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



**Audit of the Office of Justice
Programs Office of Juvenile Justice
and Delinquency Prevention
Cooperative Agreement
Awarded to the
County of Delaware, Pennsylvania**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
COOPERATIVE AGREEMENT AWARDED TO
THE COUNTY OF DELAWARE, PENNSYLVANIA**

EXECUTIVE SUMMARY¹

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of a cooperative agreement totaling \$1,513,207 awarded by the Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention, to the County of Delaware, Pennsylvania (Delaware County). The award was provided to expand the investigatory and forensic capabilities of the Pennsylvania Internet Crimes Against Children Task Force (PA ICAC Task Force) operated through the Delaware County District Attorney's Office, as well as to strengthen the task force's community outreach.² The primary goal of the program was to safeguard children from internet crime by continuing efforts to provide an effective statewide response to technology facilitated exploitation of children in Pennsylvania.

The objective of the audit was to assess performance in the key areas of award management that are applicable and appropriate for the award under review. These areas include: (1) internal control environment, (2) drawdowns, (3) award expenditures, (4) budget management and control, (5) financial status and progress reports, (6) program performance and accomplishments, (7) post award end-date activities, (8) property management, (9) monitoring of subawardees and contractors, and (10) special award requirements.

We determined that Delaware County did not fully comply with several essential award requirements in the areas we tested. Specifically, Delaware County: (1) did not adequately safeguard award funds; (2) did not adhere to its purchasing procedures; (3) did not use competitive bidding to procure consultant services; (4) did not require its employees, subawardees, and consultants to submit personnel activity reports; (5) made unsupported and unallowable expenditures using award funds; (6) did not monitor actual spending for compliance with its approved budget; (7) did not properly safeguard accountable property acquired with award funding; and (8) did not adequately monitor subawardees or require them to provide documentation to support award-funded reimbursements for program related activities and equipment.

Based on our findings, we made 14 recommendations regarding the use of award funds; we also questioned \$989,365 as either unsupported or unallowable

¹ Redactions were made to the full version of this report for personal privacy reasons. The redactions are contained only in Appendix III, the grantee's response, and are of individuals' identities.

² As part of County of Delaware District Attorney's Office, the PA ICAC Task Force oversees the program's goals and objectives.

costs. Specifically, we identified instances where Delaware County misclassified revenue and did not properly record expenditures in the accounting system. We also found that Delaware County did not satisfy OJP requirements with respect to safeguarding accountable property, supporting expenditures, and Federal Financial Reports (FFRs). For example, Delaware County did not ensure that equipment was safeguarded because it did not inventory or conduct physical inspections as required by the OJP Financial Guide. We also found that Delaware County did not monitor its approved budgets and, as a result, funds were transferred between budget categories without authorization. These items are discussed in detail in the Findings and Recommendations section of this report. Our audit objectives, scope, and methodology are discussed in Appendix I. Our Schedule of Dollar-Related Findings is located in Appendix II.

We discussed the results of our audit with Delaware County officials and have included their comments in the report, as applicable. Additionally, we requested a response to our draft report from Delaware County and OJP, and their responses are appended to this report as Appendix III and IV, respectively. Our analysis of both responses, as well as a summary of actions necessary to close the recommendations can be found in Appendix V of this report.

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INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of a cooperative agreement totaling \$1,513,207, awarded by the Office of Justice Programs (OJP), Office of Juvenile Justice and Delinquency Prevention. This award was provided to the County of Delaware, Pennsylvania (Delaware County) for use in its management and oversight of the Pennsylvania Internet Crimes Against Children Task Force (PA ICAC Task Force).

The table below shows the amount of funding OJP provided Delaware County under cooperative agreement 2009-MC-CX-K025.

FUNDING AWARDED TO THE COUNTY OF DELAWARE, PA

AWARD	AWARD START DATE	AWARD END DATE ³	AWARD AMOUNT ⁴
2009-MC-CX-K025	7/1/09	6/30/10	\$ 596,272
Supplement 1	7/1/09	6/30/11	450,805
Supplement 2	7/1/09	9/30/12	466,130
TOTAL			\$1,513,207

Source: Office of Justice Programs

The objective of the audit was to assess performance in the key areas of award management that are applicable and appropriate for the award under review. These areas include: (1) internal control environment, (2) drawdowns, (3) award expenditures, (4) budget management and control, (5) financial status and progress reports, (6) program performance and accomplishments, (7) post award end-date activities, (8) property management, (9) monitoring of subawardees and contractors, and (10) special award requirements.

³ In February 2012, OJP approved Delaware County's request to extend the award period from March 31, 2012, to September 30, 2012, without additional funding.

⁴ Delaware County did not use the total award amount listed in Exhibit I. According to the payment history report, Delaware County received award funds totaling \$1,398,402 or \$114,805 less than what was awarded and approved in the award budgets.

Office of Justice Programs

The Office of Justice Programs (OJP), within the Department of Justice, provides the primary management and oversight of the award that we audited. According to its website, OJP provides innovative leadership to federal, state, local, and tribal justice systems by disseminating state-of-the-art knowledge and practices across America, and providing awards for the implementation of these crime fighting strategies. Because most of the responsibility for crime control and prevention falls to law enforcement officers in states, cities, and neighborhoods, the federal government can be effective in these areas only to the extent that it can enter into partnerships with these officers. Therefore, OJP does not directly carry out law enforcement and justice activities. Instead, OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

Office of Juvenile Justice and Delinquency Prevention

The mission of the OJJDP is to provide national leadership, coordination, and resources to prevent and respond to juvenile delinquency and victimization. The OJJDP supports states and communities in their effort to develop and implement effective and coordinated prevention and intervention programs and to improve the juvenile justice system so that it protects public safety, holds offenders accountable, and provides treatment and rehabilitative services tailored to the need of juveniles and their families.

Internet Crimes Against Children Program (ICAC)

The purpose of the ICAC Program, funded by OJP through OJJDP, is to help state and local law enforcement agencies develop an effective response to cyber-enticement and child pornography cases that encompasses forensic and investigative components, training and technical assistance, victim services, and community education. The ICAC program is a national network of 61 coordinated task forces representing over 2,000 federal, state, and local law enforcement and prosecutorial agencies. These agencies are engaged in investigations, forensic investigations, and criminal prosecutions.

County of Delaware, Pennsylvania

Delaware County consists of over 184 square miles divided into 49 municipalities. It is the fifth largest county in Pennsylvania, and is home to over 551,000 people. Since 1999, OJP has awarded federal funding to the Delaware County District Attorney's office to lead the PA ICAC Program in the effort to fight against online child victimization and pornography.

Pennsylvania Internet Crimes Against Children Task Force

The PA ICAC Task Force consists of State and local investigators, prosecutors, forensic specialists, and education specialists. According to award documentation, the PA ICAC Task Force engages in proactive investigations, forensic examinations, and effective prosecutions of Internet crimes against children; and provides forensic, preventive, and investigative assistance to parents, educators, prosecutors, law enforcement, and others concerned with Internet crimes against children. The PA ICAC Task Force also develops multijurisdictional, multiagency responses and partnerships with respect to Internet crimes against children offenses through ongoing informational, administrative, and technological support to other State and local law enforcement agencies (known as affiliates), as a means for such agencies to acquire the necessary knowledge, personnel, and specialized equipment to investigate and prosecute such offenses.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in our report, the criteria against which we audited are contained in the OJP Financial Guide and the award documentation.

In conducting our audit, we performed testing of Delaware County's:

- **internal control environment** to determine whether its financial accounting system and related internal controls were adequate to safeguard award funds and ensure compliance with the terms and conditions of the awards.
- **cooperative agreement expenditures** to determine whether costs charged to the awards were allowable and supported.
- **accountable property controls** to determine whether Delaware County had effective procedures for managing and safeguarding assets acquired with award funding.
- **drawdowns** (requests for award funding) to determine whether Delaware County adequately supported its requests for funding and managed its award receipts in accordance with federal requirements.
- **budget management and control** to determine the overall acceptability of program costs by identifying any deviations between the amounts authorized in the program budget and the actual costs incurred.
- **reporting** to determine whether the required periodic Federal Financial Reports and Progress Reports were submitted on time to OJP and accurately reflected award activity.

- **monitoring of subawardees** to determine whether it conducted adequate financial and programmatic monitoring of subawardees of award funds.
- **program performance and accomplishments** to determine whether the award objectives were achieved, and to assess performance and accomplishments.
- **compliance with award special conditions** to determine whether Delaware County complied with critical terms and conditions specified in the award documentation.

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

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We determined that Delaware County: (1) did not properly safeguard award funds, (2) did not adhere to its own purchasing procedures, (3) did not use competitive bidding to procure consultant services, (4) did not require its employees, subawardees, and consultants to submit personnel activity reports, (5) made unsupported and unallowable expenditures using award funds, (6) did not properly safeguard accountable property acquired with award funding (7) did not adhere to the approved budget, and (8) neither adequately monitored subawardees nor required them to provide documentation to support award-funded reimbursements for program-related activities and equipment. As a result of these deficiencies, we identified \$989,365 in questioned costs.

Internal Control Environment

We identified deficiencies with Delaware County's accounting system and control activities that were significant within the context of our audit objectives. Specifically, we identified internal control deficiencies in five areas; (1) supporting expenditures, (2) purchasing equipment, (3) consultant procurement, (4) drawdowns, and (5) financial reporting. These internal control deficiencies are discussed in further detail in the sections below and warrant the attention of the Delaware County's management for necessary corrective action.

According to the OJP Financial Guide, award recipients are responsible for establishing and maintaining an adequate system of accounting and internal controls for award funds. The absence of an adequate and effective internal control environment leaves award funds at significant risk and weakens the ability of the award recipient to ensure that federal funds are being adequately safeguarded and spent in accordance with award objectives. While our audit did not assess Delaware County's overall internal control framework, we did review the internal controls of its financial management system specific to the administration of award funding during the period under review.

We also reviewed single audit reports to assess Delaware County's risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the award. We interviewed Delaware County officials, reviewed operating policies and procedures, performed expenditure testing, and reviewed financial and progress reporting activities to further assess risk.

Accounting System

We reviewed Delaware County's accounting records to determine whether award funds were properly recorded and accounted for in the accounting system. We found issues with the way Delaware County authorized and recorded consultant expenditures. For example, Delaware County completed three consultant transactions totaling \$7,978 that were not properly recorded in the accounting system. Additionally, one transaction for \$1,899 was not properly authorized. Taken as a whole, these issues suggest a heightened susceptibility to fraud, waste, and abuse.

We also compared Delaware County's accounting records for the revenue received to OJP's records for award funding disbursed. During our review, we identified two instances in which Delaware County misclassified \$35,000 and \$172,000 in revenue to the wrong account code. We informed Delaware County officials about the misclassification and while the Budget Director acknowledged the revenue should have been reclassified to the appropriate account code, he indicated the mistake could be not corrected because the records for that period are closed. Although Delaware County misclassified the revenue in the accounting system, we determined it was used for purposes related to the award and did not result in questioned costs.

In addition, Delaware County officials did not reconcile drawdowns with actual expenditures which resulted in an underpayment of \$246,468. While Delaware County was eventually reimbursed for these expenditures, it was after the end of the award period. Without adequate controls to ensure award funding and expenditures are accurately reflected in the accounting system, the potential exists for misuse of award funds. We recommend Delaware County establish policies and procedures to ensure that the accounting records accurately reflect the revenue received from the award and expenditures made using award funds, as well as periodically perform reconciliations of these activities.

Single Audits

Our review of the single audit reports from FY 2009 to 2012 did not identify significant problems with the internal controls related to the award or other issues that we believe could have a significant impact on the administration of the award. Although there were no significant findings in the single audit reports, we determined that Delaware County's policies and procedures did not ensure award funds were adequately safeguarded. We discuss the details of our findings in the section below.

Cooperative Agreement Expenditures

Delaware County's award expenditures consisted of payments for personnel, equipment, consultants, travel, supplies, and miscellaneous expenses. We tested the different types of award expenditures with the exception of supplies and miscellaneous expenses to determine whether the costs charged to the award were

allowable, reasonable, allocable, supported, and in compliance with the funding requirements within the OJP Financial Guide.

Utilizing Delaware County accounting records, we identified 1,599 expenditures totaling \$1,398,402 related to the award. As part of our review, we examined invoices, receipts, and available supporting documentation for the sampled expenses charged to the award. In total, we identified \$989,365 in expenditures that we consider questioned costs, including \$955,622 we consider unsupported, and \$81,423 we consider as unallowable.

Personnel

According to the budgets approved by OJP, personnel costs included salaries, fringe benefits, and overtime. To determine whether these expenditures were supported and allowable, we examined payroll transactions and overtime invoices. We determined that these expenditures were allowable based on approved budgets by OJP. However, in determining whether these expenditures were adequately supported, we found that Delaware County did not require documentation to support award-related activities for employee salaries and overtime reimbursements and, as a result, this lack of documentation resulted in questioned costs.

Salaries

We selected eight nonconsecutive pay periods for detailed testing to determine whether salaries were allowable and supported. For the sampled transaction, we determined that the salary expenditures were allowable. However, for supportability, we found that Delaware County did not require support for the activities performed by employees during the period under review.

According to the OJP Financial Guide, when agreement-funded employees work solely on a single federal award, recipients must support their salaries by completing periodic certifications. The certification must be prepared at least semi-annually and be signed by the employee and a supervisory official having firsthand knowledge of the employee's work. In the approved budgets, Delaware County identified three employees that were to allocate 100 percent of their time to award-related activities. We found that, Delaware County did not require these employees to complete periodic certifications. In response to the lack of periodic certifications, the Project Director told us that the PA ICAC Task Force Commander met and reviewed work products with employees on a regular basis. However, Delaware County was unable to provide us with documentation to support these reviews.

We consider this periodic certification necessary to ensure that federal funds are being adequately safeguarded and spent in accordance with award objectives. This lack of monitoring places funds at risk and undermines the ability of Delaware County to adequately administer the award. As a result, we question \$365,870 in personnel expenditures as unsupported. We recommend Delaware County

establish and implement procedures to ensure the requirement for periodic certifications of employees is met.

Fringe Benefits

Of the fringe benefits that were charged to the award, we selected nine fringe benefit transactions totaling \$5,794 for detailed testing. To determine whether these fringe benefit expenditures were allowable and supported, we recalculated the fringe benefits using employee salaries and rates from Delaware County's Fringe Benefit Memo. Based on our review, we determined that the fringe benefits were allowable. However, because the fringe benefit expenditures were based directly on salary expenditures, we determined that fringe benefit expenditures were not adequately supported based on our finding above citing a lack of certifications. As a result, we questioned \$23,360 in fringe benefits as unsupported.

Overtime

We found that Delaware County did not require any documentation, except for invoices from subawardees – who generally consisted of police officers from local jurisdictions, to support award-related overtime reimbursements. We also found that the invoices did not contain any information related to the activity performed by the subawardees during the overtime period. Other than the review of these invoices, Delaware County had no controls in place to ensure the reimbursements for award-funded overtime activities were supported. As a result, we question the entire overtime amount of \$272,878 as unsupported.

To determine whether overtime expenditures were allowable, we requested source documentation for the overtime rates listed on the invoices. According to a County official, the PA ICAC Task Force used the "honor system" and did not require the subawardees to provide supporting documentation for any of the overtime reimbursement amounts that they requested. We also found that Delaware County did not check whether overtime payments made to officers was in conformance with local police contracts, as they did not perform spot checks or independent verification of the rates used by subawardees to claim overtime reimbursements.

As a result, for the samples selected, we requested local police contracts from subawardees to confirm the rates used. We found that the rates used matched the rates listed in the police contracts requested. However, without Delaware County verifying these rates when providing reimbursements to subawardees, the potential exists for unallowable payments.

We recommend that Delaware County establish procedures to ensure that subawardees submit documentation to support the activity associated with the overtime reimbursement charges. We also recommend that Delaware County develop controls to ensure that overtime rates claimed by subawardees are based on local police contracts.

Equipment

We found that Delaware County did not satisfy OJP requirements or adhere to its own purchasing procedures when acquiring equipment. As a result, Delaware County; (1) charged equipment and equipment-related expenses to the award using credit cards without scrutiny, (2) did not adequately maintain supporting documentation for equipment and equipment-related expenses, such as invoices, receipts, or other supporting documentation, (3) failed to maximize cost efficiency in purchasing equipment, and (4) failed to record equipment in Delaware County's Fixed Assets Management System.

We obtained Delaware County's Administrative Code (Code) which documented the purchasing procedures in effect during the award period. According to the Code, the Central Purchasing Department "shall act as the contracting officer for Delaware County in the procurement of all supplies and services required for Delaware County's operations. No County officer or department head shall order the purchase of any goods or supplies or make any contract for any goods, supplies, or services other than through the Central Purchasing Department. All County departments, offices and agencies shall file with the Central Purchasing Department detailed requisitions or estimates of their requirements in supplies and contractual services in such manner, at such times, and for such future periods as the Central Purchasing Department shall prescribe."

We found that for award-related activities, Delaware County's policies and procedures related to purchasing equipment were not followed. Instead, the PA ICAC Task Force used credit cards to purchase equipment and equipment-related expenses. According to the PA ICAC Task Force Commander, the credit cards were originally intended to set up undercover phone and internet accounts. However, PA ICAC Officials also deemed the use of credit cards for equipment purchases appropriate because of operational needs and timeliness. In using this process, however, we found that PA ICAC did not utilize Delaware County's competitive bidding process to ensure the best value for the equipment purchased and, as a result, failed to maximize cost efficiency in purchasing equipment.

To determine whether equipment expenditures were allowable, we compared our sample to the award budget and the permissible uses of funds outlined in the OJP Financial Guide. While it appears that Delaware County purchased equipment according to the approved budgets, we found several expenditures that were unallowable. Specifically, we found two invoices totaling \$10,665 for car equipment which was never approved in the budget and \$1,050 in interest charges and fees. In addition, Delaware County could not provide documentation for equipment and equipment-related costs purchased using credit cards. We were unable to determine whether these costs were award related and approved in the budget and, as a result, we question \$18,777 as unallowable.

We also reviewed invoices to determine whether these expenditures were supported. Based on our review, we found most of the underlying support for the

sampled transactions consisted of credit card statements. Therefore, we requested corresponding receipts and invoices for these credit card statements. After contacting each vendor, Delaware County was able to obtain the requesting receipts or invoices for most of the sampled transactions. However, Delaware County could not provide us with documentation to support \$28,024 in equipment and equipment-related costs. As a result, we questioned \$28,024 as unsupported.

When awardees do not adhere to the approved budget or maintain supporting documentation, effective award management is potentially undermined and the ability to adequately safeguard award funds is compromised. We recommend the PA ICAC Task Force adheres to Delaware County's purchasing procedures to ensure equipment expenditures are supported by source documentation and funds are spent in accordance with the objectives of the award.

Contractual

We tested contractual expenditures that Delaware County made using award funds, for supportability and allowability. Specifically, we determined that contractual expenditures for consultants were unsupported because Delaware County could not provide either contracts with those consultants or time and effort reports supporting consultant activities. In addition, we determined that Delaware County made 16 unallowable expenditures for four consultants which consisted of a consultant who was not approved in the budget, time in excess of an eight hour day, and hourly rates that exceeded the maximum allowable rate according to the approved budgets totaling \$25,735. Moreover, Delaware County neither competitively bid these contracts nor requested sole-source approval from OJP for the contracts.

We found Delaware County did not enter into contracts or similar agreements with the consultants that performed services for the award. Delaware County was also not able to provide documentation which specified the description of services to be provided, estimated time required to complete the service, compensation rates, and any termination provisions. As a result, it was difficult for us to verify the nature and scope of the services each consultant provided. At the time of the award, Delaware County did not require departments to enter into contracts with consultants, however, since that time, Delaware County now requires established contracts for all contracted services.

According to Delaware County officials, consultants worked closely with the PA ICAC Task Force Commander but no formal assessments of the consultant's effectiveness were performed. We consider PA ICAC Task Force's practices to be minimally adequate and recommend Delaware County maintain documentation to support consultant activities related to the award. In addition, we recommend that Delaware County clearly document and maintain the analysis, negotiation, justification, and monitoring for award-funded consultants.

We determined that 16 expenditures totaling \$25,735 were unallowable because they were either not approved in Delaware County's budget or they

exceeded OJP limitations on daily or hourly contractor costs that can be charged to the agreement in the absence of OJP special permission. When programs make unapproved expenditures, OJP's control over its resources become weakened and the risk increases that funds will not be used to achieve the missions of the program. Therefore, we recommend that Delaware County implements policies and procedures to ensure that it only funds expenditures that have been approved by OJP.

We also found that consultants were not procured through a competitive bidding process. Instead, Delaware County consultants were hired based on recommendations and obtained through a sole source method that did not include open bidding processes. Delaware County officials justified the sole source procurement process based on the fact that specific expertise was required for the positions, as well as the experience and knowledge related to the PA ICAC Program. However, Delaware County did not obtain the required sole source approval from OJP.

According to the OJP Financial Guide, all procurement transactions, whether negotiated or competitively bid and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free, and fair competition. While it appears the consultants were qualified, the practices Delaware County used to hire consultants were not consistent with the criteria noted above and, as a result, did not ensure consultants were procured competitively.

Delaware County was unable to support the consultant expenditures that we tested because it could not provide to us contracts or, for most expenditures that we tested, time and effort reports for those transactions. As a result, we questioned the entire contractual amount of \$227,369 as unsupported. Without such documentation, the vulnerability of federally funded programs to fraud, waste, and abuse increases. Therefore, we recommend that Delaware County implements policies and procedures to ensure that it establishes, obtains, and retains contracts and activity reports for DOJ-funded consultant expenditures when mandated and subject to applicable durational requirements.

Travel

We tested a sample of travel expenditures that Delaware County made using award funds, for supportability and allowability. During the period of review, Delaware County spent a total of \$177,705 in award funds. We determined that Delaware County could not provide supporting documentation for travel and that there were unallowable travel-related expenditures charged to the award program.

Delaware County was unable to support transactions totaling \$38,121 because receipts were unavailable for our review. When awardees of federal funds do not obtain and retain receipts for expenditures made using such funds, the susceptibility of those programs to fraud, waste, and abuse increases. Therefore, we recommend that Delaware County follows its policies and procedures to ensure

that it obtains and maintains receipts for all DOJ-funded travel expenditures when mandated and subject to applicable requirements.

We determined expenditures totaling \$25,196 were unallowable because they were not approved in the budget.⁵ Specifically, these expenditures were made for travel and participation in conferences that were not approved in Delaware County's budget. When programs make unapproved expenditures, OJP's control over its resources becomes weakened and the risk increases that funds will not be used to achieve the missions of the program and OJP. Therefore, we recommend that Delaware County implements policies and procedures to ensure that it only makes DOJ-funded expenditures that have been approved by the funding agency.

We also identified issues with how Delaware County personnel approved and documented travel-related expenditures using award funds. For example, Delaware County could not provide pre-trip approval forms for two transactions totaling \$9,792. Additionally, we found that three transactions totaling \$18,152 were not properly recorded in Delaware County's accounting system.⁶ Taken as a whole, these issues suggest the heightened susceptibility to fraud, waste, and abuse of DOJ funds.

Accountable Property

We found that Delaware County did not follow its own requirements or those established in the OJP Financial Guide regarding accountable property records and inventories. In addition, the PA ICAC Task Force did not adhere to Delaware County's procedures for safeguarding accountable property. By not following these procedures, the PA ICAC Task Force did not ensure property was capitalized in Delaware County's fixed asset system. Moreover, Delaware County did not maintain records for items purchased identifying the date of acquisition, cost of the property, and disposition data. Delaware County officials also informed us that the PA ICAC Task Force did not maintain receipts and invoices, and the equipment purchased with award funding was not subject to periodic inventory procedures.

According to the OJP Financial Guide, recipients must maintain property records that include a description of the property, a serial number, source of the property, identification of the title holder, acquisition date, cost of the property, percentage of federal participation in the cost of the property, location of the property, use and condition of the property, and disposition data. In addition, the OJP Financial Guide states that awardees must conduct a physical inventory of award-funded accountable property and reconcile the results with the property records at least once every 2 years.

⁵ Three of the four expenditures that we identified here were also part of the seven unsupported travel expenditures that we identified earlier in this report. The fourth unallowable expenditure had a value of \$4,516.

⁶ All of the transactions that we identified in this paragraph were previously identified in this report section because of other issues.

Delaware County provided its Property Accounting System Policy to support its property management procedures. According to the policy, a purchase of any item with a value exceeding \$500 with a useful life of over 1 year is required to be capitalized. In addition, the department director, in this case the District Attorney, is responsible for all property purchased, assigned, or otherwise provided to the department. The District Attorney's Office, Criminal Investigations Division, was responsible for supplying updated forms to the fixed asset system through the property accounting department within the Controller's office.

In October 2013, Delaware County updated the policy which required award-funded equipment to be recorded in Delaware County's Fixed Assets Management System. In addition, Delaware County officials held classes to review the capitalization and capital procurement policies. However, as of our audit, Delaware County had not implemented this new policy. In addition, the new policy does not require a physical inventory as required by the OJP Financial Guide. We recommend that OJP ensure Delaware County adheres to the property management procedures to safeguard award-related equipment.

Drawdowns

Although Delaware County's drawdown methodology was flawed, it satisfied OJP's criteria related to drawdowns. According to the OJP Financial Guide, drawdowns must be based on the immediate cash needs of the awardee as a reimbursement for expenditures already paid by the awardee or as an advance to pay expenditures in the near future. In the case of drawdowns as advances, if awardees do not spend the funds received within 10 days, the funds should be returned to OJP until such time that it is needed. According to OJP's record for funding disbursed, Delaware County received \$1,398,402 through 10 separate requests. The remaining award funds totaling \$114,805 were deobligated on July 18, 2013.

To determine whether award funds were requested in advance or on a reimbursement basis, we compared the drawdowns to the expenditures recorded in the accounting system for the corresponding period. Based on our review, we found the accounting records and drawdowns did not match. According to a Delaware County official, the drawdowns were not prepared using actual expenditures in the accounting records.

Although the amounts did not match, it appears the drawdowns were on a reimbursement basis as the cumulative amount of expenditures was greater than the drawdown amounts. However, without written procedures, Delaware County cannot adequately ensure the requests for award funding comply with the related OJP requirements. We recommend that Delaware County establish and implement policies and procedures that ensure that any advances or award funding is spent on award-related activities within 10 days or returned to OJP.

We also compared the value of all the drawdowns and the cumulative amount of expenditures recorded in Delaware County's accounting system. We found that Delaware County recorded award-related expenditures totaling \$1,423,201, but requested drawdowns totaling \$1,398,402. We found that during the quarter ending December 31, 2010, Delaware County incurred \$24,799 in award-related expenses that was not included in the final reconciliation. As a result, Delaware County never requested reimbursement for these expenses and unnecessarily used local funding to pay for these award-related expenses.

Budget Management and Control

The OJP Financial Guide requires that award recipients spend award funding according to defined budget categories or request approval prior to reprogramming funds if actual spending exceeds certain limits. Award recipients are also required to abide by the "10 percent rule," which requires written agency approval for movement of award dollars among approved budget categories if the cumulative change is greater than 10 percent of the total award amount.

To determine whether Delaware County complied with this requirement, we performed an analysis of the expenditures and determined the amounts expended in each category. The following table represents the results of that analysis.

BUDGET ANALYSIS OF THE COOPERATIVE AGREEMENT

OJP Award Budget Category	Budget	Actual	Under Budget	Over Budget
Personnel	\$ 528,768	\$ 638,748		\$ 109,980
Fringe	113,486	23,360	(90,126)	
Travel	166,173	177,705		11,532
Contractual	338,377	244,244	(94,133)	
Supplies	42,022	56,957		14,935
Equipment	175,767	203,443		27,676
Other	148,614	53,945	(94,669)	
Total	\$1,513,207	\$1,398,402	(\$278,879)	\$164,123
Less allowable 10% transfers of total project costs				(139,841)
Unallowable transfers exceeding 10% of total projects				\$ 24,282

Source: OJP

We compared the OJP approved budgeted amounts to actual expenditures from the accounting records. We determined Delaware County did not adhere to the approved budget. In addition, Delaware County did not request the necessary approval from OJP to reprogram funds which exceeded the 10 percent threshold.

When awardees do not adhere to the approved budget, effective award management is potentially undermined and the ability to adequately safeguard award funds is compromised. We recommend that OJP ensure Delaware County implements policies and procedures that comply with all budget-related requirements, including the monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.

Reporting

Federal Financial Reports

We reviewed the Federal Financial Reports (FFRs) submitted by Delaware County for timeliness and accuracy. We found that Delaware County submitted the FFRs on time, but did not accurately report the federal expenditures in the FFRs. According to the OJP Financial Guide, award recipients must report expenditures using the FFR no later than 30 days after the end of each calendar quarter.⁷ The OJP Financial Guide also requires that the recipient report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. We reviewed five FFRs between April 1, 2011 and June 20, 2012.

We compared the accounting records used at the time the FFRs were prepared to the actual expenditures reported in the FFRs between April 2011 and June 2012 and determined Delaware County accurately reported the actual expenditures and unliquidated obligations incurred for these reporting periods. However, based on the accounting records that were generated at the time of our audit, we identified discrepancies between the actual expenditures that were reported in the FFRs and the cumulative drawdown amount. We found that the amounts did not reflect the actual expenditures in the accounting records. According to the final FFR, award-related expenses obligated at the end of the financial quarter were not paid until after the close out of each of the financial quarters and, as a result, the FFRs did not accurately report the federal share of expenditures throughout the award period.

Furthermore, Delaware County never adjusted subsequent FFRs during the award period to account for these expenditures. In the final FFR, Delaware County acknowledged that the federal share of expenditures was underreported for each quarter except for the quarter ending September 30, 2012. These expenditures were not identified until after OJP notified Delaware County about the discrepancy between the cumulative amount reported and the total drawdown amount.

⁷ The Office of Justice Programs changed from using SF-269 Financial Status Reports (FSRs) to SF-425 Federal Financial Reports (FFRs), beginning October 1, 2009. For consistency purposes, we use the term "FFR" throughout this audit when discussing financial reports submitted by Delaware County for the audited award.

Subsequently, Delaware County requested an additional \$246,468 in unreported expenditures which resulted in a final drawdown request of \$418,920.

When expenditures are underreported and not accounted for in subsequent FFRs, OJP's ability to monitor award funds is compromised, increasing the risk that funding will be subject to fraud, waste, and abuse. We recommend OJP ensure Delaware County develop and implement policies and procedures to ensure FFRs reflect Delaware County's accounting records during the reporting period and account for expenses that were incurred after the close out of a financial quarter in subsequent FFRs.

Progress Reports

Cooperative agreement award documentation required Delaware County to submit semiannual progress reports to OJP within 30 days after the end of each reporting period, which were June 30 and December 31. We assessed the required semiannual progress reports for the period under our review, and we determined that all were submitted on time except for one report which was submitted 15 days late. A Delaware County official stated that this report was not submitted on time to OJP because the PA ICAC Task Force Commander, who had the responsibility of completing the semi-annual reports, was too busy to do so.

Additionally, a cooperative agreement special condition required Delaware County to submit annual reports to OJP. Delaware County was required to include in its annual reports certain data points such as: (1) investigation and prosecution performance measures of the Task Force, and (2) the number of computer forensic examinations that the Task Force completed. We found that Delaware County failed to satisfy this special condition of its award by failing to submit to OJP the required annual reports.

Subawardee Monitoring

We determined that Delaware County should have recognized each of its affiliates as subawardees. According to the OJP Financial Guide, when an award participant has delegated program activities to another entity, that entity will generally be considered a subawardee. Moreover, subawardees often have written agreements or Memoranda of Understanding with the award participant in the implementation of the program. Based on these criteria, we determined that Delaware County should have recognized its affiliates as subawardees because Delaware County delegated program activities to those entities and required those entities to sign Memoranda of Understanding. This distinction is important because subawardees generally must follow more stringent rules and regulations than contractors and consultants, and their financial management systems should conform to federal requirements. Additionally, award participants must monitor subawardees more closely than contractors or consultants. Therefore, we recommend that Delaware County recognize each of its affiliates as subawardees and ensure that each complies with all relevant award requirements, including special award conditions in the award documentation.

Program Performance and Accomplishments

We determined that the progress reports submitted by Delaware County documented accomplishments that were in line with program goals and objectives. We also determined that the progress reports contained useful and relevant information regarding the award-funded program. For example, reports contained news articles about related accomplishments that we could, at least in part, attribute to the award under our review. These news articles described the capture and prosecution of child predators in Pennsylvania. Progress reports also included statistics about arrests, child victims identified, and Delaware County program-related training sessions provided by award-funded personnel. While an official provided documentation to us that summarized such statistics, he was unable to provide underlying documentation to support the statistics provided. As a result, we could not determine whether Delaware County's reported program performance and accomplishments were accurate. Without accurate performance information, OJP is unable to determine whether Agreement funds were used effectively and efficiently to achieve program goals and objectives. Notwithstanding this accuracy issue, we believe Delaware County is making some amount of actual advancement toward its program goals and objectives.

Compliance with Award Special Conditions

OJP placed a set of special conditions on the award to Delaware County specifically. We tested what we believe to be the most important special conditions to determine whether Delaware County was in compliance with these conditions. We determined that Delaware County complied with two of the special conditions that we tested.⁸ Specifically, Delaware County: (1) facilitated OJP's participatory role in the award, and (2) made required notifications on its website with respect to the role of the U.S. Department of Justice in the award under our review. Additionally, we determined that Delaware County had violated three of the special conditions that we tested, and we describe the most significant violation in detail below.⁹

OJP Monitoring

Delaware County personnel did not comply with an award condition that required them to notify OJP officials of changes to County personnel and receive approval for key personnel changes. The award special condition stated that the Project Director and key program personnel designated in the award application

⁸ We determined that one of the seven special conditions that we tested did not apply to Delaware County's award.

⁹ In our judgment, the most significant violation was related to OJP Monitoring. We discuss the other two violations in the: (1) Progress Reports subsection, and (2) Subawardee Monitoring section. Although it did not rise to the level of a violation, we identified one additional area of concern with respect to a special condition related to legislative activities using award funds.

may be replaced only for compelling reasons, and key personnel replacements must be approved by OJP. Changes in other program personnel require only notification to OJP.

Although Delaware County did not change key personnel during the award period, we determined that Delaware County violated this condition because it did not notify OJP of changes in other program personnel. When OJP program management personnel do not have accurate information with respect to actual and approved PA ICAC Task Force staffing, the likelihood increases that communication between those award partners will be restricted, resulting in inefficient project management that could inhibit Delaware County and OJP from accomplishing their missions. Therefore, we recommend that Delaware County implements policies and procedures to ensure that it makes timely and accurate notifications, and requests and obtains approvals as necessary, of personnel changes when OJP requires such notification and approval.

Additional Area of Concern – Legislative Activities

We determined that Delaware County received authorization from OJP in its approved budget to use award funds in a way that might have violated the special condition of its award, which prohibits Delaware County from using agreement funds for legislative purposes. Specifically, Delaware County was prohibited from using any federal funds, either directly or indirectly, in support of the enactment, repeal, modification or adoption of any law, regulation or policy, at any level of government, without the express prior written approval of OJP. According to its budget documentation, Delaware County had allocated up to \$50,000 to those activities. While we were unable to determine the amount, if any, of award funds actually spent on these restricted activities, we believe that it is necessary to bring this issue to light.

Conclusion

We determined that Delaware County had several internal control deficiencies in its administration of the award-related program and, as a result, these deficiencies contributed to our audit findings. Specifically, we determined that Delaware County: (1) did not properly safeguard award funds, (2) did not adhere to Delaware County's purchasing procedures, (3) did not use competitive bidding to procure consultant services, (4) did not require its employees, subawardees, and consultants to submit personnel activity reports, (5) made unsupported and unallowable expenditures using award funds, (6) did not properly safeguard accountable property acquired with award funding, (7) did not adhere to the approved budget, and (8) neither adequately monitored subawardees nor required them to provide documentation to support award-funded reimbursements for program-related activities and equipment.

As a result of these deficiencies, we questioned \$989,365 in award funding as unsupported and unallowable. We make 14 recommendations to improve Delaware County's management of the award.

Recommendations

We recommend that OJP:

1. Remedy the \$955,622 in unsupported expenditures resulting from:
 - (a) costs associated with salaries and fringe benefits due to lack of periodic certifications (expenditures of \$365,870 and \$23,360),
 - (b) costs associated with overtime, and consultant expenditures due to lack of time and effort reports (expenditures of \$272,878 and \$227,369),
 - (c) costs associated with equipment and equipment-related expenses due to the lack of supporting documentation (expenditures of \$28,024), and
 - (d) costs associated with travel expenditures due to the lack of receipts (expenditures of \$38,121).
2. Remedy the \$81,423 in unallowable expenditures resulting from:
 - (a) car equipment that was not approved in the award budget (expenditures of \$10,665),
 - (b) interest and fees for a credit card (expenditures of \$1,050),
 - (c) equipment and equipment-related costs purchased using credit cards that Delaware County could not provide documentation showing what was actually purchased (expenditures of \$18,777),
 - (d) consultant hours that exceeded the number of allowable hours per day and were not approved in the award budget (expenditures of \$25,735), and
 - (e) travel expenditures that were not approved in the budget (expenditures of \$25,196).
3. Ensure that Delaware County establish policies and procedures to ensure that accounting records accurately reflect the revenue received and expenditures made and include periodic reconciliations.
4. Ensure that Delaware County implements procedures to document the required certification of employees and these employees document the time spent on award-related activities.
5. Ensure that Delaware County implements time and effort tracking procedures

for overtime expenditures, and controls to ensure charges are appropriately authorized and adequately supported.

6. Ensure that Delaware County complies with the award budget and Delaware County's own purchasing procedures to ensure equipment and travel expenditures are properly authorized, adequately supported, and funds are spent in accordance with the award objectives.
7. Ensure that Delaware County establishes and implements policies and procedures to ensure that consultants are obtained competitively and are properly documented, and that the required time and effort reports are maintained.
8. Ensure Delaware County implements policies and procedures that ensure consultants paid with award funds are identified on approved award budgets.
9. Ensure Delaware County establishes and implements policies and procedures for the acquisition, inventory, and disposal of accountable award-funded property.
10. Ensure Delaware County establishes and adheres to written policies and procedures for (1) identifying drawdown amounts and (2) minimizing the time between drawdown and disbursement in accordance with the Financial Guide.
11. Ensure Delaware County implements policies and procedures that comply with all budget-related requirements, including the monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.
12. Ensure Delaware County implements policies and procedures to ensure FFRs are submitted based on accurate information.
13. Ensure Delaware County properly recognizes its affiliates as subawardees and monitors the subawardees as required.
14. Ensure Delaware County implements policies and procedures to ensure that it makes timely and accurate notifications and requests, and obtains approvals, as necessary, of personnel changes as required by the special conditions.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of the audit was to assess performance in the key areas of award management that are applicable and appropriate for the award under review. These areas included: (1) internal control environment, (2) drawdowns, (3) award expenditures, (4) budget management and control, (5) financial status and progress reports, (6) program performance and accomplishments, (7) post award end-date activities, (8) property management, (9) monitoring of subawardees and contractors, and (10) special award requirements. We determined that program income, matching costs, and indirect costs were not applicable to these awards.

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

In conducting our audit, we used sample testing while testing award expenditures. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed, such as high dollar amounts or expenditure category based on the approved award budget. This non-statistical sample design does not allow for the projection of the test results to the universes from which the samples were selected.

Our audit concentrated on award number 2009-MC-CX-K025 covering award period July 1, 2009, through September 2012. This was an audit of the Office of Justice Program's Office of Juvenile Justice and Delinquency Prevention awarded to County of Delaware's District Attorney's Office, Pennsylvania, in the amounts of \$1,513,207. Delaware County had a total of \$1,398,402 in net drawdowns in September 2012.

We tested compliance with what we consider to be the most important conditions of the awards. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Financial Guide and the award documents.

In conducting our audit, we reviewed all claimed award-related expenditures and drawdowns. In addition, we reviewed the timeliness and accuracy of FFRs and progress reports, and evaluated the performance of the awards in relation to the award objectives. We did not test the reliability of Delaware County's financial management system as a whole.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS</u> ¹⁰	<u>AMOUNT</u>	<u>PAGE</u>
Unallowable Costs:		
Equipment		
Car equipment not approved in budget	\$ 10,665	9
Interest and fees	1,050	9
No source documentation	18,777	9
Consultant Expenditures	25,735	10
Travel Expenditures	25,196	12
Unsupported Costs:		
Personnel Expenditures	\$ 365,870	7
Fringe Benefit Expenditures	23,360	8
Overtime Expenditures	272,878	8
Equipment Expenditures	28,024	10
Consultant Expenditures	227,369	11
Travel Expenditures	38,121	11
TOTAL QUESTIONED COSTS		
LESS DUPLICATION ¹¹	(\$ 47,680)	
TOTAL DOLLAR RELATED FINDINGS	\$ 989,365	

¹⁰ 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.

¹¹ These costs relate to identical expenditures—though questioned for separate reasons—and as a result, that portion of questioned costs is duplicated. We reduced the amount of gross questioned costs by the amount of this duplication to identify net questioned costs.

DELAWARE COUNTY, PENNSYLVANIA
RESPONSE TO THE DRAFT AUDIT REPORT¹²



DELAWARE COUNTY
CRIMINAL INVESTIGATION DIVISION
OFFICE OF THE DISTRICT ATTORNEY
MEDIA, PENNSYLVANIA 19063
(610) 891-4700

JOHN J. WHELAN
DISTRICT ATTORNEY

August 12, 2014

JOSEPH A. RYAN
CHIEF OF DETECTIVES
DIRECTOR OF C.I.D.

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 201
Philadelphia, PA 19106

Re: OJP, OJJDP Cooperative Agreement ICAC Task Force Program Audit

Dear Mr. Puerzer:

The Office of the District Attorney of Delaware County has reviewed the draft audit report of the cooperative agreement 2009-MC-CX-K025, which provided funding to Delaware County for the continuation of the Pennsylvania Internet Crimes Against Children Task Force Program. We are grateful for the opportunity that this audit has provided to review and improve internal controls and overall grant management. Delaware County's response to the draft audit report is enclosed. A copy of the signed management representation letter already in your possession is also enclosed.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Sheldon Kovach".

A Sheldon Kovach
Deputy DA
ICAC Task Force Project Director

cc. Linda Taylor, DOJ, Office of Audit, Assessment and Management

¹² Attachments to Delaware County's response were not included in this final report.

**DELAWARE COUNTY'S RESPONSE TO DRAFT REPORT RECOMMENDATIONS
RELATED TO AUDIT OF COOPERATIVE AGREEMENT 2009-MC-CX-K025**

I. Introduction

Policies and procedures either already have been instituted or will soon be implemented to ensure that the grant is administered properly; that performance goals are met; and that funding is spent in accordance with the federal regulations as per the Financial Guide and as per the grant requirements stated in the award's special conditions.

Overall review of Grant 2009-MC-CX-K025 by PA ICAC Task Force management validates that ICAC funds were properly used as outlined in the applications for funding, and no issues of integrity regarding either applying for or reporting actual use of funds were revealed. Nonetheless, to be in compliance with federal grant award requirements, proper tracking of the use of funds and maintaining adequate supporting documentation has been vastly improved as a result of the change in Task Force Commander leadership, the hiring of a new Administrative Assistant, and the Inspector General Audit review.

II. Response to OIG Recommendations

Recommendation 1

Remedy the unsupported expenditures – Concur

(a) Unsupported expenditures resulting from costs associated with salaries and fringe benefits.

The costs associated with salaries and fringe benefits are questioned due to lack of adequate documentation. In particular, the semi-annual certifications for full-time employees on the grant were lacking. The Task Force Commander during the entire three year period subject to audit was CID Lieutenant [REDACTED]. In February 2013, Task Force Commander [REDACTED] accepted a position with the Pennsylvania Office of Attorney General as Special Agent in Charge, Chief of the Bureau of Special Investigations, and continues to serve in that position.

The full-time employees during the auditing period were CID Detective [REDACTED] and Administrative Assistants [REDACTED] and [REDACTED]. In performing his role as the Task Force Commander, Lt. [REDACTED] had daily contacts with the full-time personnel associated with the grant and was fully aware of the work performed. Certification - [REDACTED] - Attachment 1.pdf, Certification - [REDACTED] - Attachment 2.pdf, Certification - [REDACTED] - Attachment 3.pdf are omnibus certifications pertaining to each employee who was employed by the grant during the grant period reviewed. Respondent suggests that the certifications be applied retroactively and that a waiver be accorded to the questioned salary and fringe benefits costs. A large portion of the actual fringe benefits costs were never submitted for reimbursement and local funding was already used to pay for those award-related, properly budgeted expenses.

(b) Unsupported expenditures resulting from costs associated with overtime and consultant expenditures due to lack of time and effort reports.

1. Overtime Costs

Overtime costs were largely attributable to providing ICAC affiliates throughout the Commonwealth with the financial means and resources to pay trained investigators

to conduct often time consuming Internet Crimes Against Children investigations. Task Force Commander [REDACTED] traveled throughout the Commonwealth and was familiar with the officers who were trained by the ICAC Task Force Program to conduct these investigations. He knew who was developing cases that resulted in criminal prosecutions and who was not "making cases." Task Force Commander [REDACTED] compiled the monthly statistical reports and authored the semi-annual reports.

Before overtime invoices were approved for payment, they had to first be verified by the officer's immediate supervisor in his department or agency. The police contract rate would have been approved by the supervisor, and there was never an issue. Task Force Commander [REDACTED] was familiar with the state and municipal police contract rates simply because of his thirty plus years of law enforcement experience and large number of police contacts. He regularly spoke with the law enforcement agents who performed ICAC investigations and was familiar with the cases on which they were working. He did not approve overtime hours unless he believed that the work could in fact be verified. At this juncture, respondent is submitting a certification from former Task Force Commander [REDACTED] attesting to the above-described actions. [Certification - Overtime - Attachment 4.pdf](#)

2. Consultants

The primary consultants used during the three year audit period at issue were analysts [REDACTED] and [REDACTED]; computer lab forensics expert [REDACTED] and [REDACTED] who was the former head of the Pennsylvania State Police Computer Forensics Unit until he retired. Detective [REDACTED] was also integral to the development and use of the ICACCOPS website and deconfliction system which is utilized by the ICAC Task

Forces nationwide as well as internationally in responding to Internet Crimes Against Children and child sexual exploitation cases. Task Force Commander [REDACTED] worked "hand in glove" with all the consultants and was largely responsible for engaging them as consultants because of his familiarity with their outstanding credentials. Each of them were eminently qualified, and Commander [REDACTED] prided himself in being able to get [REDACTED] and [REDACTED] to work as ICAC consultants for rates that were well below their market value. They did so because they were committed to the cause and in stemming the rising tide of online enticement of children by sexual predators, child exploitation, and child pornography cases.

Task Force Commander [REDACTED] worked with the consultants regularly and was wholly aware of the work they were performing for the ICAC Task Force. The processing and distribution of cybertips by the analysts is a core function of the ICAC Task Force on a daily basis. The analysts worked in the same physical office space as the Task Force Commander, who knew how many cases were being processed and what if any backlog there was. Along with [REDACTED], [REDACTED] helped train law enforcement and was fully aware of the educational outreach performed by both analysts [REDACTED] and [REDACTED] because he had to report their statistics. [REDACTED] also knew computer forensic expert [REDACTED] workload and excellent work product output because it was [REDACTED] comprehensive and meticulously prepared computer forensic reports which facilitated obtaining guilty pleas in nearly every child pornography prosecution.

A certification by Task Force Commander [REDACTED] is attached, referencing what can only be described as obtaining the most value for the dollar. Certification - Consultant - Attachment 5.pdf Admittedly, sole source approval should have been

obtained and grant adjustment notice (GAN) requests should have been submitted to obtain initial approval for [REDACTED] to be added as a consultant (see response to Recommendations 7 and 8). A GAN request for approval for [REDACTED] to work more than an eight hour day should also have been submitted because it represented the most economical way to obtain [REDACTED] services for his limited number of hours budgeted. (See Recommendation 8)

At this stage, respondent is requesting the remedy of a waiver for the lack of time and activity reports. Retroactive GAN approval is requested for the hours [REDACTED] worked before being approved in the subsequent continuation budget and retroactive GAN approval for [REDACTED] to exceed an eight hour day and the maximum daily rate.

(c) Unsupported expenditures resulting from costs associated with equipment and equipment-related expenses due to lack of supporting documentation.

Corresponding receipts and invoices for transactions reflecting transactions charged to a credit card were largely recreated during the audit, but the amount here at issue could not be further documented. The poor recordkeeping and inadequate maintenance of the receipts and transaction records has obviously now been rectified, and the regular use of a credit card because it was deemed the most efficient and secure manner to satisfy ICAC's operational needs and ensure timeliness is no longer tolerated or acceptable.

At this point, former Task Force Commander [REDACTED] has provided a certification relating to the purchase of equipment and other supplies that cannot be documented. He can certify that any and all items purchased by use of the credit card were for the

sole and exclusive use of ICAC operations. Certification - Equipment - Attachment 6.pdf The remedy of a waiver is requested.

(d) Unsupported expenditures resulting from costs associated with travel expenditures due to lack of receipts.

Once again, former Task Force Commander has submitted a certification. Certification - Travel - Attachment 7.pdf Travel expenditures would not have been approved without submitting receipts for travel that was ICAC related and pre-approved. A waiver is requested.

Recommendation 2

Remedy Unallowable Expenditures - Concur

(a) Unallowable expenditures resulting from car equipment not approved in the award budget.

The cost incurred to equip a police vehicle with lights, siren, etc., that was dedicated to a full-time ICAC detective, was not written into the ICAC grant and was not budgeted in CID's general budget. A GAN request was not made, and the money for equipping the vehicle was paid for out of the grant. Because the car was exclusively being used for ICAC Task Force work, the CID Chief at the time directed that payment be taken from ICAC funding. A prior GAN request and approval should have been submitted. A remedy of retroactive GAN approval and waiver is requested.

(b) Unallowable expenditures resulting from interest and fees for a credit card.

Use of a credit card in a manner incurring interest, transaction fees and late charges will not happen again. Past occurrences have been reviewed and rectified with new personnel who have completely overhauled the manner that invoices, receipts, and records are maintained. The remedy of an offset for the expenditures of \$1050 is suggested.

(c) Unallowable expenditures resulting from undocumented equipment and equipment-related costs purchased using a credit card.

As addressed in other portions of the response, credit card use and the maintenance of purchasing records and validation of expenditures has been overhauled. Based on the equipment certification Certification - Equipment - Attachment 6.pdf already referenced in the response to Recommendation 1(c), the remedy of a waiver is requested.

(d) Unallowable expenditures resulting from consultant hours that exceeded the number of hours per day and were not approved in the award budget.

As discussed in the response to Recommendation 1(b) and Recommendation 8, respondent is requesting the remedy of retroactive GAN approval and waiver for the hours computer forensics laboratory expert, [REDACTED] worked in excess of an eight hour day. [REDACTED] never exceeded the monthly hours or money budgeted and approved in the award. Because of the distance he had to travel to ICAC headquarters to perform his computer

forensics work, █████ would work longer hours and stay overnight. His travel expenses, meals and hotel accommodations were entirely assumed by █████. The manner in which █████ worked represented the soundest and most financially responsible approach. A GAN request, however, should have been submitted.

A retroactive GAN approval and waiver is likewise requested for the hours Detective █████ worked as a consultant before he was included and approved in the subsequent ICAC continuation grant application budget and award. The necessity for █████ services to maintain and support the ICACCOPS website and deconfliction system was never in question. Before █████ retirement from the Pennsylvania State Police, a commitment was obtained federally to fund the maintenance and support of the ICACCOPS system because of his ability and importance to the entire ICAC Task Force Program. The three month time period between █████ retirement and the approval and effective date of the continuation grant funding meant that a GAN request was needed.

(e) Unallowable expenditures resulting from travel expenditures that were not approved in the budget.

Prospective scheduling of travel for attending conferences and trainings is often difficult to predict and plan. Based on Task Force Commander █████ certification [Certification - Travel - Attachment 7.pdf](#) regarding Travel, a retroactive GAN and waiver is requested. Any travel that was approved by the

Task Force Commander was related to the work of the ICAC Task Force program. A GAN request, however, was necessary when trainings or conferences were attended that were not originally written into the budget and approved.

Recommendation 3

Establish policies and procedures to ensure that accounting records accurately reflect the revenue received and expenditures made and include periodic reconciliations. – Concur

Delaware County's Budget Director, James P. Hayes, represents the following:

The County will ensure that unique fund center and revenue account numbers are established in the SAP system for each specific ICAC grant. When a drawdown request is made by the appropriate CID staff person to the Department of Justice (DOJ), CID staff will notify via email the County Treasurer's Office, with a copy to the Budget Department, that a payment from DOJ is forthcoming and will provide the unique ICAC revenue account number for the Treasurer's Office to credit in SAP upon receipt of funds. Once the monthly Treasurer's Report is posted in SAP, CID staff will run a Transaction Report to ensure that the payment was correctly posted to the ICAC revenue account. If there are any issues with the revenue posting, CID will follow up with the Treasurer's Office until the situation is rectified. Budget Department staff will also be available to assist CID staff as needed.

Recommendation 4

Ensure that procedures are in place to document the required certification of employees and that employees document the time spent on award-related activities – Concur

The Delaware County CID employs highly experienced supervisory personnel. The PA ICAC Task Force has a proven track record of consistently meeting or

exceeding performance measures and accomplishing the goals and objectives of the ICAC Task Force Program. In this vein, the "hands on" daily supervision of those full-time ICAC Task Force employees who perform the work of the grant ensures that the employees are devoting themselves 100% of the time to the work of the ICAC Task Force. Appropriate documentation through written certification, however, must be maintained, and the time-on-tasks performed by ICAC personnel should be documented with time and activity reports. Regular performance reviews have now been instituted which will document job performance and, in turn, provide a basis for the completion of semi-annual written certifications.

The Criminal Investigation Division's Office Manager maintains and has access to the SAP system's online timesheets. Full-time employees of the ICAC grant, like any other CID employee, complete a timesheet for each pay period that shows the hours worked and time off, including holidays. A supervisor must approve the timesheets before being submitted. ICAC Task Force employees who are paid for working 100% of the time on grant related activities must now also complete weekly time and activity reports which are reviewed by the Task Force Commander and maintained along with the six month certifications which are verified by the employee's and supervisor's signatures.

Recommendation 5

Ensure that Delaware County implements time and effort tracking procedures for overtime expenditures, and controls to ensure charges are appropriately authorized and adequately supported – Concur

During the audit period, payments for overtime were reviewed and approved by the Task Force Commander. He was familiar with the work being performed. The time and rate submitted by the particular officer had to first be reviewed and approved by that officer's immediate supervisor. Police agencies or departments that failed to generate cases did not receive additional overtime.

Today, overtime requests are tied to a case investigation number with a description of the work performed. The officer's immediate supervisor still must sign-off on the submitted request and verify the overtime rate, but in addition, overtime contract rates will be systematically checked through periodic and regular verifications of police contract rates of affiliate agencies.

Recommendation 6

Comply with the award budget and follow Delaware County's purchasing and travel procedures to ensure that expenditures are properly authorized, adequately supported, and spent in accordance with the award objectives. –

Concur

Pursuant to its Home Rule Charter, Delaware County has an Administrative Code which sets forth the mandated purchasing procedures; see Delaware County Code §§ 6-25 to 6-32. Based on OIG's review of the County Code provisions and its Findings and Recommendations, if the ICAC Grant award abides by the requirements promulgated in the Administrative Code, the requisite procedures and documentation should prove to be satisfactory and will meet the federal (Financial Guide) requirements. Property and equipment purchases will be made in accordance with both the Delaware

County and the Federal guidelines. Whichever is the most restrictive or conservative approach will be followed. With the change in Task Force Commander leadership and the diligence of the new Administrative Assistant, no longer will grant requirements be sacrificed for the sake of expediency.

Similarly, Delaware County's Travel Policy, so long as it is followed, appears to be an acceptable means of compliance with the grant requirements. Any desired travel that is not outlined in the grant award budgets, will be subject to a GAN and approval request.

Recommendation 7

Implement policies and procedures to ensure consultants are obtained competitively, properly document actions, and maintain time and effort reports. -

Concur

The three primary consultants utilized during the audited period (Analyst [REDACTED], Computer Forensics Laboratory Examination Expert, [REDACTED] and [REDACTED], who supports and maintains the national ICACCOPS deconfliction system and website) should have been submitted for sole source consideration and approval, but were not. OIG's findings and recommendations regarding consultants have triggered a total revamping of policies and procedures to be established and implemented. Aside from proper documentation of an analysis, negotiation, and justification, and maintaining monitoring documentation of award-funded consultants activities related to the grant, competitive bidding will be an initial, documented consideration before sole source submissions are recommended.

Upon hiring a consultant, a standard written county consultant contract will be executed with appropriate modifications. Regular activity reports for consultants will also be solicited and maintained. ..Documents\Standard County Contract - attachment 8.pdf

Recommendation 8

Ensure that consultants paid with award funds are identified on approved award budgets. - Concur

The PA ICAC Task Force is now acutely aware that consultants must be both identified and approved in the grant application or that approval must be obtained through a grant adjustment notification request. In particular, [REDACTED] is the software and system support expert for the ICACCOPS project and website. When federal money was committed to support the project by providing additional dedicated funding to ICACCOPS through the PA ICAC Task Force, [REDACTED] was written into and approved in the continuation grant, but a grant adjustment request was not made to cover the three months prior to the continuation start-up date. Although, at the time, the ICAC Task Force Commander believed that approval for using [REDACTED] as a consultant was implicit by way of the approval for the ICACCOPS project, a formal grant adjustment was not submitted. It is universally recognized that [REDACTED] services were essential to the work of the ICAC Task Force and specifically, the ICACCOPS deconfliction website, and that compensation for his services was reasonable and consistent with that paid for similar services in the marketplace. Nevertheless, prior, formal approval through a GAN should have been obtained during the final three months of the continuation grant in 2010 to reflect what had already been written into the grant application that followed.

It is acknowledged that consultant rates and fees must not exceed the federal limit without prior approval. This would include obtaining prior approval for a consultant to work more than an eight hour day such as computer forensic expert, [REDACTED] had done during the grant audit review period. Although this represented the most fiscally responsible and economical approach and [REDACTED] never exceeded his monthly hours budgeted and approved in the award, nonetheless, it is recognized that prior approval must be obtained for exceeding an eight hour day, particularly where it exceeds the federal daily maximum amount for consultants. The ICAC Task Force management will continue to review Consultants rates to verify that they are reasonable and justifiable. In addition, the work of Consultants will be defined by a written contract and their work product will be documented. (See Recommendation 7, *supra*)

Given the bi-weekly review as described *infra* in the response to Recommendation 14 and the continual review of the approved budget and approved expenditures as described in the response to Recommendation 11, the above-referenced anomalies should not reoccur.

Recommendation 9

Establish and implement policies and procedures for the acquisition, inventory, and disposal of accountable award-funded property. - Concur

Under the supervision of the PA ICAC's present Task Force Commander, an inventory of equipment and disposable property purchased under grant funding has been performed. [..\Equipment Inventory - Attachment 9.pdf](#) In addition, in recognition

of the Financial Guide requirement of taking an actual physical inventory of property and reconciling the results with property records at least once every two years, money for travel expenses has been written into the most recent continuation grant application for this purpose. This will enable the ICAC Task Force to personally confirm the status and the proper use of equipment purchased and distributed to affiliates across the Commonwealth.

Property records will be updated and will include a description of the property along with a serial number or other identification number; the purchasing source, date of acquisition and cost; title holder and location of the property, its use and condition; and any disposal or other type of disposition or sale of the property. Through site visits, use of the assigned property for its proper use and by authorized personnel will also be verified. Maintaining accurate, up-to-date disposable property and equipment records will also aid in assessing the need for future property acquisitions or in replacing property which has outlived its useful life.

Recommendation 10

Develop written policies and procedures to ensure that drawdown amounts are spent on award related activities within 10 days or returned to OJP. - Concur

The ICAC Task Force Program, in consultation with the Delaware County Office of the Controller and Budget Director, will adhere to established and written policies pertaining to reimbursement/drawdown amounts that are in accordance with the federal guidelines. Specifically, the policy to be followed should shorten the time span for use

of any drawdown amounts and ensure that the actual expenditures are completed during the designated financial quarter. As noted in the OIG Audit Report, drawdowns appeared to be on a reimbursement basis, and the county expenditures exceeded the drawdown amounts. Thus, local funding was used to pay for award related expenses which could have been reimbursed and only added to the county's already significant in-kind contribution in performing the work of the PA ICAC Task Force program grant.

Recommendation 11

Comply with budget related requirements, particularly, to ensure reimbursement requests are made for expenditures approved in the budget both by cost category and the amount. - Concur

By regularly reviewing the budget, any necessary transfer of funds to other categories will be accomplished through a grant adjustment notification (GAN) request to the program grant manager and obtaining advanced approval of any needed adjustments. Similarly, any change in project scope or objectives will be submitted for consideration and approval. Any material deviation from the proposed budget as submitted will prompt a GAN and contacting the Program Manager for written approval.

Either the Project Director or the Administrative Assistant or both will attend a U.S. DOJ Financial Management Training seminar, depending on availability, but as soon as one can be scheduled.

Recommendation 12

Ensure policies and procedures are in place so that Federal Financial Reports (FFRs) are accurate. – Concur

The ICAC Administrative Assistant, Project Director, and Task Force Commander will meet regularly to make certain that the Office of Management and Budget Rules are followed and that the financial and statistical information required is properly documented and retained.

As highlighted in the Findings and Recommendations, Reporting (FFRs) section of the OIG's report, Delaware County's accounting records must show the actual expenditures and unliquidated obligations for each required reporting period. The FFRs must accurately reflect Delaware County's accounting records and account for expenses incurred after the close out of a financial quarter in subsequent FFRs.

As noted, in its response to Recommendation 3, the Budget Director and Controller's Office have instituted a policy with follow-up to the Administrative Assistant to ensure the accuracy of ICAC grant accounting records.

Recommendation 13

Ensure Delaware County recognizes each of its affiliates as sub-awardees and monitors the sub-awardees as required. - Concur

An ICAC Task Force priority is to expand affiliate growth and training throughout the Commonwealth by adding agency affiliates that are willing to engage in ICAC investigations and to follow the ICAC Task Force Protocols and Procedures. Indeed, a statutory mandate of the ICAC Task Force Program is to provide "support to other state and local law enforcement agencies, as a means for such agencies to acquire the necessary knowledge, personnel, and specialized equipment to investigate and prosecute [Internet Crimes Against Children offenses]." Section 104, Duties and Functions of Task Forces, Protect Our Children Act of 2008. Thus, rather than

identifying affiliates as sub-awardees and stating that the awardee has delegated program activities to another entity, a more accurate description would be that adding affiliate agencies are a representative function of the inherent purpose and goals of the ICAC Task Force Program.

In monitoring agencies that are recipients of ICAC funding, the Task Force is responsible for ascertaining that all fiscal and programmatic responsibilities are met. To be effective, funding recipients are made aware of compliance requirements and are provided with the ICAC Operational and Investigative Standards Manual. As a result of the auditing process, written sub-recipient monitoring policies and procedures will be implemented. The already mentioned site visitations, and equipment checks, as well as review of overtime submissions for time-on-task justification by case investigation invoice correlation, and random, but regular, spot-checking of overtime police contract rates will be included in the written policy. Affiliates will also receive a copy of the special conditions of the grant award and acknowledge their understanding and compliance with the conditions.

Written affiliate/sub-awardee monitoring policies and procedures will be drafted and in place no later than October 15th.

Recommendation 14

Implementation of policies and procedures to ensure timely and accurate notifications and requests and obtaining approval, as necessary, of personnel charges as required by the special conditions. - Concur

Anyone who plays a key role in the ICAC Task Force should be identified in the grant application's description of personnel. Any change or proposed replacement of

personnel must be submitted to the Task Force Program Manager for review and approval. Until 2013, which post-dates the three year grant period audited, the Task Force Commander and Project Director remained the same. From 1999 to February, 2013, Lieutenant [REDACTED] was the Task Force Commander and, therefore, [REDACTED] was the Task Force Commander during the entire three year span under audit review. The Task Force recognizes, however, that any and all changes in key personnel must be submitted for approval to OJP and the Project Grant Manager.

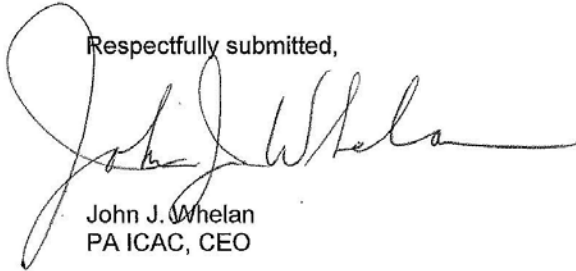
Proposed key personnel changes must be submitted in advance for approval to OJP. However, timely notification of changes in other program personnel will also be made to the grant manager through grant adjustment notifications. The Task Force Commander, Project Director, and Administrative Assistant will formally meet on a bi-weekly basis and address what, if any, grant adjustment requests and notifications must be made. No later than seven days after said meetings, the Project Director will follow-up with the Task Force Commander and the Administrative Assistant to ensure that compliance with this grant condition has been accomplished.

III. Conclusion

As a result of the auditing process and OIG's Findings and Recommendations, corrective actions have been undertaken to ensure that in the future, the grant award will comply with the federal requirements relating to maintaining adequate documentation. Based on the findings and responsive actions taken, audit resolution and closeout can be readily accomplished. The OIG audit has appropriately sensitized and made Task Force personnel ever mindful of their grant obligations and

responsibilities pertaining to proper documentation and maintaining readily available accounting records and certifications for review.

Respectfully submitted,



John J. Whelan
PA ICAC, CEO



A Sheldon Kovach
PA ICAC, Project Director



Jack Kelly
PA ICAC, Task Force Commander

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

AUG 22 2014

Washington, D.C. 20531

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia 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, Office of Juvenile Justice and Delinquency Prevention, Cooperative Agreement Awarded to the County of Delaware, Pennsylvania*

This memorandum is in reference to your correspondence, dated July 23, 2014, transmitting the above-referenced draft audit report for the County of Delaware, Pennsylvania (Delaware County). We consider the subject report resolved and request written acceptance of this action from your office.

In the draft audit report, the Office of the Inspector General (OIG) identified an area of concern (Legislative Activities) related to Delaware County having received authorization from the Office of Justice Programs (OJP), in its approved budget, to use award funds in a way that might have violated the special condition of its award, which prohibited Delaware County from using award funds for legislative purposes. While it is accurate that Delaware County budgeted \$50,000 for an Assistant District Attorney's "additional work," which could have included legislative work; this budget line-item also included both appellate work and educational activities. It is OJP's understanding that the OIG has confirmed that no portion of the award funds were spent on what could have been otherwise restricted activity. In the future, OJP will work to better ensure that budget items of this type are more clearly defined so as to prevent expenditure of funds in furtherance of any unallowable expenditures.

The draft report contains **14** recommendations and **\$989,365¹** in net 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 Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

1. **We recommend that OJP remedy the \$955,622 in unsupported expenditures resulting from:**
 - (a) **costs associated with salaries and fringe benefits due to lack of periodic certifications (expenditures of \$365,870 and \$23,360);**
 - (b) **costs associated with overtime and consultant expenditures due to lack of time and effort reports (expenditures of \$272,878 and \$227,369);**
 - (c) **costs associated with equipment and equipment-related expenses due to the lack of supporting documentation (expenditures of \$28,024); and**
 - (d) **costs associated with travel expenditures due to the lack of receipts (expenditures of \$38,121).**

OJP agrees with the recommendation. We will coordinate with Delaware County to remedy the \$955,622 in unsupported questioned costs charged to cooperative agreement 2009-MC-CX-K025.

2. **We recommend that OJP remedy the \$81,423 in unallowable expenditures resulting from:**
 - (a) **car equipment that was not approved in the award budget (expenditures of \$10,665);**
 - (b) **interest and fees for a credit card (expenditures of \$1,050);**
 - (c) **equipment and equipment-related costs purchased using credit cards that Delaware County could not provide documentation showing what was actually purchased (expenditures of \$18,777);**
 - (d) **consultant hours that exceeded the number of allowable hours per day and were not approved in the award budget (expenditures of \$25,735); and**
 - (e) **travel expenditures that were not approved in the budget (expenditures of \$25,196).**

OJP agrees with the recommendation. We will coordinate with Delaware County to remedy the \$81,423 in unallowable questioned expenditures charged to cooperative agreement 2009-MC-CX-K025.

3. **We recommend that OJP ensure that Delaware County establish policies and procedures to ensure that accounting records accurately reflect the revenue received and expenditures made, and include periodic reconciliations.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that accounting records accurately reflect the revenue received and expenditures made, and include periodic reconciliations.

4. **We recommend that OJP ensure that Delaware County implements procedures to document the required certification of employees and these employees document the time spent on award-related activities.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that employees document the time spent on award-related activities, and submit the required certifications.

5. **We recommend that OJP ensure that Delaware County implements time and effort tracking procedures for overtime expenditures, and controls to ensure charges are appropriately authorized and adequately supported.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written procedures developed and implemented to ensure that time and effort associated with overtime reimbursement is properly tracked, and strengthen controls related to overtime to ensure that charges are appropriately authorized and adequately supported.

6. **We recommend that OJP ensure that Delaware County complies with the award budget and Delaware County's own purchasing procedures to ensure equipment and travel expenditures are properly authorized, adequately supported, and funds are spent in accordance with the award objectives.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of revised written procedures implemented to ensure that equipment and travel expenditures are properly authorized, adequately supported, and funds are spent in accordance with the award objectives.

7. **We recommend that OJP ensure that Delaware County establishes and implements policies and procedures to ensure that consultants are obtained competitively and are properly documented, and that the required time and effort reports are maintained.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that future consultants are obtained competitively and are properly documented, and that the required time and effort reports are maintained.

8. **We recommend that OJP ensure Delaware County implements policies and procedures that ensure consultants paid with award funds are identified on approved award budgets.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that consultants paid with award funds are properly identified in the grant application, or with prior approval from the awarding agency.

9. **We recommend that OJP ensure Delaware County establishes and implements policies and procedures for the acquisition, inventory, and disposal of accountable award-funded property.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to manage the acquisition, inventory, and disposal of accountable property acquired with award funding.

10. **We recommend that OJP ensure Delaware County establishes and adheres to written policies and procedures for (1) identifying drawdown amounts and (2) minimizing the time between drawdown and disbursement in accordance with the Financial Guide.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that drawdown amounts are based on actual expenditures, and are limited to amounts needed for disbursements to be made immediately or within 10 days, in accordance with the OJP Financial Guide.

11. **We recommend that OJP ensure Delaware County implements policies and procedures that comply with all budget-related requirements, including the monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure compliance with all budget-related requirements, including monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.

12. **We recommend that OJP ensure Delaware County implements policies and procedures to ensure FFRs are submitted based on accurate information.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that future Federal Financial Reports (FFRs) are accurately compiled; based on actual expenditures incurred; reconciled to supporting documentation; and appropriately reviewed and approved by management, prior to submission.

13. **We recommend that OJP ensure Delaware County properly recognizes its affiliates as subawardees and monitors the subawardees as required.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that Federal funds sub-granted to affiliates or subrecipients are properly accounted for, controlled, and monitored; and the supporting documentation is maintained for future auditing purposes.

14. **We recommend that OJP ensure Delaware County implements policies and procedures to ensure that it makes timely and accurate notifications and requests, and obtains approvals, as necessary, of personnel changes as required by the special conditions.**

OJP agrees with the recommendation. We will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that it makes timely and accurate notifications and requests to the Federal awarding agency, and that it obtains approvals, as necessary, of personnel changes as required by the special conditions.

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

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OJP Executive Secretariat
Control Number IT20140724092456

**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 Delaware County and the Office of Justice Programs (OJP). Delaware County's response is incorporated as Appendix III of this final report, and OJP's response is included as Appendix IV. In response to our audit report, OJP agreed with our recommendations and discussed the actions it will take to address each of our findings. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Analysis of Delaware County and OJP Responses

In its response, Delaware County generally concurred with the findings and recommendations in the report. In addition, they stated that policies and procedures either already have been instituted, or will soon be implemented, to ensure that award funds are properly spent and the award is administered properly in accordance with the OJP Financial Guide. However, Delaware County's response did not provide adequate documentation demonstrating the implementation of the required policies and procedures. As a result, the recommendations will remain resolved until this documentation is provided.

In its response, OJP agreed with the findings and recommendations in the report. OJP also responded to an area of concern in the report regarding the OJP approval of a line item in the budget for an Assistant District Attorney's "additional work" including statewide legislative, appellate and educational activities. OJP recognized that one of the special conditions of the award prohibited the use of award funds for legislative purposes. OJP indicated that it will work to better ensure that budget items of this type are more clearly defined to prevent expenditure of funds in furtherance of any unallowable expenditures. While we did not identify any expenditures on legislative activities, we also found that the subsequent award does not contain the provision for legislative activities.

Summary of Actions Necessary to Close Report

1. **We recommend OJP remedy the \$955,622 in unsupported expenditures resulting from:**
 - (a) **costs associated with salaries and fringe benefits due to lack of periodic certifications (expenditures of \$365,870 and \$23,360),**
 - (b) **costs associated with overtime, and consultant expenditures due to lack of time and effort reports (expenditures of \$272,878 and \$227,369),**

- (c) **costs associated with equipment and equipment-related expenses due to the lack of supporting documentation (expenditures of \$28,024), and**
- (d) **costs associated with travel expenditures due to the lack of receipts (expenditures of \$38,121).**

Resolved. In its response, OJP agreed with our recommendation and stated that it will coordinate with Delaware County to remedy the \$955,622 in unsupported questioned costs.

Delaware County concurred with the recommendation as well, and provided discussions of each of the unsupported expenditure categories as shown below.

- (a) Delaware County agreed that the required semi-annual certifications for the full-time personnel were lacking. In its response, Delaware County said that the staff were supervised daily by the former Task Force Commander and provided certifications with respect to the employees work.
- (b) Delaware County agreed with the absence of time and effort reports, but submitted a certification from the former Task Force Commander attesting to the oversight of the overtime and consultant expenditures. In its response, Delaware County requested OJP approve a waiver for the absence of time and effort reports.
- (c) Delaware County agreed that the equipment and equipment-related transactions in question could not be further documented due to poor recordkeeping and inadequate maintenance of receipts and transaction records. Again, the county provided a certification from the former Task Force Commander and requested a waiver.
- (d) Delaware County again submitted a certification from the former Task Force Commander and maintained that travel expenditures would not have been approved without receipts. Again, a waiver was requested.

This recommendation can be closed when we receive documentation demonstrating that OJP remedied the \$955,622 in unsupported costs.

2. We recommend OJP remedy the \$81,423 in unallowable expenditures resulting from:

- (a) **car equipment that was not approved in the award budget (expenditures of \$10,665),**
- (b) **interest and fees for a credit card (expenditures of \$1,050),**

- (c) **equipment and equipment-related costs purchased using credit cards that Delaware County could not provide documentation showing what was actually purchased (expenditures of \$18,777),**
- (d) **consultant hours that exceeded the number of allowable hours per day and were not approved in the award budget (expenditures of \$25,735), and**
- (e) **travel expenditures that were not approved in the budget (expenditures of \$25,196).**

Resolved. In its response, OJP agreed with our recommendation and stated that it will coordinate with Delaware County to remedy the \$81,423 in unallowable questioned costs.

Delaware County concurred with the recommendation and provided discussions of each of the unallowable expenditure categories as shown below.

- (a) Delaware County agreed that these costs were not included in the grant budget nor was a Grant Adjustment Notice (GAN) requested.
- (b) Delaware County agreed that these charges resulted from the manner that the credit card was used in the past.
- (c) Delaware County agreed that these costs resulted from the use of the credit card and that the maintenance of the purchasing and expenditure records which have been overhauled.
- (d) Delaware County stated that the consultant worked in excess of an 8-hour day because of the distance the individual travelled, and this schedule represented the soundest and most financially responsible approach. In addition, Delaware County recognized that one of the consultants paid from this award, while approved in the subsequent ICAC award, was paid from this award without the necessary approval.
- (e) Delaware County agreed that the identified travel was not included in the budget or approved through a GAN.

In its response, Delaware County indicated that it will request retroactive GANs, waivers, or offsets to remedy the unallowable questioned costs.

This recommendation can be closed when we receive documentation demonstrating that OJP has remedied the \$81,423 in unallowable costs

- 3. We recommend that OJP ensure that Delaware County establish policies and procedures to ensure that accounting records accurately reflect the revenue received and expenditures made and include periodic reconciliations.**

Resolved. OJP agreed with our recommendation and stated that it will coordinate with Delaware County to obtain a copy of written policies and procedures to ensure that accounting records accurately reflect the revenue received and expenditures made and include periodic reconciliations.

Delaware County concurred with the recommendation and, in its response, included a description of the policies and procedures that will be used by the county. However, the information provided by Delaware County's Budget Director was not the formal policies and procedures recommended.

This recommendation can be closed can be closed when we receive documentation demonstrating the appropriate policies and procedures.

- 4. We recommend that OJP ensure that Delaware County implements procedures to document the required certification of employees and these employees document the time spent on award-related activities.**

Resolved. In its response, OJP agreed with our recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that employees document the time spent on award-related activities.

Delaware County concurred with the recommendation and discussed the procedures in place to ensure that employees document the time spent on award-related activities.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

- 5. We recommend that OJP ensure that Delaware County implements time and effort tracking procedures for overtime expenditures, and controls to ensure charges are appropriately authorized and adequately supported.**

Resolved. In its response, OJP agreed with our recommendation and stated that it will coordinate with Delaware County to obtain a copy of written procedures developed and implemented to ensure that time and effort associated with overtime reimbursement is properly tracked, and strengthen controls related to overtime to ensure that charges are appropriately authorized and adequately supported.

Delaware County concurred with the recommendation and discussed the process for approving and verifying the overtime expenditures of affiliate agencies.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

6. **We recommend that OJP ensure that Delaware County complies with the award budget and Delaware County's own purchasing procedures to ensure equipment and travel expenditures are properly authorized, adequately supported, and funds are spent in accordance with the award objectives.**

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of the revised written procedures implemented to ensure that equipment and travel expenditures are properly authorized, adequately supported, and funds are spent in accordance with the award objectives.

Delaware County concurred with the recommendation and indicated that it will follow their purchasing procedures.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

7. **We recommend that OJP ensure that Delaware County establishes and implements policies and procedures to ensure that consultants are obtained competitively and are properly documented, and that the required time and effort reports are maintained.**

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that future consultants are obtained competitively and are properly documented, and that the required time and effort reports are maintained.

Delaware County concurred with the recommendation and provided the standard consultant contract that it will use in the future.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

8. **We recommend that OJP ensure Delaware County implements policies and procedures that ensure consultants paid with award funds are identified on approved award budgets.**

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that consultants paid with grant funds are properly identified in the grant application, or with prior approval from the awarding agency.

Delaware County concurred with the recommendation and stated that they were now aware that use of consultants must be approved in the grant application or through a GAN.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

9. We recommend that OJP ensure Delaware County establishes and implements policies and procedures for the acquisition, inventory, and disposal of accountable award-funded property.

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to manage the acquisition, inventory, and disposal of accountable property acquired with award funding.

Delaware County concurred with the recommendation and stated that an inventory of the grant-funded equipment had been completed and that site visits to affiliates will be conducted to verify the proper use by authorized personnel.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

10. We recommend that OJP ensure Delaware County establishes and adheres to written policies and procedures for (1) identifying drawdown amounts and (2) minimizing the time between drawdown and disbursement in accordance with the Financial Guide.

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that drawdown amounts are based on actual expenditures and are limited to amounts needed for disbursements to be made immediately or within 10 days, in accordance with the OJP Financial Guide.

Delaware County concurred with the recommendation and stated that they will adhere to established and written policies pertaining to

reimbursement/drawdown amounts that are in accordance with the federal guidelines.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

- 11. We recommend that OJP ensure Delaware County implements policies and procedures that comply with all budget-related requirements, including the monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.**

Resolved. In its response, OJP agreed with the recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure compliance with all budget-related requirements, including monitoring of award budgets so that only reimbursement requests are made for actual expenditures approved in the budget by cost category and amount.

Delaware County concurred with the recommendation and stated that they will regularly review the budget and transfer funds through the GAN process.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the required procedures.

- 12. We recommend that OJP ensure Delaware County implements policies and procedures to ensure FFRs are submitted based on accurate information.**

Resolved. In its response, OJP agreed with our recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that future FFRs are accurately compiled: based on actual expenditures incurred; reconciled to supporting documentation; and appropriately reviewed and approved by management, prior to submission.

Delaware County concurred with the recommendation and described the policy that has been implemented.

This recommendation can be closed when we receive documentation demonstrating that written policies and procedures have been developed and implemented to ensure the accuracy of FFRs.

- 13. We recommend that OJP ensure Delaware County properly recognizes its affiliates as subawardees and monitors the subawardees as required.**

Resolved. In its response, OJP agreed with our recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that Federal funds sub-granted to affiliates or sub-recipients are properly accounted for, controlled, and monitored; and the supporting documentation is maintained for future auditing purposes.

Delaware County concurred with the recommendation and provided an overview of the policies and procedures they will implement. They expect that written affiliate/sub-awardee monitoring policies and procedures will be drafted and in place no later than October 15th.

This recommendation can be closed when we receive documentation demonstrating the development and implementation of the policies and procedures for the monitoring of affiliate/sub-awardees.

- 14. We recommend that OJP ensure Delaware County implements policies and procedures to ensure that it makes timely and accurate notifications and requests, and obtains approvals, as necessary, of personnel changes as required by the special conditions.**

Resolved. In its response, OJP agreed with our recommendation and stated it will coordinate with Delaware County to obtain a copy of written policies and procedures developed and implemented to ensure that the county makes timely and accurate notifications and requests to the Federal awarding agency, and that it obtains approvals, as necessary, of personnel changes as required by the special conditions.

Delaware County concurred with the recommendation and affirmed the required notifications and approvals.

This recommendation can be closed when we receive documentation demonstrating Delaware County has implemented the policies and procedures regarding personnel changes as required by the special conditions.

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