some areas leading into the main office remained opened, or the key card access was not in use. We also requested and received a listing of grant-funded equipment and the portable audio player was included on the listing of grant-funded property. For clarity, we included the inventory numbers for the non-fixed asset items on pages 7 and 8 of this final audit report.

This recommendation can be closed when we receive documentation for the controls established by the NFSTC to adequately secure grant-funded equipment.

- 2. Ensure the National Forensic Science Technology Center updates its asset list to ensure that locations for Department of Justice grant-funded accountable property is identified accurately.**

Closed. This recommendation is closed based on the documentation the NFSTC provided that identified procedures for updating the asset list to ensure that locations for all items, including DOJ grant-funded property, are accurate.

- 3. Remedy the \$105,778 in unreasonable questioned costs for retroactive pay that the National Forensic Science Technology Center provided based on re-evaluations of employee job descriptions.**

Resolved. OJP concurred with our recommendation and stated in its response that it will coordinate with the NFSTC to remedy the \$105,778 in questioned costs for the retroactive pay the NFSTC provided for the reevaluations of employee job descriptions.

The NFSTC did not concur with this recommendation and stated in its response that, as a standard business practice, companies review employee positions and pay rates in an effort to maintain competitive status in the job market. The NFSTC also did not concur that the questioned costs were unreasonable but stated that it recognizes how such a practice could be misunderstood. The NFSTC also stated that it will no longer apply retroactive pay increases to the grants for periods more than 30 days in the past. In addition, the NFSTC provided approved budget modifications that updated salary and job data for 19 of the 21 grants included in our audit scope.

The OIG understands that positions are re-evaluated and we agree that the approved budget modifications addressed salary and job data changes. However, the OIG believes the decision to charge the salary increases retroactively to the grants should have been approved by OJP and, absent OJP approval, retroactive salary increases should not be applied to grants for any length of time. For that reason the practice is considered unreasonable.

This recommendation can be closed when we receive documentation that the \$105,778 in unreasonable questioned costs has been remedied.

- 4. Ensure that the National Forensic Science Technology Center establishes controls to ensure proper segregation of duties for individuals assigned to recommend salary increases paid with grant funds.**

Closed. This recommendation is closed based on the documentation provided by the NFSTC that addressed the duties and responsibilities for

individuals assigned to conduct, review, and approve the evaluations for salary increases.

5. Ensure that the National Forensic Science Technology Center establishes controls to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that analyses of actual expenditures to approved budget categories are routinely updated, and corrections and adjustments are considered, as applicable.

The NFSTC did not concur with our recommendation and stated that throughout its history with all OJP grants it has maintained a database with actual and budgeted expenditures. The NFSTC also stated that the actual expenditures are maintained daily and reported directly from the accounting system, including any adjustments that have been made. Additionally, the NFSTC stated that its financial closing process could affect the reporting of actual versus budgeted costs, and that the timing of the request could have affected our testing.

During the audit, the NFSTC provided us three separate comparisons of its budgeted expenditures to actual expenditures. The first of these analyses covered calendar year 2008-2011. We sought to validate the NFSTC comparison of budgeted expenditures to actual expenditures. Based on our assessment, the NFSTC analysis was not accurate. When we asked the NFSTC staff about the differences between our validation and their comparison, they provided two additional comparisons, which we were also unable to validate. We asked the NFSTC staff for an explanation for the differences. They told us that the differences occurred because of adjustments for accruals, corrections, reclassifications of grant expenditures, and personnel changes within the accounting department. Given that our validation of the NFSTC's comparison of budgeted expenditures to actual expenditures was made well after the 2008-2011 calendar year closing process, the NFSTC should have been able to produce an accurate comparison that we could validate.

This recommendation can be closed when we receive documentation for the controls established to perform routine updates to budget analyses of actual expenditures to approved budget categories to ensure corrections and adjustments are considered.

6. Ensure that the National Forensic Science Technology Center establishes controls to track cumulative transfer of grant funds within budget categories.

Resolved. OJP concurred with our recommendation and stated in its response that it coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that cumulative transfers of federal grant funds within budget categories are properly tracked.

The NFSTC did not concur with our recommendation and stated that for each grant all costs and related audit adjustments are reconciled between the general ledger and the financial status reports by the Certified Public Accounting (CPA) firm used to conduct an annual audit.

The OIG understands that the CPA firm reconciled the budget to actual expenditures using the general ledger and financial status reports. However, for grant management purposes, the transfer of actual expenditures should be tracked within the budget categories to ensure that cumulative transfer of grant expenditures among approved budget categories does not exceed 10 percent of the project costs, which is not done through the financial reporting process to OJP.

This recommendation can be closed when we receive documentation for the controls established to track cumulative transfer of grant funds within budget categories.

7. Ensure that the National Forensic Science Technology Center accurately reports progress of the grants in the semiannual progress reports.

Closed. This recommendation is closed based on the documentation the NFSTC provided that shows how it will ensure that the progress of the grants is accurately reported in the semiannual reports.

8. Ensure that the National Forensic Science Technology Center maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.

Resolved. OJP concurred with our recommendation and stated in its response that it will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure the maintenance of complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.

The NFSTC did not concur with this recommendation and stated that there were no requirements for the use of sign-in sheets to document and track training objectives.

During the audit, the OIG reviewed documentation that the NFSTC provided as support for the completion of training sessions. For one training session, the NFSTC sought to support the number of participants by providing a series of documentation that included a hotel invoice with the names of the people occupying hotel rooms and spreadsheets with participants' names. However, the number of participants on the hotel invoice and spreadsheets did not match what was reported on the progress report. For other training sessions, we sought to verify participants by reviewing sign-in sheets, but those were inconsistently and inadequately completed. The OJP Financial Guide states that the funding recipient will ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program. Consequently, we believe the sign-in sheets provided the best support for the number of participants in attendance for grant-funded training sessions because it provides proof that the participants were present.

In its response for Recommendation 7, the NFSTC stated that some of the training sessions did not have sign-in sheets because those sessions were replaced by another training session or because sign-in sheets are not a grant requirement. Based on the documentation provided in response to the draft report, we determined the following.

Grant Number 2009-D1-BX-K028 – The grant included funding for the Law Enforcement Conference – Maximizing Forensic Resources. During the audit, the NFSTC Director of Contracts told us that the Law Enforcement Conference – Maximizing Forensic Resources was replaced by the 2009 Impression and Pattern Evidence Symposium. However, we determined that the 2009 Impression and Pattern Evidence Symposium was reported under Grant Number 2008-MU-MU-K212. The NFSTC stated in its response to our draft report that the Law Enforcement Conference – Maximizing Forensic Resources was not provided but was replaced by a National Public Safety Summit in October 2011. We were not told of this replacement during the audit. Given the conflicting information here, we are unsure which training sessions were provided under this grant. However, in the discussion of this grant in the table on page 20 of the report, we deleted the reference to “no sign-in sheets” for Grant Number 2009-D1-BX-K028.

Grant Number 2008-MU-MU-K003 – The NFSTC stated in its response to our draft report that this grant was for the fiscal year 2008 Forensic Technologies Center of Excellence and no training was provided. As part of our testing of the activities reported for this grant, we selected the General Forensics Research and Development Grantees Meeting reported in the July through December 2009 progress report with 11 participants in attendance. We also selected the workshop for “Sequential Processing of Documents for Fingerprints: Getting All of What’s There” included in the January through June 2010 progress report with 12 participants in attendance.

We believe both activities provided opportunities for participants to receive information to enhance their knowledge and skills. Furthermore, the NFSTC reported participants were in attendance and did not provide documentation to support the number of participants reported. We believe sign-in sheets were necessary to support the participants' attendance.

Grant Number 2007-MU-BX-K008 – The NFSTC stated in its response to our draft report that training sessions were not provided under this grant. Our finding does not reference training sessions for this grant and, instead, notes that the NFSTC provided testing, evaluation, and technology assistance. For this grant, the NFSTC reported that a technical working group meeting was conducted and 17 participants attended. We requested but did not receive sign-in sheets to support the attendance for these 17 participants. During the audit, the NFSTC Director of Contracts told us that the sign-in sheets could not be located. As stated in the NFSTC's supporting documentation, the meeting contributed to educating forensic practitioners on the latest tools, technologies, and techniques in DNA and general forensic disciplines. We believe the referenced meeting provided an opportunity for participants to receive additional knowledge and skills. Sign-in sheets were necessary because such documentation would provide the best support for the 17 participants' attendance.

The NFSTC response to the draft report also addressed the grants for which we could not determine that grant objectives were met. In its response, the NFSTC stated that the closeout package and final progress reports were reviewed, accepted, and approved by the OJP program manager and the performance measures were achieved. Our assessment of the documentation provided during the audit is below.

Grant Numbers 2010-DN-BX-K265, 2009-DN-BX-K198, 2009-DN-BX-K197, 2008-DN-BX-K201, 2008-DN-BX-K186, 2008-DN-BX-K073, 2008-DN-BX-K072, 2007-IJ-CX-K233, and 2007-DD-BX-K072 – The training dates included on the sign-in sheets were not recorded consistently and did not include the timeframe for the training sessions.

Grant Number 2008-MU-MU-K212 – The training dates were not recorded consistently and did not include the timeframe for the training sessions. The NFSTC reported 300 participants for the Post Conviction DNA meeting and 350 participants for the 2009 Trace Evidence Symposium. However, for the DNA meeting, the sign-in sheets provided did not include dates and contained 270 signatures instead of 300 as reported. For the Symposium, the NFSTC provided a spreadsheet and hotel invoice for 147 participants, which do not

support the 350 participants reported and do not adequately support participants' attendance.

This recommendation can be closed when we receive documentation that the NFSTC maintains complete and accurate documentation supporting all training courses held, including sign-in sheets with full dates.

- 9. Ensure that the National Forensic Science Technology Center obtains approval for all sole source contracts greater than \$100,000. The sole source approval should apply to all grants used to pay the contract costs.**

Resolved. OJP concurred with our recommendation and stated in its response that it will coordinate with the NFSTC to obtain a copy of policies and procedures developed and implemented to ensure that prior approval is obtained from the awarding agency for all sole source contracts greater than \$100,000, which are funded by federal grants.

The NFSTC concurred with this recommendation and stated it would ensure sole source approval is obtained for vendors whose services exceed the \$100,000 threshold. In its response the NFSTC provided a table of 14 grants that had charges from the sole source event planner and stated that only 4 of those required sole source approval because those were the only grants where expenses exceeded \$100,000.

We believe the NFSTC is interpreting the OJP requirement incorrectly. The NFSTC response addressed grant expenditures that exceeded \$100,000 instead of contracts that exceeded \$100,000. The OJP Financial Guide states that "all sole source procurements in excess of \$100,000 must receive prior approval from the awarding agency." This requirement is based on a per grant basis. The NFSTC should have received sole source approval for all contracts greater than \$100,000 for all grants used to pay the contract costs.

This recommendation can be closed when we receive documentation that the NFSTC obtains approval for all sole source contracts greater than \$100,000 for all grants used to pay contract costs.

- 10. Remedy the \$744,395 in unallowable questioned costs from the transfer of funds from Grant Number 2000-RC-CX-K001 to Grant Number 2006-MU-BX-K002.**

Resolved. OJP concurred with our recommendation and stated in its response that it will coordinate with the NFSTC to remedy the \$744,395 in unallowable questioned costs related to the transfer of funds from Grant Number 2000-RC-CX-K001 to Grant Number 2006-MU-BX-K002.

The NFSTC concurred with this recommendation and stated that it agrees with comments OJP made regarding the related recommendation contained in our prior audit report. In those comments, OJP asked that the related recommendation in the prior report be closed. As noted on pages 23-26 of this report, we declined to close the recommendation in our prior audit report because the NFSTC has, under Grant Number 2006-MU-BX-K002, expended \$744,395 more than the amount authorized.

This recommendation can be closed when we receive documentation that the \$744,395 in unallowable questioned costs has been remedied.