



**AUDIT OF THE BUREAU OF JUSTICE ASSISTANCE  
CONVENTION SECURITY SUPPORT GRANT  
AWARDED TO CHARLOTTE, NORTH CAROLINA, FOR THE  
2012 DEMOCRATIC NATIONAL CONVENTION**

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

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**EXECUTIVE SUMMARY\***

The Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the Office of Justice Programs (OJP) Security Support Grant awarded to the City of Charlotte, North Carolina, for the 2012 Democratic National Convention.<sup>1</sup> The grant was made through the Bureau of Justice Assistance (BJA), which is a component of OJP. The BJA awarded the city \$49,850,000 to provide security to delegates, visitors, and residents during the convention held September 3-6, 2012.<sup>2</sup>

The objective of our audit was to determine whether costs claimed under the grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We reviewed performance related to: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel; (4) budget management and control; (5) property management; (6) financial and grant progress reports; (7) program performance and accomplishments; and (8) monitoring of contractors.

We found that the city generally claimed costs in accordance with grant requirements. However, the city received grant reimbursements for \$79,311 in unallowable personnel costs. The city also received \$53,676 to purchase two sport utility vehicles that it did not modify in ways certified to the BJA as being necessary, which served as the justification for the purchase. As a result, we recommend OJP remedy the \$132,987 in unallowable or unnecessary grant reimbursements.

These items are discussed in further detail in the Findings and Recommendations section of the report. Our audit objectives, scope, and methodology appear in Appendix I.

We discussed the results of our audit with Charlotte officials and have included their comments in the report, as applicable.

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\* The Office of the Inspector General redacted the name of an individual from Appendix V of this report because it may be protected by the Privacy Act of 1974, 5 U.S.C. §552(a) or may implicate the privacy rights of the identified individual.

<sup>1</sup> The BJA also awarded a \$49,850,000 security support grant to the City of Tampa, Florida for the 2012 Republican National Convention, and we completed a separate audit of the City of Tampa's use of those grant funds.

<sup>2</sup> Although Congress appropriated \$50 million for convention security, the BJA used \$150,000 from the appropriation to fund an after-action review of convention security operations.

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**INTRODUCTION**

The Department of Justice (DOJ), Office of the Inspector General, Audit Division, has completed an audit of the Office of Justice Programs (OJP) Security Support Grant awarded to the City of Charlotte, North Carolina, for the 2012 Democratic National Convention.<sup>3</sup> The grant was made through the Bureau of Justice Assistance (BJA), which is a component of OJP. The BJA awarded the city \$49,850,000 to provide security to delegates, visitors, and residents during the convention held September 3-6, 2012.<sup>4</sup> Exhibit 1 shows the budget categories and amounts approved by the BJA.

**Exhibit 1: Approved Budget Categories  
for the Convention Security Grant**

<b>Budget Category</b>	<b>Approved Budget Amount</b>
Personnel	\$7,745,938
Fringe Benefits	2,200,942
Travel	107,845
Equipment	9,999,101
Supplies	2,006,251
Consultants and Contracts <sup>5</sup>	27,264,923
Other Costs	525,000
<b>Total:</b>	<b>\$49,850,000</b>

Source: Bureau of Justice Assistance

The objective of our audit was to determine whether costs claimed under the grant were allowable, supported, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant.

**Background**

Federal law and regulations permit major political parties to receive public funds to cover certain convention related expenses. In 2004, Congress provided \$100 million in appropriations to the cities of Boston, Massachusetts, and New York City, New York, to cover security costs related to the Democratic and Republican National Conventions. Most recently, in November 2011, Congress provided \$100

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<sup>3</sup> The BJA also awarded a \$49,850,000 security support grant to the City of Tampa, Florida for the 2012 Republican National Convention, and we completed a separate audit of the City of Tampa's use of those grant funds.

<sup>4</sup> Although Congress appropriated \$50 million for convention security, the BJA used \$150,000 from the appropriation to fund an after-action review of convention security operations.

<sup>5</sup> The consultants and contracts budget category included the city's grant-reimbursed expenditures for contracted police and public safety officers, various leases, and other expenses.

million for the 2012 presidential nominating conventions in Tampa, Florida, to host the Republican National Convention; and Charlotte, North Carolina, to host the Democratic National Convention.

Congress required the funds be used solely for extraordinary law enforcement expenses and called for the development of clear guidelines to govern allowable expenses. Congress also requested the DOJ Inspector General to perform an audit of convention payments and reimbursements to ensure efficiency and accountability. In February 2011, the Democratic National Committee chose Charlotte, North Carolina, as the host city for the convention. The Charlotte-Mecklenburg Police Department was the lead agency for local public safety operations.

The Secretary of the Department of Homeland Security designated the convention as a National Special Security Event. That designation defines the roles of federal agencies to help eliminate the duplication of effort and resources. When an event is so designated, the U.S. Secret Service becomes the lead agency in charge of designing and implementing the operational security plan.<sup>6</sup>

Other federal agencies also have designated roles. The Federal Bureau of Investigation serves as the lead agency for crisis response, intelligence, counterterrorism, hostage rescue, and criminal investigations. The Federal Emergency Management Agency is responsible for the planning and coordination of the response to and recovery from terrorist attacks and other emergencies.

After announcement of the convention location, Charlotte area law enforcement officials, along with state, and federal law enforcement agencies, began security preparations for the convention and related events. Command-level representatives from the U.S. Secret Service, Charlotte area public safety agencies, the Federal Bureau of Investigation, North Carolina Department of Crime Control and Public Safety, and other agencies, formed an Executive Steering Committee. Twenty-four subcommittees developed specific operational plans by law enforcement function. The city entered into temporary intergovernmental agreements that provided for law enforcement services in preparation for, during, and after the convention. In preparing for the convention, the Charlotte-Mecklenburg Police Department conducted a comprehensive risk assessment of its critical infrastructure. The U.S. Department of Homeland Security led an Infrastructure Assurance Task Force to conduct risk analysis and modeling of various cyber infrastructures to determine vulnerabilities, regional communication characteristics, and resiliency. The North Carolina National Guard planned to provide security at 92 critical infrastructure sites. Charlotte officials prepared the grant application and submitted reports and other documents required under the grant.

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<sup>6</sup> Two directives discuss the U.S. Secret Service role in implementing security operations at National Special Security Events: National Security Presidential Directive 46 and Homeland Security Presidential Directive 15.

## City of Charlotte

Located in western North Carolina, the City of Charlotte is the largest city in North Carolina with 743,397 residents. The Charlotte-Mecklenburg Police Department provides police services for the city and unincorporated areas of Mecklenburg County and as of January 2014 had a force of 1,791 officers and 473 civilian personnel.

## Bureau of Justice Assistance

The BJA, one of six OJP components, seeks to reduce and prevent crime, violence, and drug abuse, and to improve the way in which the criminal justice system works. The BJA required the city to submit a budget that estimated security costs for the convention. All costs were required to be approved prior to the award of grant funds with sufficient justification for how the requested expenditures related to convention security. The BJA also required the city to submit any budget adjustments for approval and reserved discretion to deny any expenditure that appeared unreasonable, unnecessary, or otherwise unrelated to the purpose of the grant. Lastly, the BJA instructed the city to identify and explore resources from other federal, state, or local entities to support the grant to ensure costs could not be funded through other sources.

## Our Audit Approach

We tested compliance with what we considered to be the most important conditions of the security support grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Code of Federal Regulations, OJP Financial Guide, Office of Management and Budget Circulars, and other federal grant requirements. We tested the City of Charlotte's:

- **internal controls** to determine whether the financial and accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **grant drawdowns** (requests for grant funds) to determine whether requests for reimbursements or advances were adequately supported and whether the city managed grant receipts in accordance with federal requirements;
- **grant expenditures** to determine whether expenditures charged to the grant were allowable, supported, and accurate;
- **budget management and control** to determine whether the city adhered to the budget for the expenditure of grant funds;
- **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;

- **reporting** to determine whether the required periodic Federal Financial and Progress Reports were submitted on time and accurately reflected grant activity;
- **program performance and accomplishments** to determine whether the city achieved grant objectives, if applicable, and to assess performance and grant accomplishments; and
- **monitoring of contractors** to determine whether the city took appropriate steps to ensure contractors complied with applicable grant requirements.

## FINDINGS AND RECOMMENDATIONS

We found that of the \$49,620,953 the city received in grant reimbursements, \$79,311 was received for unallowable personnel costs. Further, \$53,676 was received to purchase two sport utility vehicles that it did not modify in ways it certified to the BJA as being necessary, which served as the justification for the purchase.

### **Internal Control Environment**

We reviewed the city's financial management system, policies and procedures, and Single Audit reports to assess the risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant. To assess risk further, we interviewed Charlotte officials about their control policies and procedures, performed payroll and fringe benefits testing, and reviewed financial and performance reporting activities.

#### *Single Audit Reports*

According to Office of Management and Budget Circular A-133, an entity expending more than \$500,000 in federal funds in 1 year is required to perform a Single Audit annually, with the report due no later than 9 months after the end of the fiscal year. The city's fiscal year (FY) runs from July 1 through June 30 with the Single Audit report due by March 30 of the following year. The city's federal expenditures were \$113,705,757 in FY 2012, which required the city to undergo a Single Audit. We reviewed the city's Single Audit reports for FYs 2010, 2011, and 2012. We did not identify any conditions cross-cutting to all federal awards or directly related to grant funds.

#### *Financial Management System*

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls. An acceptable internal control system provides cost controls to ensure the optimal use of funds. Award recipients must adequately safeguard funds and ensure those funds are used solely for authorized purposes.

We reviewed the city's internal controls pertaining to its financial management system. The city has controls in place for procuring and receiving equipment, supplies, services, and for paying invoices; and duties are adequately segregated. The city uses an electronic payroll system to record and certify time, and during the convention, the police department used special payroll procedures to account for and certify time.

While our audit did not assess the city's overall system of internal controls, we did review the controls of the city's financial management system specific to the administration of grant funds. We found the city assigned a separate fund code to track and segregate grant finances. We concluded the city had adequate financial management system controls over the administration of grant funds.



## Drawdowns

The OJP Financial Guide generally requires grant 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. We interviewed city officials responsible for requesting drawdowns and reviewed city accounting records and drawdown procedures. Drawdowns were made on a reimbursement basis based on actual expenditures recorded in the accounting records.

We compared nine drawdowns totaling \$49,620,953 to the city's accounting records. The city expended \$49,577,780 and refunded the \$43,173 difference to OJP in August 2013. We concluded that the city properly managed its drawdowns.

## Grant Expenditures

According to the OJP Financial Guide, allowable costs are those costs identified in Office of Management and Budget Circulars and the grant program's authorizing legislation. In addition, costs must be reasonable and permissible under the specific guidance of the grant. We reviewed the city's grant expenditures to determine if the expenses were allowable, properly approved, accurately recorded in the accounting records, supported by appropriate documentation, and properly charged. The city expended \$49,577,780 (or 99.4 percent) of the \$49,850,000 grant award. The city did not spend the remaining \$272,220, and the amount is scheduled to be deobligated by OJP.

### *Equipment, Supplies, Travel, and Consultants and Contracts*

We judgmentally selected and tested 1,071 transactions totaling \$17,768,363 from the equipment, supplies, travel, and consultants and contracts categories of the grant budget. We tested each transaction by comparing the purchase order authorizing the transaction to receipts and invoices. We determined that the transactions were properly approved, accurately recorded, and supported. Except for a \$1,980 purchase for extended warranties for tablet devices, we found that all transactions were allowable. The extended warranties were unallowable because the tablet devices were not charged to the grant. In response to our finding, the city reimbursed the grant \$1,980 for the expenditure.

### *Personnel*

To provide security services for the convention, the city used its own personnel in addition to contracting for 2,509 personnel from 129 police and public safety agencies across the country, and the North Carolina National Guard.

Local Personnel Costs – We tested \$3,129,741 in salary, overtime, and fringe benefits payments to the city's personnel by sampling 352 persons and comparing their payments to supporting documentation. As a result of our testing, we question \$79,311 in unallowable costs charged to the grant based on the following.

- The city charged \$16,603 in salaries, overtime, and fringe benefits for 39 employees of the Charlotte Fire Department. A city official told us that these costs were inadvertently charged to the grant due to a clerical

error, which the city did not realize until after the convention had concluded.

- The city charged \$7,955 in retirement supplement payments to a retired Police Captain. A city official told us the city inadvertently charged the grant for these payments.
- The city double billed the grant \$42,458 for salaries, overtime, and fringe benefits for 19 city personnel. A city official told us the payment should not have been reimbursed from the grant and was an oversight.
- The city charged \$12,295 for a lump sum payment to a Police Deputy Chief. A city official told us the payment should not have been reimbursed from the grant and was an oversight he thought had been corrected.

We recommend OJP remedy \$79,311 in unallowable personnel costs for local personnel.

Contract Personnel Costs – We tested \$742,065 in salary, overtime, and fringe benefits payments to contracted police and public safety officers and guardsmen by judgmentally sampling 225 persons and comparing their payments to supporting documentation. We found that the costs were supported.

### **Budget Management and Control**

The OJP Financial Guide directs grant recipients to submit budgets based on the total estimated costs for the project. Recipients should adequately track funds according to budget categories. Funds specifically budgeted and received for one project may not be used to support another unless a grant adjustment notice to reallocate funds among budget categories has been approved by the awarding agency. For the security support grant, the BJA required a grant adjustment notice be submitted and approved for all budget modifications. During the grant period the city modified its grant budget five times. We reviewed all budget modifications and found that each was supported by an approved grant adjustment notice. We concluded that the city had properly managed the grant budget.

### **Property Management**

The OJP Financial Guide requires grant recipients to use good judgment in the purchase and management of federally-funded property. Property must be used for criminal justice purposes, adequately protected from loss, and property records should indicate the property was purchased with federal funds. We interviewed city officials about city policies and procedures for the management of equipment and supplies purchased with grant funds and reviewed the city's inventory records.

The city expended \$10,714,126 in grant funds for equipment (\$9,579,791) and supplies (\$1,134,335) for use during the convention. From city inventory records, we judgmentally selected 536 items purchased with \$4,899,468 in grant

funds to verify physically by comparing a serial number or other identifying characteristic located on the item to the inventory record. We verified 475 of the 536 items. The remaining 61 items could not be verified for the following reasons.

- Sixty equipment items were biohazard suits the city returned to the vendor because the suits were delivered after the convention had concluded. The city never charged the grant for the suits.
- One equipment item was a cell phone we determined should not have been included within the grant-funded inventory because the phone was not paid from grant funds.

We concluded the city had adequate controls over its inventory of grant-funded property.

### *Equipment Procurement*

Congress required grant funds be used solely for extraordinary law enforcement expenses, and it expected security planners to address security needs to the greatest extent possible from other funding sources.

Federal and DOJ guidelines also require grant recipients to pursue low cost alternatives to the purchase of property such as the use of rentals or leases. The Code of Federal Regulations directs grant recipients to conduct a lease versus purchase analysis or other acquisition alternatives to determine the most economical approach to procure property. The BJA required the city to explore alternative methods to federal grant funding to ensure property costs could not be funded from available state, local, or other sources. Because of the importance of purchase alternatives in reducing grant expenditures, we tested the degree to which the city pursued vehicle purchasing alternatives.

The city purchased 86 vehicles for \$1,048,910 for its police department to use during the convention. The vehicles consisted of 40 motorcycles; 10 pick-up trucks; 27 utility terrain vehicles, which are small and similar to an all-terrain vehicle but with more features resembling those of a truck for working instead of recreation; 7 vans, and 2 sport utility vehicles.<sup>7</sup> The BJA required the city to submit a vehicle-waiver request to justify why the vehicle purchases were necessary. The city submitted a waiver request dated February 17, 2012, which stated the two sport utility vehicles, shown in Exhibit 2 and purchased for \$53,676, would be specially modified.<sup>8</sup> The special modifications consisted of attaching running boards and grab bars to the frame of the vehicles to allow police officers to ride on the outside of the vehicles while being transported to different convention venues. The city reasoned that because these modifications were necessary for convention security the vehicles could not be leased. On April 10, 2012, the BJA

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<sup>7</sup> By comparison, the City of St. Paul, Minnesota, requested 14 vehicles for the 2008 Republican National Convention at a budget cost of \$1,393,742. The City of Denver, Colorado, requested 16 vehicles for the 2008 Democratic National Convention at a budget cost of \$3,669,000.

<sup>8</sup> The city revised and resubmitted the vehicle-waiver request on March 2, 2012.

held a conference call with the Charlotte-Mecklenburg Police Chief and Deputy to discuss the city's waiver request. During the conference, police officials repeated to the BJA that "significant" modifications would have to be made to the framework of these vehicles that would require the drilling of holes and the installation of side rails. Based on the police department's assurances that the proposed special modifications were necessary, on April 23, 2012, the BJA Director approved the vehicle request. The BJA Director cited the "police department's certification that the vehicles required customization and were not available to be borrowed from other agencies" as the extraordinary and exigent circumstance that justified the purchase of the two sport utility vehicles for \$53,676.

**Exhibit 2: One of Two Sport Utility Vehicles  
Purchased for a Combined \$53,676**



Source: OIG Photograph taken on May 21, 2013

We found that the city did not perform the modifications it certified to the BJA would be completed.<sup>9</sup> A police department official told us that the vehicles were not modified because of a safety issue with how the roof was designed. It is not clear to us why the city did not inquire into the feasibility of these proposed modifications before purchasing the two vehicles for \$53,676. Based on the city's justification for the purchases, the vehicles could have been rented or acquired by some other means more economical than purchasing because the vehicles ultimately did not require modifications.

We question the \$53,676 cost reimbursed to the city for the purchase of the two sport utility vehicles because the city did not actually perform the modifications

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<sup>9</sup> The city did install emergency lights and sirens in the vehicles; however, these were not the "significant" modifications police officials discussed with the BJA and used to justify purchasing the vehicles rather than renting or leasing.

that it told the BJA required it to buy the vehicles. The city did not adequately document the need for the purchase; therefore, we question the expenditure as unallowable. Although the city demonstrated a legitimate security need to have these types of vehicles available during the convention, and the vehicles were properly approved by the BJA, the city misstated the necessity for purchasing the vehicles. If Congress chooses to continue providing funds for presidential nominating convention security, future grant recipients need to place a greater emphasis on pursuing low cost alternatives to procuring grant-funded property whenever those options are available. We recommend OJP remedy the \$53,676 unnecessary cost.

## **Reporting**

Grantees are required to submit both timely and accurate financial and progress reports. These reports describe the status of the funds for the project, compare actual accomplishments to objectives, and provide other pertinent information. Federal Financial Reports are due 30 days after the end of each calendar quarter. The final financial report is due 90 days following the end of the award period.

Progress reports are due 30 days after the end of the reporting period, which is June 30 and December 31, for the life of the award.

A special condition of the grant required the city to submit monthly status reports, which were due 15 days after the end of the calendar month.

### *Federal Financial Reports*

We reviewed four financial reports for timeliness and accuracy.<sup>10</sup> The report for the quarter ended December 31, 2012, was 1 day late. We do not consider this late report a material finding; therefore, we make no recommendation.

We reviewed the accuracy of the financial reports by comparing reported grant expenditures to the city's accounting records. We found that one report (for quarter ended June 30, 2012) matched the accounting records. The other three reports did not match the accounting records.<sup>11</sup> When we asked the city for an explanation, we were told that it had been notified by OJP after submitting the financial report for quarter ended September 30, 2012, to revise the report and

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<sup>10</sup> The financial reports we tested were for quarters ended June 30, 2012; September 30, 2012; December 31, 2012; and March 31, 2013.

<sup>11</sup> The financial report for quarter ended September 30, 2012, was \$19,771,500 more than the accounting records. The report for quarter ended December 31, 2012, was \$2,627,565 less than the accounting records. The report for quarter ended March 31, 2013, was \$7,692,559 less than the accounting records.

begin reporting on an accrual basis.<sup>12</sup> Therefore, the expenditures reported for quarters ended September 30, 2012; December 31, 2012; and March 31, 2013; were based on estimated grant expenditures. Based on the city's use of accrual-basis accounting, we do not take exception to the inaccuracy of the three financial reports.

#### *Progress Reports*

We reviewed two progress reports required during the grant period. We found that both reports accurately reflected grant activity and were submitted timely.

#### *BJA Monthly Status Reports*

The BJA required the city to submit monthly expenditure reports by budget category that summarized any actual or anticipated delays to the grant project. We reviewed 22 monthly reports submitted during the grant period and found that 7 reports were submitted between 1 and 162 days late. A city official told us that the city did not submit the 6 monthly reports required from October 31, 2011, to March 31, 2012, because the city was unable to access the Grants Management System used to submit the reports. We found that the remaining report was noted in the Grants Management System as submitted 1 day late. In its response to the draft audit report, city officials said that the report was submitted on time but was recorded in the system 1 day late. We do not consider this report a material finding; therefore, we make no recommendation.

### **Program Performance and Accomplishments**

There were no performance measures required for the security support grant; consequently, we did not evaluate the city's performance in securing the convention and ancillary events. However, in March 2013, OJP released an after-action report that assessed the Charlotte-Mecklenburg Police Department's convention security operations. The report found that the convention had success in the areas of pre-event planning, Charlotte area law enforcement collaboration, criminal intelligence technologies, personnel recruitment, legal affairs, and crowd control but identified activities or actions where improvement was needed that are listed in Appendix III.<sup>13</sup>

### **Monitoring of Contractors**

Uniform Administrative Requirements for Grants and Cooperative Agreements require grant recipients to maintain a contract administration system that ensures contractors perform in accordance with the terms, conditions, and specifications of their contracts. Grant recipients must not permit a contract to any

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<sup>12</sup> City officials told us that OJP notified the city to revise the financial report for quarter ended September 30, 2012, on an accrual basis of accounting. However, OJP officials told us the city had been reporting on an accrual basis on all previous financial reports, and the city chose to report on an accrual basis. We noted that the financial report form provides award recipients with a choice between cash or accrual basis of accounting, and the city had selected the accrual basis.

<sup>13</sup> The OIG did not test the validity of the OJP-commissioned after-action report; therefore, we do not confirm or deny the accuracy of the statements and conclusions it presented.

party that has been debarred, suspended, or is otherwise ineligible to participate in federal assistance programs.

We interviewed city officials about policies and procedures used to administer and monitor city contracts and reviewed some of the contracts used for the convention. We determined that the city had written policies and procedures that adequately addressed contract administration. We also selected 16 contractors that provided goods or services for the convention to determine if any were included on the Excluded Parties List.<sup>14</sup> None of the contractors were included on the list.

## **Conclusion**

The city complied with grant requirements pertaining to internal controls, grant drawdowns, budget management, reporting, program performance and accomplishments, and monitoring contractors. However, we found weaknesses in the areas of grant expenditures and the procurement of equipment. We found that the city was reimbursed \$79,311 in unallowable personnel costs and \$53,676 for the purchase of two sport utility vehicles that it did not modify in ways it certified to the BJA, which served as the justification for the purchase.

## **Recommendations**

We recommend OJP:

1. Remedy the \$16,603 in unallowable personnel costs for 39 fire department personnel.
2. Remedy the \$7,955 in unallowable retirement supplement payments to a retired city official.
3. Remedy the \$42,458 in double billed personnel costs for 19 city personnel.
4. Remedy the \$12,295 for an unallowable lump sum payment to a city official.
5. Remedy \$53,676 reimbursed for two unnecessary sport utility vehicles.

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<sup>14</sup> The Excluded Parties List is an electronic, web-based system maintained by Data.gov and identifies parties excluded from receiving federal contracts, certain subcontracts, and other types of federal financial assistance and benefits.

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of our audit was to determine whether reimbursements claimed for costs under the security support grant were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We reviewed activities in the following areas: (1) internal control environment; (2) drawdowns; (3) grant expenditures, including personnel; (4) budget management and control; (5) property management; (6) financial and grant progress reports; (7) program performance and accomplishments; and (8) monitoring of contractors.

Our completion of this audit was delayed. Although the performance period for the grant award was from October 1, 2011, to September 30, 2012, the city requested and received approval to extend the grant period end date to January 31, 2013. The extension permitted the city to expend grant funds until April 30, 2013, and provided more time to obligate and expend payments for the 129 state and local entities that provided the 2,509 contracted police and public safety officers and guardsmen who worked during the convention. Additionally, the city required time to process the grant reimbursements within its accounting system and provide adequate supporting documentation to the OIG so that we could complete our audit testing.

To complete our audit testing, we used an information-based judgmental sampling design to test \$21,640,169 in grant expenditures (or 43 percent of the grant award). We also physically-verified \$4,899,468 in equipment purchased from grant funds some of which were located outside the City of Charlotte.

We conducted this 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 provided a reasonable basis for our findings and conclusions based on our audit objectives.

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 laws, regulations, Office of Management and Budget Circulars, the OJP Financial Guide, and special conditions of the award described in the grant award documents.

In conducting our audit, we performed testing in property management and expenditures including payroll and fringe benefit charges. We employed an information-based judgmental sampling design to obtain a broad exposure to numerous facets of the grant reviewed. This sample design does not allow for the projection of the test results to the universe from which we selected our sample.



In addition, we reviewed the timeliness and accuracy of Federal Financial Reports, Progress Reports, and BJA Monthly Status Reports; and evaluated performance to grant objectives and the city's monitoring of contractors. However, we did not test the reliability of the city financial management system as a whole.

## APPENDIX II

### SCHEDULE OF DOLLAR-RELATED FINDINGS

Description	Amount	Page
<b>Unallowable Costs:</b>		
Overtime, Salary, and Fringe Benefits	\$79,311	6-7
<b>Total Unallowable Costs</b>	<b>\$79,311</b>	
<b>Unnecessary Costs:</b>		
Grant-funded vehicles	\$53,676	8-10
<b>Total Unnecessary Costs</b>	<b>\$53,676</b>	
<b>Total Questioned Costs<sup>15</sup></b>	<b>\$132,987</b>	

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<sup>15</sup> Questioned costs are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

## APPENDIX III

### **ACTIVITIES OR ACTIONS WHERE IMPROVEMENT WAS NEEDED IDENTIFIED IN THE OJP-COMMISSIONED AFTER-ACTION REPORT ON SECURITY OPERATIONS DURING THE 2012 DEMOCRATIC NATIONAL CONVENTION<sup>16</sup>**

- The Airport Administration traffic plan impeded traffic rather than alleviating it.
- Common screening protocols were unclear to U.S. Secret Service personnel at perimeter security checkpoints.
- Secure zones should have been maintained by local law enforcement with arrest authority.
- Strategic staff planning could have benefited by having a work force de-escalating plan in place.
- Tracking officer assignments using existing platforms may not be sufficient for managing the large in-flux of personnel needed to support the event.
- The Charlotte-Mecklenburg Police Department faced a number of challenges in coordinating and providing housing for visiting officers.
- Designated officer transportation routes and plans were unclear and ineffective.
- The Charlotte-Mecklenburg Police was unable to conduct demobilization procedures as planned.
- The credentialing process would have been smoother had the Charlotte-Mecklenburg Police received information sooner.
- The shortcomings of using horse patrols outweighed the benefits.
- Improvements are needed to improve the lengthy procurement processes.
- The city did not have a common system to log all resources and expenditures. The police department faced challenges in accurately managing officer hours for payroll, tracking time for officers, and meshing city and outside agency time-keeping methods.
- Communication protocols were sometimes unclear to security personnel.

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<sup>16</sup> The OIG did not test the validity of the OJP-commissioned after-action report; therefore, we do not confirm or deny the accuracy of the statements and conclusions it presented.

- The backup communication equipment at the Joint Medical Operations Center was outdated and inefficient.
- Some arresting officers were inexperienced in the protocols and procedures for handling evidence in a mass arrest environment.
- The roles, responsibilities, and assignments of public affairs officers in the joint information center were not clearly defined or structured.
- Tracking the pre-event training activities was difficult.
- Individuals with access and functional needs were not accounted for in the transportation plan for delegate buses.

OFFICE OF JUSTICE PROGRAMS' RESPONSE  
TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

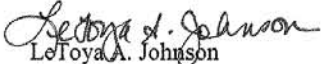
Office of Audit, Assessment, and Management

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Washington, D.C. 20531

MAR 27 2014

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 Bureau of Justice Assistance Convention Security Support Grant Awarded to Charlotte, North Carolina, for the 2012 Democratic National Convention*

This memorandum is in reference to your correspondence, dated March 4, 2014, transmitting the above-referenced draft audit report for the City of Charlotte, North Carolina (City). We consider the subject report resolved and request written acceptance of this action from your office.

The Office of Justice Programs (OJP) appreciates the audit undertaken by the Department of Justice, Office of the Inspector General (OIG) of the Bureau of Justice Assistance (BJA) award to the City, in the amount of \$49,850,000, to provide security to delegates, visitors, and residents during the Democratic National Convention, held on September 3-6, 2012. The audit found that the City generally claimed costs in accordance with grant requirements, but that the City also received reimbursement for certain unallowable or unnecessary expenditures.

The Bureau of Justice Assistance worked very closely with the City when the grant was awarded, including awarding a grant to a technical assistance provider, who assisted the City in collecting pre-event planning and training documents and post-event data. In addition, BJA required that the City participate in grant fraud training. The Office of Justice Programs appreciates the valuable grant fraud training facilitated for the City by the OIG's Fraud Detection Office as a preventive measure.

The draft report contains **five** recommendations and **\$132,987** in questioned costs. The following is the OJP's 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 remedy the \$16,603 in unallowable personnel costs for 39 fire department personnel.**

OJP agrees with the recommendation. We will coordinate with the City to remedy the \$16,603 in questioned costs, related to unallowable personnel costs for 39 fire department personnel that were charged to grant number 2012-ZC-BX-0001.

2. **We recommend that OJP remedy the \$7,955 in unallowable retirement supplement payments to a retired City official.**

OJP agrees with the recommendation. We will coordinate with the City to remedy the \$7,955 in questioned costs, related to unallowable retirement supplement payments to a retired City official that were charged to grant number 2012-ZC-BX-0001.

3. **We recommend that OJP remedy the \$42,458 in double billed personnel costs for 19 City personnel.**

OJP agrees with the recommendation. We will coordinate with the City to remedy the \$42,458 in questioned costs, related to double billed personnel costs for 19 City personnel that were double billed and charged to grant number 2012-ZC-BX-0001.

4. **We recommend that OJP remedy the \$12,295 for an unallowable lump sum payment to a City official.**

OJP agrees with the recommendation. We will coordinate with the City to remedy the \$12,295 in questioned costs, related to an unallowable lump sum payment to a City official that were charged to grant number 2012-ZC-BX-0001.

5. **We recommend that OJP remedy \$53,676 reimbursed for 2 unnecessary sport utility vehicles.**

OJP agrees with the recommendation. We will coordinate with the City to remedy the \$53,676 in questioned costs, related to the reimbursement of two sport utility vehicles that the OIG deemed unnecessary that were charged to grant number 2012-ZC-BX-0001.

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

THE CITY OF CHARLOTTE, NORTH CAROLINA  
RESPONSE TO THE DRAFT AUDIT REPORT

**POLICE**

CHARLOTTE-MECKLENBURG POLICE DEPARTMENT



March 10, 2014

Ferris B. Polk  
Regional Audit Manager  
Office of the Inspector General  
Atlanta Regional Audit Office  
75 Spring Street, Suite 1130  
Atlanta, Georgia 30303

Dear Mr. Polk,

Below please find the City of Charlotte's response to the recommendations for the audit report dated March 4, 2014 for Bureau of Justice Assistance (BJA) Convention Security Support Grant 2012-ZC-BX-0001 awarded to the city for the 2012 Democratic National Convention.

1. *Remedy the \$16,603 in unallowable personnel costs for 39 fire department personnel.*
2. *Remedy the \$7,995 in unallowable retirement supplement payments to a retired city official.*
3. *Remedy the \$42,458 in double billed personnel costs for 19 city personnel.*
4. *Remedy the \$12,295 for an unallowable lump sum payment to a city official.*

The City of Charlotte agrees with recommendations 1 – 4. The City will remedy the \$79,311 in unallowable personnel costs. The City will issue reimbursement for these costs, which were charged to the grant in error. This will be completed by June 30, 2014.

5. *Remedy the \$53,676 reimbursed for 2 unnecessary sport utility vehicles.*

The City of Charlotte disagrees with this recommendation. Emergency lighting, siren, and radio systems were installed to these vehicles so that they could be used to transport Mobile Field Force officer teams quickly through the convention area and lodging locations for the President and Vice President. These modifications involved bolting equipment to the vehicle by mounting lights on the dashboards and cutting into the vehicles' electrical systems for exterior lighting. Modifications this significant would not have been allowed or practical on rental vehicles.

***Building Partnerships To Prevent The Next Crime.***

*Police Department • 601 East Trade Street • Charlotte, N.C. 28202-2940*

The CMPD did intend to attach running boards and grab bars to the frames of these SUV's, a plan that was developed after conferring with Denver Police executives, who successfully used SUV's for this purpose during the 2008 Democratic National Convention, and St. Paul Police officials, who did not do this but told us they wish they had.

Once these vehicles were purchased and mock modifications were in progress, an expert in vehicle modification determined that the roof of the SUV's may not support the grab bars we had planned therefore; creating a safety hazard for the Mobile Field Force officers if they rode on the running boards. We looked into several options on how to do this and after further research, the CMPD decided not to attach running boards and grab bars.

However; although the CMPD did not attach running boards and grab bars to the vehicles, it did significantly modify the purchased vehicles in a way that would not have been allowed with rentals. These were then used in the same manner as originally intended, but by placing officers in smaller groups inside the vehicles, to quickly and safely transport Mobile Field Force teams to potentially volatile sites within convention area.

Therefore, the CMPD disagrees with the finding that these two vehicles could have been acquired more economically by renting, leasing, or some other means. We never intentionally mislead BJA and utilized the vehicles during the convention as planned, but could not attach exterior running boards.

In addition, the city offers the following comment on the findings portion of the audit related to BJA monthly status reports:

Page 10 of the report states that seven of 22 monthly reports were submitted between one and 162 days late. In fact, the city submitted just one report one day late – and in that case the report was prepared and sent to our program manager by email on time, but entered into the Grants Management System one day late because the system was not properly functioning on the deadline day.

The Office of Justice Programs awarded the grant to the city on April 4, 2012 but allowed for reimbursement of DNC security costs dating back to Oct. 1, 2011. After the grant was awarded, the initial program manager, [REDACTED] asked CMPD to prepare monthly reports dating back to October 2011 to reflect funds spent before the award date. She asked that those reports be completed by April 30, 2012 and they were.



The report states that a city official told auditors that the city did not submit the six monthly reports required from October 31, 2011, to March 31, 2012, because the city was unable to access the grants management system prior to grant being approved and uploaded into the BJA Grant Management System, which was in April 2012, at which time all reports were uploaded at one time on April 25, 2012.

In addition, the city offers the following comments on *Appendix III, Activities or Actions*:

The city wants to clarify that the after-action report referred to in this index is the report created by CNA, a group hired by BJA to conduct a review of convention security operations. It is not an after-action report created by the CMPD or city.

- *The Airport Administration traffic plan impeded traffic rather than alleviating it.*

The traffic plan was developed and initially implemented by Airport Administration. The CMPD intervened as soon as traffic problems arose and promptly corrected the issues.

- *Strategic staff planning could have benefited by having a work force de-escalating plan in place.*

The city agrees with this, but wants to clarify that it had a demobilization plan in place. It could have benefitted from an additional plan for reducing the workforce on particular dates and times during the event week when intelligence suggested the amount of personnel could safely be reduced.

- *Improvements are needed to improve the lengthy procurement processes.*

The city agrees with this statement, but wants to clarify that the procurement processes were developed by BJA and required by the grant guidelines.

- *The city did not have a common system to log all resources and expenditures. The police department faced challenges in accurately managing officer hours for payroll, tracking time for officers, and meshing city and outside agency time-keeping methods.*

The city was in the process of implementing an Enterprise Resource Planning system during the convention period, but it had not gone live at that time. That system will eliminate these type issues in the future.

- *Some arresting officers were inexperienced in the protocols and procedures for handling evidence in a mass arrest environment.*

All arresting officers were training in the protocols and procedures for handling evidence in a mass arrest environment. However, the practical application in the field was a lesson learned.

Should you or your office have any further comments or if you require clarification, please contact Maj. Mike Adams at (704) 619-5219.

Sincerely,

A handwritten signature in black ink, appearing to read "Rodney Monroe", written in a cursive style.

Rodney D. Monroe  
Chief of Police

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

The Office of the Inspector General (OIG) provided a draft of this report to the Office of Justice Programs (OJP) and the City of Charlotte. The OJP response is incorporated in Appendix IV and the City of Charlotte response is incorporated in Appendix V of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

**Analysis of the City of Charlotte's Response**

In response to our draft audit report, the City of Charlotte concurred with recommendations 1 through 4 and disagreed with recommendation 5. The city also responded to information in our report that did not pertain to our recommendations. We provide the following reply to these statements before discussing the specific responses to each of our recommendations and the actions necessary to close those recommendations.

In the draft audit report, we noted that 7 of 22 monthly status reports that the Bureau of Justice Assistance (BJA) required from the city were submitted between 1 and 162 days late. We made no recommendation because, as noted in the report, the city could not access OJP's Grants Management System in which the reports were to be submitted. We determined the sole remaining report was submitted 1 day late, and we considered the late report immaterial. The city appears to agree with our determination that system access problems led to the untimely submission of 6 of the 7 reports. For the remaining report, the city states that it was submitted to BJA on time but entered into the system 1 day late. We accept the city's explanation for the late report and have included that explanation in the body of this final report. However, we note that the explanation was not provided to us during the audit when we requested comments on our audit findings and, as noted in both the draft and final audit reports, we do not consider this to be a material issue.

Next, we included in our audit report findings from an after-action report commissioned by OJP and completed by a non-profit organization that evaluated convention security operations. The city commented specifically on five findings where the after-action report concluded that improvement was needed. We presented these findings as an appendix in our report because the subject matter was relevant to our audit. However, because these findings were not based on our work and we did not validate the accuracy of the after-action report, we are unable to respond to the city's comments.

In this final report we made clarifying comments regarding the history of appropriations for presidential nominating convention security, the Office of Justice Programs' grant monitoring activities, and the types of motor vehicles the city purchased from grant funds. These edits had no material effect on our audit findings, conclusions, or recommendations.

### **Summary of Actions Necessary to Close the Report:**

**1. Remedy the \$16,603 in unallowable personnel costs for 39 fire department personnel.**

Resolved. OJP concurred with our recommendation, and stated it would coordinate with the city to remedy the \$16,603 in questioned costs. The city agreed with the recommendation, and stated it would issue reimbursement for these costs by June 30, 2014.

This recommendation can be closed when we receive documentation that OJP has remedied the \$16,603 in unallowable personnel costs.

**2. Remedy the \$7,955 in unallowable retirement supplement payments to a retired city official.**

Resolved. OJP concurred with our recommendation, and stated it would coordinate with the city to remedy the \$7,955 in questioned costs. The city agreed with the recommendation, and stated it would issue reimbursement for these costs by June 30, 2014.

This recommendation can be closed when we receive documentation that OJP has remedied the \$7,955 in unallowable retirement supplement payments.

**3. Remedy the \$42,458 in double billed personnel costs for 19 city personnel.**

Resolved. OJP concurred with our recommendation, and stated it would coordinate with the city to remedy the \$42,458 in questioned costs. The city agreed with the recommendation, and stated it would issue reimbursement for these costs by June 30, 2014.

This recommendation can be closed when we receive documentation that OJP has remedied the \$42,458 in double billed personnel costs.

**4. Remedy the \$12,295 for an unallowable lump sum payment to a city official.**

Resolved. OJP concurred with our recommendation, and stated it would coordinate with the city to remedy the \$12,295 in questioned costs. The city agreed with the recommendation, and stated it would issue reimbursement for these costs by June 30, 2014.

This recommendation can be closed when we receive documentation that OJP has remedied the \$12,295 for an unallowable lump sum payment to a city official.

**5. Remedy \$53,676 reimbursed for two unnecessary sport utility vehicles.**

Resolved. OJP concurred with our recommendation. OJP stated that it would coordinate with the city to remedy the \$53,676 in questioned costs related to the reimbursement of the two sport utility vehicles charged to the grant we deemed unnecessary.

The city disagreed with our recommendation. The city stated it significantly modified the two sport utility vehicles by installing emergency lights, sirens, and radios. These installations, the city stated, prevented it from acquiring the vehicles more economically by renting, leasing, or some other means. The city stated that the police department intended to attach running boards and grab bars to the frames of the sport utility vehicles but, after the vehicles were purchased, an expert in vehicle modifications determined that the roof of both vehicles may not support the grab bars. The city added that the grab bars would have created a safety hazard for its police officers. Lastly, the city stated it never intentionally misled the BJA, and it utilized the vehicles during the convention as planned.

As we discussed in our report, we are aware the city installed emergency lights and sirens in the two sport utility vehicles. However, the lights and sirens were not the significant modifications police officials certified to the BJA as being necessary. Based on the city's own reasoning presented in its justification, the running boards and grab bars required the vehicles to be purchased rather than rented or leased. The city also stated that emergency lights, sirens, and radios could not be installed on rented vehicles, but it provided no documentation in its response to support this assertion.<sup>17</sup> We are unable to determine, more than 18 months after the convention ended, if the city could have acquired the two vehicles by a means other than purchasing that would have allowed for the installation of lights, radios, and sirens. However, we noted examples of vehicles the city leased or rented for use during the convention that suggest to us the city could have acquired suitable vehicles that could have been used without modification or would have allowed for the modifications the city described.

For example, the city leased 11 motorcycles to increase its motorcycle fleet for use during the convention. Along with the motorcycles, the city purchased special lighting, radio boxes, radar, graphics, heated seats,

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<sup>17</sup> Additionally, the city's response does not fully address our position on the purchase alternatives we believe were available to the city. Our position was that the two sport utility vehicles could have been acquired by renting, leasing, or some other means. The city's response only addresses acquisition by renting.

computers and other equipment it subsequently installed on the motorcycles. The city also rented 151 vans to transport officers during the convention, which was similar to the stated purpose of the two sport utility vehicles.<sup>18</sup> While these leased and rented vehicles were not sport utility vehicles, both examples suggest a possibility, perhaps not fully explored by the city, that suitable vehicles could have been acquired by a means other than purchasing.

We found no evidence to suggest that the city intentionally misled the BJA in order to obtain purchase approval for the two vehicles. However, the city incorrectly stated the necessity to have vehicles with running boards and grab bars available during the convention. The BJA relied on this information, which was a factor cited in the approval for the purchase of the vehicles.<sup>19</sup>

This recommendation is resolved based on OJP's agreement with it. The recommendation can be closed when we receive documentation that OJP has remedied the \$53,676 in funds reimbursed for the two unnecessary sport utility vehicles.

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<sup>18</sup> The vans were rented for an average cost of \$1,291 which was \$25,547 less than the \$26,838 purchase price of each sport utility vehicle.

<sup>19</sup> As we discussed in our audit report, the BJA Director cited the "police department's certification that the vehicles required customization and were not available to be borrowed from other agencies" as the extraordinary and exigent circumstance that justified the purchase of the two sport utility vehicles.