



**AUDIT OF OFFICE OF JUSTICE PROGRAMS  
NATIONAL INSTITUTE OF JUSTICE  
CONTINUATION COOPERATIVE AGREEMENT  
AWARDED TO THE UNIVERSITY OF DENVER FOR  
OPERATION OF WEAPONS AND PROTECTIVE SYSTEMS  
TECHNOLOGY CENTER OF EXCELLENCE  
DENVER, COLORADO**

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

Audit Report GR-60-11-008  
March 2011

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**EXECUTIVE SUMMARY**

The Office of the Inspector General, Audit Division, has completed an audit of Cooperative Agreement No. 2009-IJ-CX-K010 awarded by the Office of Justice Programs (OJP), National Institute of Justice (NIJ) to the University of Denver in the amount of \$1,550,000 for the operation of the Weapons and Protective Systems Center of Excellence.

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime fighting strategies. To support this mission, the NIJ provides objective independent evidence-based knowledge and tools to meet the challenges of crime and justice, particularly at the state and local levels.

To this end, on September 20, 2007, the NIJ established the Weapons and Protective Systems Technologies Center of Excellence (WPSTC) at the Pennsylvania State University (Penn State) as part of the National Law Enforcement and Corrections Technology Center (NLECTC) System. The University of Denver is a partner with Penn State in facilitating WPSTC, and was originally funded under an award to Penn State. According to documentation from NIJ, Penn State continued to be funded through that original award, and a decision was made in 2009 to fund the University of Denver under a separate agreement. According to NIJ, this was done to simplify grant management and to eliminate the administrative costs incurred by moving funds to the University of Denver through Penn State.

WPSTC supports the NIJ's Office of Science and Technology's (OST) research, development, test, and evaluation process by assisting in the identification of state and local criminal justice agency technology needs and operational requirements; coordinating testing, demonstration, and evaluation of new technologies emerging from the OST Research and Development cycle to assist state and local agencies with their purchasing decisions; and assisting in capacity building and technology assistance to the public safety community. The principal focus of WPSTC is supporting OST's research, development, test, and evaluation process by hosting Technical Working Groups (TWGs) associated with the Explosives, Corrections, and Officer Safety and Protective Technologies (OSPT) portfolios. WPSTC participates at conferences and exhibitions, and manages activities in support of the research, development, test, and evaluation process.

The purpose of this audit was to determine whether reimbursements claimed for costs under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) cooperative agreement expenditures, including personnel and indirect costs; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) financial and progress reports; (9) cooperative agreement requirements; (10) program performance and accomplishments; and (11) monitoring of subrecipients and contractors. We determined that matching costs, property management, program income, and monitoring of subrecipients were not applicable to this cooperative agreement.

As shown in Exhibit 1, the University of Denver was awarded a total of \$1,724,998 through the cooperative agreement.

**EXHIBIT 1. NLECTC PROGRAM COOPERATIVE AGREEMENT TO  
THE UNIVERSITY OF DENVER**

<b>COOPERATIVE AGREEMENT AWARD</b>	<b>AWARD DATE</b>	<b>AWARD END DATE</b>	<b>AWARD AMOUNT</b>
2009-IJ-CX-K010	09/23/2009	09/30/2010	\$ 1,550,000
Supplement 1 <sup>1</sup>	09/16/2010	09/30/2011	174,998
<b>Total:</b>			<b>\$ 1,724,998</b>

Source: OJP Grants Management System (GMS)

We examined the University of Denver’s accounting records, financial and progress reports, and operating policies and procedures, and found:

- drawdowns were properly deposited, and were cumulatively less than the actual expenditures per accounting records;
- expenditures exceeded the approved budget in two budget categories, but these amounts did not exceed the ten percent threshold allowed in the *OJP Financial Guide*;
- the Federal Financial Reports (FFRs) were submitted in a timely manner and cumulatively accurate;
- the Progress Reports were submitted accurately and generally in a timely manner;
- no indication that the University of Denver’s WPSTC program is not on track to accomplish the goals and objectives of the cooperative agreement; and
- generally, the University of Denver is sufficient at monitoring their contractors.

The University of Denver’s policies and procedures provided for segregation of duties, transaction traceability, and system security. However, we identified internal control weaknesses, which resulted in unallowable indirect costs and cooperative agreement expenditures, compensation to unapproved personnel positions, unsupported contractor payments, the engagement in improperly awarded

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<sup>1</sup> We noted that as of September 20, 2010, no money had been drawn down for Supplement 1; therefore, we did not include it in the scope of the audit. This matter is discussed further in Appendix I of this report.

contracts, and the utilization of an unallowable contracting method. Specifically, we found:

- a fee for property damage that does not qualify as a normal repair or maintenance fee, totaling \$900, and an indirect cost prompted by this transaction, totaling \$234;
- unsupported payments to a contractor totaling \$33,000;
- travel costs, relating to another NLECTC program, were charged to the WPSTC program, totaling \$9,038;
- costs associated with the payroll and fringe benefits for two unapproved personnel positions, totaling \$44,071;
- 10 of the 11 contracts funded under the cooperative agreement were not competitively bid as required by the award special conditions, resulting in unallowable payments to these contractors totaling \$454,285; and
- an unallowable contracting method was utilized for the remaining contract, resulting in questioned costs totaling \$77,814 related to the contractor's fee for services.

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

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**INTRODUCTION**

The Office of the Inspector General, Audit Division, has completed an audit of Cooperative Agreement No. 2009-IJ-CX-K010 awarded by the Office of Justice Programs (OJP), National Institute of Justice (NIJ) to the University of Denver in the amount of \$1,550,000 for the operation of the Weapons and Protective Systems Center of Excellence.

The Weapons and Protective Systems Technology Center of Excellence (WPSTC), supports the Office of Science and Technology (OST) research, development, test, and evaluation process by assisting in the identification of state and local criminal justice agency technology needs and operational requirements; coordinating testing, demonstration, and evaluation of new technologies emerging from the OST Research and Development cycle to assist state and local agencies with their purchasing decisions; and assisting in capacity building and technology assistance to the public safety community. The principal focus of WPSTC is supporting OST's research, development, test, and evaluation Process by hosting those Technical Working Groups (TWGs) associated with the Explosives, Corrections, and Officer Safety and Protective Technologies (OSPT) portfolios. WPSTC participates at conferences and exhibitions, and manages activities in support of the research, development, test, and evaluation process.

The purpose of this audit was to determine whether reimbursements claimed for costs under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) cooperative agreement expenditures, including personnel and indirect costs; (4) budget management and control;

(5) matching; (6) property management; (7) program income; (8) financial and progress reports; (9) cooperative agreement requirements; (10) program performance and accomplishments; and (11) monitoring of subrecipients and contractors. We determined that matching costs, property management, program income, and monitoring of subrecipients were not applicable to this cooperative agreement. As shown in Exhibit 1, the University of Denver was awarded a total of \$1,724,998 to implement the cooperative agreement.

**EXHIBIT 1. NLECTC PROGRAM COOPERATIVE AGREEMENT TO THE UNIVERSITY OF DENVER**

COOPERATIVE AGREEMENT AWARD	AWARD DATE	AWARD END DATE	AWARD AMOUNT
2009-IJ-CX-K010	09/23/2009	09/30/2010	\$ 1,550,000
Supplement 1 <sup>2</sup>	09/16/2010	09/30/2011	174,998
<b>Total:</b>			<b>\$ 1,724,998</b>

Source: OJP Grants Management System (GMS)

**Background**

OJP’s mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime fighting strategies. To support this mission, the NIJ provides objective, independent evidence-based knowledge and tools to meet the challenges of crime and justice, particularly at the state and local levels.

Within the NIJ, there are five operating offices; one of these offices is the OST. The OST manages technology research and development, development of technical standards, testing, and technology assistance to state and local law enforcement and corrections agencies. Through the OST, the NIJ (1) serves as the national focal point for work on criminal justice technology and (2) carries out programs that, by providing equipment, training and technical assistance, improve the safety and effectiveness of criminal

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<sup>2</sup> We noted that as of September 20, 2010, no money had been drawn down for Supplement 1; therefore, we did not include it in the scope of the audit. This matter is discussed further in Appendix I of this report.

justice technology as well as access to that technology by local, state, tribal and federal enforcement agencies.

Originally created in 1994 as a program of NIJ's OST, the National Law Enforcement and Corrections Technology Center (NLECTC) System plays a critical role in enabling NIJ to carry out its critical mission to assist state, local, tribal and federal law enforcement, corrections and other criminal justice agencies in addressing their technology needs and challenges.

The NLECTC System provides:

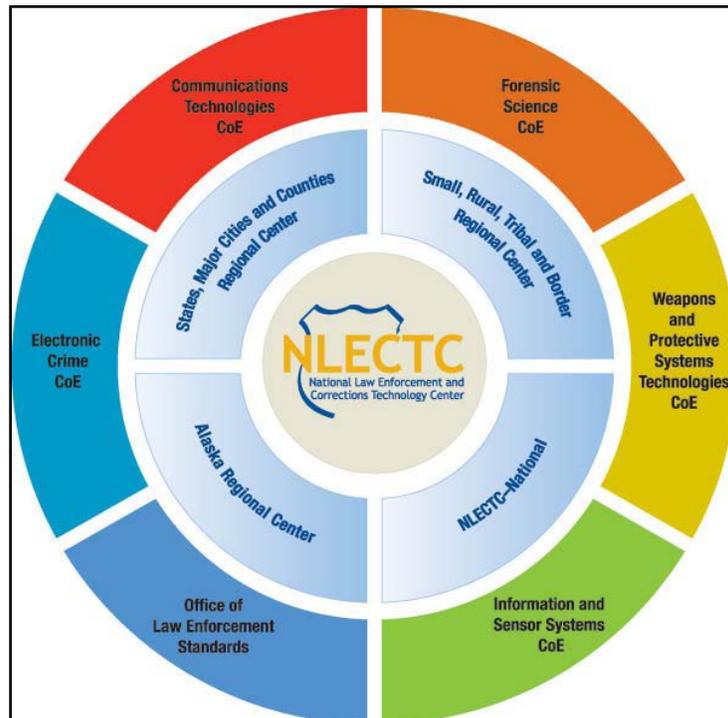
- scientific and technical support to NIJ's research, development, test, and evaluation projects;
- support for the transfer and adoption of technology into practice by law enforcement and corrections agencies, courts and crime laboratories;
- assistance in developing and disseminating equipment performance standards and technology guides;
- assistance in the demonstration, testing, and evaluation of criminal justice tools and technologies;
- technology information and general and specialized technology assistance; and
- assistance in setting NIJ's research agenda by convening practitioner-based advisory groups to help to identify criminal justice technology needs and gaps.

According to the NLECTC, the system was reorganized in order to better enable the system to carry out its mission to assist state, major city and county, rural, tribal and border, as well as federal law enforcement, corrections and other criminal justice agencies in addressing their technology needs and challenges. Additionally, the NLECTC System realigned its outreach efforts into three new centers with the purpose of serving different demographic regions of the public safety community: the States, Major Cities and Counties Regional Center; the Small, Rural, Tribal and Border Regional Center; and the Alaska Regional Center.

The States, Major Cities and Counties Regional Center offers a resource and outreach mechanism for state, major city and county

criminal justice system partners, with a mission of ensuring that larger criminal justice agencies (those having 50 or more sworn personnel) have unbiased access to a full range of relevant scientific and technology-related information. The Small, Rural, Tribal and Border Regional Center publicizes its programs and services to small, rural, tribal and border agencies across the country. The Alaska Regional Center serves as a conduit for agencies in Alaska.

The efforts of these outreach centers complement those of NLECTC-National, which coordinates NIJ's Compliance Testing program and standards development efforts for a variety of equipment used in the public safety arena, and the Centers of Excellence (COEs), which support NIJ's research, development, test, and evaluation efforts in specific portfolio areas. The COEs focus on the following topic areas: Communications Technologies, Electronic Crime Technology, Forensic Science Technologies, Information and Sensor Systems Technologies, and Weapons and Protective Systems Technologies. The National Institute of Standards and Technology's Office of Law Enforcement Standards provides scientific and research support to these efforts. An organizational chart of the NLECTC program is shown below:



Source: NLECTC

On September 20, 2007, the NIJ established WPSTC at Pennsylvania State University (Penn State) as part of the NLECTC

System. The University of Denver is a partner with Penn State in facilitating WPSTC, and was originally funded under the Penn State award. According to documentation from NIJ, Penn State continued to be funded through that original award, and a decision was made in 2009 to fund the University of Denver under a separate agreement. This was done to simplify award management and to eliminate the administrative costs incurred by moving funds to the University of Denver through Penn State.

WPSTC provides testing, evaluation, specialized technology assistance programs and other services with regard to tools and technologies intended for use by law enforcement, corrections and other criminal justice agencies and organizations. This program furthers NIJ's mission by improving the safety and effectiveness of criminal justice technology and the access of law enforcement and other criminal justice agencies to that technology.

WPSTC supports NIJ research, development, test, and evaluation activities within the improvised explosive device defeat, less-lethal devices, personal protective equipment, corrections, school safety and pursuit management investment portfolios (and related areas) by:

- assisting NIJ in identifying criminal justice technology requirements by coordinating and conducting technology working groups and conducting focused studies;
- supporting NIJ research and development programs by assisting with program objective definition and refinement, assessing ongoing NIJ projects, scouting relevant technology efforts and participating in national and regional groups;
- testing, evaluating and demonstrating technologies by conducting comparative laboratory and field testing, conducting and coordinating operational evaluations and conducting, facilitating and coordinating demonstrations with law enforcement and corrections agencies;
- supporting the adoption of new technologies by introducing new technologies to practitioners, providing practitioner requirements to developers, assisting developers in commercialization and providing support to first adopter law enforcement agencies for effectiveness evaluation;

- coordinating and developing technology guidelines for planning, selecting and implementing technology solutions; and
- providing technology assistance to criminal justice agencies across the country, including providing science and engineering advice and assisting first adopters with new tools and methods.

## **Our Audit Approach**

We tested compliance with what we consider to be the most important conditions of the cooperative agreement. Unless otherwise stated in our report, the criteria we audit against are contained in the *Office of Justice Programs Financial Guide* and the award documents. We tested the University of Denver's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard cooperative agreement funds and ensure compliance with the terms and conditions of the cooperative agreement;
- **cooperative agreement drawdowns** to determine whether cooperative agreement drawdowns were adequately supported and if the University of Denver was managing cooperative agreement receipts in accordance with federal requirements;
- **cooperative agreement budget management and controls** to determine if cumulative expenditures were in the normal confines of the cooperative agreement budget.
- **cooperative agreement expenditures** to determine the accuracy and allowability of costs charged to the cooperative agreement;
- **Federal Financial Reports and Progress Reports** to determine if the required Federal Financial Reports and Progress Reports were submitted on time and accurately reflect cooperative agreement activity;
- **compliance with cooperative agreement requirements** to verify if the University of Denver complied with additional requirements in accordance with the guidelines of the cooperative agreement award;

- **cooperative agreement objectives and accomplishments** to determine if the University of Denver met or is capable of meeting the cooperative agreements' objectives; and
- **management of contractors** to determine how the University of Denver administered pass through funds.

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

## **FINDINGS AND RECOMMENDATIONS**

We determined that the University of Denver's policies and procedures provided for segregation of duties, transaction traceability, and system security. We also found that the University of Denver was generally in compliance in the following areas: drawdowns, Federal Financial Reports (FFR), Progress Reports, and the monitoring of contractors. Additionally, we did not find any indication that the University of Denver is not on track to accomplish the goals and objectives of the cooperative agreement. However, during our review, we identified internal control weaknesses, which resulted in unallowable indirect costs and cooperative agreement expenditures totaling \$1,134, compensation to unapproved personnel positions totaling \$44,071, unsupported contractor payments totaling \$33,000. Finally, we found the University of Denver did not competitively bid for 10 of the 11 contracts funded for the WPSTC program, these contractors' compensation totaled \$454,285, and that they utilized an unallowable contracting method for the remaining contractor, resulting in unallowable fees for service totaling \$77,814.

### **Internal Control Environment**

We reviewed the University of Denver's financial management system, policies and procedures, Single Audit Reports, prior OIG reports, and Site Visit Reports to assess the University of Denver's risk of non-compliance to laws, regulations, guidelines, and terms and conditions of the cooperative agreement. We also interviewed University of Denver officials regarding payroll, purchasing, and accounts payable to further assess risk.

#### *Single Audit*

According to OMB Circular A-133, non-federal entities that expend \$300,000 (\$500,000 for fiscal years ending after December 31, 2003) or more in a year in federal awards shall have a single or program-specific audit conducted for that year. According to the schedule of federal expenditures in the single audit for year ended June 30, 2009, expenditures of federal awards totaled \$141,429,303. Therefore, the University of Denver was required under OMB Circular A-133 to have a single audit performed. We reviewed the FY 2009 Single Audit Report for the University of Denver and found the

University of Denver complied, in all material respects, with the requirements of its federal programs for the year ending June 30, 2009. There was one finding in the FY 2009 Single Audit Report; however, this finding did not relate to the WPSTC program, any other DOJ awards, or the DOJ as a whole.

#### *Prior OIG Report*

We determined that the University of Denver was a part of a prior DOJ OIG audit report that was released in March 2007.<sup>3</sup> In that report, DOJ OIG auditors noted that there was an appearance of a potential conflict of interest involving staff members at the NLECTC - Rocky Mountain operation in the University of Denver. Specifically, several employees ran independent businesses that offered the same products and services that they were responsible for evaluating and advising, in their role as NLECTC employees. In addition, DOJ OIG auditors tested transactions including domestic travel, foreign travel, contractor payments, and consultants' fees. During testing, DOJ OIG auditors questioned \$18,480 in expenses, of which \$5,494 was unsupported and \$12,986 was unallowable. The unsupported costs included a \$5,394 payment for hotel accommodations for an official function, for which University of Denver officials could not produce an invoice to support the payment. The unallowable costs of \$12,986 included \$11,786 in consultants' fees in excess of the allowable rate, \$630 in per diem in excess of allowable rates for foreign travel, and \$445 for a bus rental used for a non-official function.

#### *Site Visits*

NIJ officials explained that there were two site visits that related to either the University of Denver, or to the WPSTC program (which occurred at the partner agency, Penn State). We obtained the information and results regarding these site visits.

**For the site visit pertaining to Penn State:** No programmatic or administrative problems requiring formal resolution were identified during the site visit. NIJ officials stated that the WPSTC program appears to be progressing according to the plan presented in the approved application, and it is in compliance with NIJ guidelines for this grant. NIJ officials also stated that the test and

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<sup>3</sup> This audit also encompassed NLECTC program activity for other NLECTC sites.

evaluation reports, guide books, requirements matrices, and technical assistance that the center has provided over the past 3 years have been outstanding.

**For the site visit pertaining to the University of Denver:**

NIJ officials reviewed the financial progress of Denver University during this visit and compared expenditure by budget category to the efforts being undertaken. There were not any financial issues found. Additionally, NIJ officials reviewed each of the four focus areas that NLECTC-RM is responsible. According to the site visit report, NIJ officials indicated that the efforts put forth and the financial expenditures appear to be in line with each other. NIJ officials also found that the progress reports in the OJP Grants Management System (GMS) were uploaded incorrectly. However, the NIJ determined that this was due to a GMS system error that occurs when awards were extended. Overall, NIJ officials concluded that the University of Denver instituted sound financial practices and had sought out cost saving opportunities in order to more effectively utilize the funding received.

We obtained the University of Denver's response to the site visit, which also included the resolution to the issue mentioned above. We determined that the response adequately addressed the issue noted in the site visit.

*Financial Management System*

In order to assess financial management involving the WPSTC program, we focused on the Office of Research and Sponsored Programs (ORSP), who handle several financial matters involving the University of Denver's WPSTC Program. The ORSP, a sub-department of the University of Denver Controller's Office, supports the University of Denver in their pursuit and management of externally sponsored projects including research, instruction, and other activities. According to the University of Denver website, the ORSP provides assistance with locating funding opportunities, preparing budgets, interpreting regulations and guidelines, complying with University and sponsoring agency requirements, submitting and negotiating proposals, complying with post-award administration, reporting financial activities, closing out projects, and assisting with audits. Also listed on the website are the financial operations that the ORSP provide, including:

- insuring that all effort is properly accounted for and certified for awards;

- insuring that all award expenditures are reasonable, consistent and allowable;
- processing all award cash receipts;
- developing, submitting, and negotiating all indirect cost rates for the University of Denver;
- calculating and distributing indirect cost flow back to departments;
- conducting the University of Denver's space surveys and maintaining the property databases;
- submitting all internal and external reports related to University of Denver sponsored program activities, including government surveys; and
- serving as the audit liaison for government and independent auditors.

ORSP officials stated that they have been using a commercial accounting and financial management system since 2000. Specifically, they utilize the Grants Module and the billing components of the system. ORSP officials informed us that they keep a separate file for each award, and assign a unique fund number to each award. Every transaction entered into the system is tied to the unique fund number for each award. Depending on how much money comes to the University of Denver, they also can track each award fund by fiscal year. ORSP officials also stated that awards are kept active until closeout, and that the documentation is readily available at the ORSP until the award closes and then the documentation is archived.

Based on our review of the ORSP's policies and procedures and interviews with ORSP personnel, we determined that the ORSP's policies and procedures provided for segregation of duties, transaction traceability, and system security. However, during our audit we identified several weaknesses in the University of Denver's policies and procedures, which resulted in: unallowable indirect costs and cooperative agreement expenditures, compensation to unapproved personnel positions, unsupported contractor payments, the engagement in improperly awarded contracts, and the utilization of an

unallowable contracting method. These discrepancies are outlined in more detail in the remainder of this report.

## **Drawdowns**

ORSP officials stated that drawdowns are based on reimbursements of actual expenditures from the accounting records. Drawdowns are deposited electronically into the University of Denver's approved financial institution, and once a deposit comes in, the amount is verified and placed into the correct fund account in the accounting system. ORSP officials perform monthly reconciliations to ensure that each fund account is being properly reimbursed. We verified that the drawdown amounts per OJP records matched the amount listed in the wire transfer documents obtained from ORSP officials. Consequently, we noted no discrepancies and determined that the drawdowns were properly deposited.

According to the *OJP Financial Guide*, award recipient organizations should request funds based upon immediate disbursement/reimbursement requirements. Recipients should time their drawdown requests to ensure that Federal cash on hand is the minimum needed for reimbursements to be made immediately, or within 10 days. As shown in Exhibit 2, we reviewed the accounting records and compared drawdowns to the actual expenditures and found that drawdowns were cumulatively less than the actual expenditures per accounting records. As such, we find no discrepancies in regards to the University of Denver's drawdowns for Cooperative Agreement No. 2009-IJ-CX-K010.

## EXHIBIT 2. DRAWDOWNS VERSUS ACCOUNTING RECORDS<sup>4</sup>

DATE OF DRAWDOWN PER OJP	AMOUNT DRAWN PER OJP	CUMULATIVE DRAWDOWNS PER OJP	CUMULATIVE EXPENDITURES PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE BETWEEN AMOUNT DRAWN PER OJP AND ACCOUNTING RECORDS
12/10/2009	\$ 29,610	\$ 29,610	\$ 30,311	\$ 702
01/12/2010	73,722	103,332	110,011	6,679
02/16/2010	192,181	295,513	331,155	35,642
03/24/2010	168,699	464,212	592,732	128,519
04/12/2010	202,983	667,195	674,430	7,235
05/11/2010	140,014	807,209	932,741	125,532
06/09/2010	175,665	982,874	1,018,471	35,597
07/09/2010	61,286	1,044,160	1,180,766	136,605
08/12/2010	163,346	1,207,506	1,235,903	28,397
09/10/2010	71,391	1,278,897	1,318,787	39,890

Source: Office of Justice Programs and the University of Denver

### Budget Management and Control

According to the *OJP Financial Guide*, movement of dollars between approved budget categories without a Grant Adjustment Notice (GAN) is allowable up to ten percent of the total award amount for awards greater than \$100,000. As noted in Exhibit 1, the University of Denver received one award for \$1,550,000. We compared the approved budgets for this award to the actual expenditures as shown in the University of Denver's accounting system. As shown in Exhibit 3, we determined that cooperative agreement expenditures exceeded the approved cooperative agreement budget in two budget categories. However, we noted that the excess expenditures in these budget categories did not cumulatively exceed the ten percent threshold; therefore, we do not take exception to this occurrence.

<sup>4</sup> Differences in total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

**EXHIBIT 3. BUDGET MANAGEMENT AND CONTROL**

<b>COST CATEGORY</b>	<b>COOPERATIVE AGREEMENT BUDGET</b>	<b>ACTUAL COSTS</b>
Personnel	\$226,222	\$142,049
Fringe Benefits	54,972	33,308
Travel	40,000	39,944
Equipment	0	0
Supplies	18,660	36,243
Construction	0	0
Contractual	991,784	888,756
Other	65,000	71,271
<b>TOTAL DIRECT COSTS</b>	<b>1,396,638</b>	<b>1,211,570</b>
Indirect Costs	153,362	107,217
<b>TOTAL COSTS</b>	<b>\$1,550,000</b>	<b>\$1,318,787</b>

Source: OJP Grants Management System (GMS) and the University of Denver

**Cooperative Agreement Expenditures**

We reviewed the general ledger account designated for cooperative agreement funds and selected a judgmental sample of 77 transactions, totaling \$881,813. Specifically, during our testing, we found the following:

*Direct Costs – Unallowable Transactions*

According to the 2009 OJP Financial Guide, the cost of normal repairs and maintenance are allowable to the extent they are not otherwise included in rental or other charges for a space. However, we found one expenditure charged to Cooperative Agreement No. 2009-IJ-CX-K010 for damage to facilities during an International Bomb Squad Commanders conference at the Cherry Creek State Park, totaling \$900. According to documentation provided by University of Denver officials, a fire pit burned too hot and melted the sealant on the deck at the marina. In our judgment, the fee for property damage done at the marina does not qualify as a normal repair or maintenance fee. Therefore, we determined that this transaction should be questioned as unallowable. Details regarding these costs can be found in Appendix III.

## *Direct Costs – Unsupported Contractor Transactions*

According to OMB Circular A-21, the recipient institution is responsible for ensuring that costs charged to a sponsored agreement are allowable, allocable, and reasonable. Also, according to the *OJP Financial Guide*, direct recipients should ensure that monitoring of organizations under contract to them is performed in a manner that will ensure compliance with their overall financial management requirements. Further, the *OJP Financial Guide* states that all financial records, supporting documents, statistical records, and all other records pertinent to the award shall be retained for at least three years following notification that the grant has been closed or at least three years following the closure of its audit report covering the entire award period, whichever is later.

During our evaluation of the University of Denver's monitoring of contractors and review of the supporting documentation obtained during transaction testing, we were unable to verify the work product for one contractor. According to this contractor's Statement of Work, the responsibilities for this contractor included: (1) on-site representation at various meetings, events and functions which warrant a representative in an outreach capacity; (2) provide meeting support and logistics for various NLECTC and/or NIJ sanctioned events; (3) provide technical assistance to state and local law enforcement or corrections agencies as directed by NLECTC program managers; (4) attend staff meetings as requested; and (5) provide regular reports to the WPSTC director concerning activities conducted on behalf of the NLECTC. During our testing, we were provided with meeting notes and agendas that place the contractor at meetings and other events. However, we were unable to verify any other work product as outlined in the Statement of Work included in their contract.

Since we were unable to obtain any other documentation or work product specifically from this contractor, we expanded our transaction testing to include all compensation paid to this contractor. We followed up with WPSTC officials who informed us that they did not have any additional work product, timesheets or other documentation associated with the services that this contractor provided under Cooperative Agreement No. 2009-IJ-CX-K010. As a result, we question \$33,000 in compensation awarded to this contractor under Cooperative Agreement No. 2009-IJ-CX-K010. Details regarding these costs can be found in Appendix IV. To ensure that costs are not doubled counted; compensation to this contractor is included in our

questioned costs calculation under compliance with Special Condition 24. This matter is further discussed in the Compliance with Cooperative Agreements Requirements of this report.

#### *Direct Costs – Separation of Funds*

According to the *OJP Financial Guide*, funds specifically budgeted and/or received for one project may not be used to support another. Where a recipient's or subrecipient's accounting system cannot comply with this requirement, the recipient or subrecipient shall establish a system to provide adequate fund accountability for each project it has been awarded. Also, according to OMB Circular A-21, if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, the costs may be allocated or transferred to benefited projects on any reasonable basis.

During our review of the supporting documentation obtained from transaction testing, we reviewed invoices from the contractor responsible for travel arrangements. According to this contractor's website, as meeting architects, they provide knowledge, partnerships and strategic planning to the meetings and events community by designing and executing meetings for their clients. The University of Denver entered into a contract with this contractor to assist the NLECTC with hotel and travel management and individual expense reimbursement for events and meetings, as well as financial management and reporting of events and meetings.<sup>5</sup>

While reviewing the invoices, from the contractor responsible for travel arrangements, which were subsequently charged to Cooperative Agreement No. 2009-IJ-CX-K010, we identified several line items that were not labeled with the proper account fund code designated for the WPSTC program. The improperly labeled code signifies the Regional Outreach Center (ROC) Program, which WPSTC officials explained is an NLECTC subaward from Lockheed Martin to help support the States, Major Cities and Counties Regional Outreach Center.

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<sup>5</sup> The University for Denver utilizes the services provided by this contractor for the NLECTC as a whole, and not specifically for the WPTSC program.

We followed up with the WPSTC officials about the improper account fund codes in the travel contractor's invoices, and were informed that when a WPSTC program manager, which is a supervisory position within the University of Denver's WPSTC program, submits a Group Travel Request to this contractor, the WPSTC program manager must assign a program, like the WPSTC or ROC program, to the event. Furthermore, WPSTC officials stated that due to the overlapping missions of the WPSTC and the ROC, it can be difficult to draw a line on exactly which program should be charged for various travel. Some activities were outreach activities *for* the WPSTC program, and other activities were outreach *to inform of* the WPSTC program. We were also informed that the travel costs for outreach events are either all charged to WPSTC, or to the ROC program, and they do not allocate costs for an event between the two funding sources.

From our review of the invoices from this contractor and our discussions with WPSTC officials, we concluded that the University of Denver is utilizing Cooperative Agreement No. 2009-IJ-CX-K010 funds to support non-award related activities for the ROC program. For this reason, we are questioning \$9,038 in travel costs that were labeled as a ROC event and were subsequently charged to Cooperative Agreement No. 2009-IJ-CX-K010. Also, we recommend that the University of Denver implement policies and procedures to determine what activities should constitute as WPSTC activities, what activities should be classified as ROC activities, and how funds should be allocated when it meets criteria for both programs.

With exception to the occurrences noted above, we found that the transactions reviewed were generally properly authorized, classified, supported, and charged to the cooperative agreement. Details regarding the costs questioned mentioned above can be found in Appendix V.

#### *Personnel Costs*

According to the budget for Cooperative Agreement No. 2009-IJ-CX-K010, the University of Denver was approved \$266,222 in personnel costs and \$54,972 in fringe benefits. We reviewed supporting documentation for two non-consecutive pay periods of personnel and fringe benefit costs charged to the cooperative agreement to determine: (1) if the positions appeared reasonable with the stated intent of the program, (2) whether their salaries were within a reasonable range, and (3) if the positions were

consistent with cooperative agreement budgets.

During our review, we obtained a list of employees paid using cooperative agreement funds from University of Denver officials, which included salary amounts charged to the cooperative agreement. We compared this list to the approved positions in the cooperative agreement budgets and found two positions that were not included in the NIJ-approved budget, a Public Information Officer and a Student Intern Position.

WPSTC officials stated that they have stayed within the approved budget regarding the amount that could be spent on personnel. However, since the positions noted above were not included in the NIJ-approved budget, we are questioning \$44,071 in salaries, fringe benefits, and indirect costs associated with the two positions as unallowable. Details regarding these costs can be found in Appendix VI.

#### *Indirect Costs*

According to the budget for Cooperative Agreement No. 2009-IJ-CX-K010, the University of Denver was allotted \$153,362 in indirect costs. An ORSP official stated that since all WPSTC offices are off campus, they were able to obtain an approved indirect cost rate of 26 percent, which is the federally approved indirect cost rate for a university's off-site organized research. We reviewed documentation supporting the indirect cost rate calculation for NLECTC activities involving the University of Denver. First, we calculated the total indirect costs from the cooperative agreement accounting records to determine if indirect costs had exceeded what was allowed in the cooperative agreement budget. We determined that the basis for calculating the indirect cost rate included the salaries, fringe benefits, supplies, travel and contractor budget categories, which totaled \$589,854.<sup>6</sup> Then, using the approved 26 percent indirect cost rate, we calculated that budgeted indirect costs should be \$153,362. After comparing our calculation of indirect costs to the amount allowed in the budget, we determined that the basis used to calculate the indirect costs is identical to the amount used in the NIJ-approved budget. Also, as shown in Exhibit 3, we found that the indirect costs charged to Cooperative Agreement No. 2009-IJ-CX-K010 totaled \$107,217.

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<sup>6</sup> University of Denver officials included in the grant documentation that the amounts included in the calculation for the indirect costs involving contractors were cumulative expenses up to \$25,000.

Therefore, we determined that the total indirect costs did not exceed the amount allowed in the cooperative agreement budget.

We also selected a judgmental sample of 15 indirect costs, totaling \$29,472, to determine whether the expenses that triggered the indirect costs were allowable under the cooperative agreement. As previously discussed, we found one discrepancy involving a transaction for damage to facilities during an International Bomb Squad Commanders conference at the Cherry Creek State Park, totaling \$900. According to the 2009 *OJP Financial Guide*, the cost of normal repairs and maintenance are allowable to the extent they are not otherwise included in rental or other charges for a space. In our judgment, the fee for property damage done at the marina does not qualify as a normal repair or maintenance fee. We determined that this expenditure is unallowable and therefore, the indirect cost prompted by this expenditure, totaling \$234, is also unallowable. With exception to the transaction noted above, we found that the transactions reviewed were generally properly authorized, classified, supported, calculated and charged to the cooperative agreement. Details regarding the questioned cost mentioned above can be found in Appendix III.

## **Reports**

We reviewed the FFRs, and Categorical Assistance Progress Reports (Progress Reports), and found that FFRs were submitted in a timely manner and cumulatively accurate. We also determined that the Progress Reports were submitted accurately and generally in a timely manner.

### *Financial Reports*

The *OJP Financial Guide* states that effective for the quarter beginning October 1, 2009, instead of using Financial Status Reports (FSRs), award recipients must report expenditures online using the Federal Financial Report (FFR) Form no later than 30 days after the end of each calendar quarter. We reviewed the last four FFRs submitted (as of the date of our fieldwork) and, as shown in Exhibit 4 below, we determined that, FFRs were submitted in a timely manner.

**EXHIBIT 4. FEDERAL FINANCIAL REPORT HISTORY**

REPORT NO.	REPORT PERIOD FROM - TO DATES	DUE DATES	DATE SUBMITTED	DAYS LATE
1	10/01/2009 - 12/31/2009	1/30/2010	1/11/2010	0
2	01/01/2010 - 03/31/2010	4/30/2010	4/9/2010	0
3	04/01/2010 - 06/30/2010	7/30/2010	7/9/2010	0
4	07/01/2010 - 09/30/2010	10/31/2010	10/15/2010	0

Source: OJP Grants Management System (GMS)

According to the OJP Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each FFR. As such, we reviewed the last four submitted FFRs (as of the date of our fieldwork) for accuracy to the cooperative agreement accounting records.

**EXHIBIT 5. FEDERAL FINANCIAL REPORT ACCURACY**

REPORT NO.	REPORT PERIOD FROM - TO DATES	CUMULATIVE COOPERATIVE AGREEMENT EXPENDITURES PER REPORT	CUMULATIVE COOPERATIVE AGREEMENT EXPENDITURES PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE BETWEEN REPORTS & ACCOUNTING RECORDS
1	10/01/2009 - 12/31/2009	\$ 103,332	\$ 103,332	\$ 0
2	01/01/2010 - 03/31/2010	667,195	667,195	0
3	04/01/2010 - 06/30/2010	1,044,160	1,179,972	135,812
4	07/01/2010 - 09/30/2010	1,405,602	1,405,602	0

Source: OJP Grants Management System (GMS) and the University of Denver

As shown in Exhibit 5, we identified that the third FSR underreported actual expenditures by \$135,812. An ORSP official explained that they use a 13-period accounting system, with 2 June accounting periods. At the beginning of July the first June accounting period closes and everything posted as of June 30th will be billed. The expenditures as of the first June close were reported on the third FFR. After this time, additional transactions are posted for the second June accounting period during the month of July. The expenditures that make up the second June accounting period are billed with July's transactions at the beginning of August, and make up the identified discrepancy. Based on our discussion with ORSP officials, we determined that the amount would be cumulatively corrected in the subsequent FFR. After reviewing the fourth FFR, we determined that the difference noted above was cumulatively corrected and that there was no cumulative difference between expenditures per FFRs and the accounting records. Therefore, we do not take issue with this

occurrence and we determined that the four FFRs reviewed were cumulatively accurate.

*Categorical Assistance Progress Reports*

According to the *OJP Financial Guide*, Categorical Assistance Progress Reports are due semiannually on January 30 and July 30 for the life of the award.

**EXHIBIT 6. CATEGORICAL ASSISTANCE PROGRESS REPORT HISTORY**

REPORT NO.	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
1	10/01/2009 - 12/31/2009	1/31/2010	3/22/2010	50
2	01/01/2010 - 06/30/2010	7/31/2010	7/27/2010	0

Source: OJP Grants Management System (GMS)

As shown in Exhibit 6, we determined that first Progress Report was submitted 50 days late. A WPSTC official informed us that there was some confusion about when Progress Reports were due. They were unsure whether the report was due six months after the start of the cooperative agreement, the cooperative agreement started on September 23, 2009), or if they were due in January and July. We also identified that Progress Report Two was submitted in a timely manner. Since University of Denver officials are now aware that Progress Reports are due semiannually on January 30 and July 30 and submitted the second Progress Report in a timely fashion, we do not take issue with this occurrence.

According to the *OJP Financial Guide*, the funding recipient agrees to collect data appropriate for facilitating reporting requirements established by Public Law 103-62 for the Government Performance and Results Act. The funding recipient will ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation.

While reviewing the submitted progress reports, we identified that Progress Report submitted for the period January 1, 2010, through June 30, 2010, was cumulative for the entire project period and covered performance measures from October 2009 to June 2010. Therefore, we evaluated the accuracy of this Progress Report. We highlighted various TWG events, STC meetings, technical assistance services provided, and other measures listed in the progress report

and provided this to WPSTC officials in order to obtain supporting documentation to verify each measure. After reviewing the materials and documentation provided, we determined that the items we selected for verification were completed and accurately reported.

### **Compliance with Cooperative Agreement Requirements**

We reviewed the award documents for Cooperative Agreement No. 2009-IJ-CX-K010 to determine whether there were any special conditions the University of Denver was required to satisfy under the terms and conditions of the award. In order to verify that these additional requirements were complied with in accordance with the guidelines of the cooperative agreement award, we obtained documentation and interviewed University of Denver officials.

#### *Special Condition 7 – Reporting Events*

Special Condition 7 of the award package states that "within 45 days after the end of any conference, meeting, retreat, seminar, symposium, training activity, or similar event funded under this award, and the total cost of which exceeds \$20,000 in award funds, the recipient must provide NIJ officials with a schedule of itemized costs that are to be paid or reimbursed using cooperative funds."

In order to determine a reasonable approximation of total expenditures for each meeting/event charged to the cooperative agreement, we utilized the travel contractor's invoices and summed up the expenditures listed for each meeting to reasonably identify whether WPSTC events crossed the \$20,000 threshold for Special Condition 7. Using this methodology, we identified six events that were approximately \$20,000 or greater; and are therefore, subject to Special Condition 7 of the award package.<sup>7</sup>

We reviewed the GMS's Conference Cost Quarterly Report Module and determined that the University of Denver had submitted seven itemized schedules of event costs. We compared the seven submitted schedules of event costs to the six events we identified, and found that the University of Denver had submitted schedules for all six

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<sup>7</sup> One of the events we had identified had total costs, from travel costs and fees from the travel contractor, totaling \$19,762. We determined since this total did not include any costs from University of Denver employees (whom submit travel costs through the University of Denver), that this event was appropriate to include in our analysis. The other events that we identified exceeded the \$20,000 threshold.

of the events we identified and one additional event. Therefore, based on the documentation provided, it appears that the University of Denver is in compliance with Special Condition 7.

#### *Special Condition 24 – Procurement and Bidding Processes*

According to Special Condition 24 of the award package, "any contracts under this award should be made in accordance with the procurement standards set out in applicable regulations and the current edition of the *OJP Financial Guide*. All sole-source procurements in excess of \$100,000 must receive prior approval from the awarding agency."

During an interview, WPSTC officials indicated that they follow the University of Denver's policies and procedures for procuring contractors. While reviewing the purchasing policies and procedures, we identified exemptions to the competitive bidding process. Specifically, professional services are exempt from the competitive bidding process for the University of Denver. Additionally, "the cognizant department manager or principal investigator should submit a written, clear, but concise statement that justifies waiving the competitive bidding process."

The *OJP Financial Guide* states that "recipients and sub recipients shall use their own procurement procedures and regulations, provided that the procurement conforms to applicable Federal law and the standards identified in the Procurement Standards Sections of 28 CFR Parts 66 and 70." According to the procurement standards listed in 28 CFR Part 70, "all procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition."

It appears that the University of Denver's rules for exemption from the competitive bidding practice do not conform to the standards set forth in the *OJP Financial Guide* and in 28 CFR Part 70. Therefore, the University of Denver must follow the procurement guidelines set forth in the *OJP Financial Guide* and 28 CFR Part 70 rather than their own policies and procedures for procurement transactions funded by federal money. As such, procurement transactions under the cooperative agreement should have been conducted in a manner to provide, to the maximum extent practical, open and free competition, regardless of the dollar amount.

We followed up with a WPSTC official regarding the competitive bidding process for the contractors funded under this cooperative agreement. We were informed that the contract involving the travel contractor was the only one competitively bid. The remaining 10 contractors were not competitively bid because they viewed them to be professional services, and as such exempt from the competitive bidding process under the University of Denver's policies and procedures. We were also informed that a written statement to justify waiving the competitive bidding process for each of the ten contracts does not exist. This WPSTC official also stated that the NIJ directed the University of Denver to enter into a contract with another contractor.

When we spoke with NIJ officials regarding this matter, they explained that the NIJ shares support for the National Bomb Squad Commanders Advisory Board (NBSCAB) with the Department of Defense (DOD) and the Department of Homeland Security. In particular, this contractor helps support the NBSCAB by working to develop the National Strategic Plan for United States Bomb Squads. NIJ officials indicated that this contractor is under contract with the DOD, and that several years ago, the NIJ sent money to the DOD for a portion of their salary. Rather than going through the DOD, the NIJ instructed the University of Denver to enter into a contract with this contractor in order to save nine percent in pass-through costs. Even though we obtained verbal confirmation of the NIJ's instruction to the University of Denver regarding this contractor, we requested and were not provided any documentation to support this exemption from Special Condition 24, and in particular 28 CFR Part 70, competitive bidding. Therefore, we are unable to conclude that the contracts between the University of Denver and this contractor are exempt from Special Condition 24.

As previously mentioned, a WPSTC official stated that the only contract competitively bid was for the contractor responsible for travel arrangements. After reviewing the documentation provided for the competitive bidding process for this contract, we identified that three companies declined to bid because the project was either too large, or because they were not set up to handle the functions desired by the program.

A WPSTC official stated that the Request for Proposal (RFP) for the travel contractor's contract was not specifically for the WPSTC cooperative agreement. Rather, it was for the NLECTC program as a whole, and services were to begin before the WPSTC cooperative

agreement was even awarded. We were also informed that after they sent out the RFP and obtained no responses, other than the bid from the travel contractor, a WPSTC official followed up with three companies by telephone. They believe that since the services they are requesting are for a niche in the travel management arena, many companies do not have the capabilities to handle the project. For this reasoning, they were unable to procure another company to manage the program's travel needs. Since the travel contractor's contract was procured by the University of Denver prior to the WPSTC cooperative agreement, we do not take exception with the competitive bidding process for this contract.

During our review of the contracts, we determined that the University of Denver did not uphold the guidelines set forth in the *OJP Financial Guide*, and in particular the Procurement Standards outlined in 28 CFR Part 70. Therefore, the University of Denver is not in compliance with Special Condition 24, and we are questioning 10 of the 11 contracts funded under this cooperative agreement because they were not competitively bid. Payments to these contractors funded by the cooperative agreement total \$454,285. Details regarding payments to these contractors can be found in Appendix VII.

#### *Special Condition 24 – Contracting Methods*

During our review of the University of Denver's compliance with Special Condition 24, we also identified that the method of contracting used for the travel contractor's contract is unallowable under Special Condition 24, specifically 28 CFR Part 70. According to the Procurement Standards listed in 28 CFR Part 70, "the type of procuring instrument used may be determined by the recipient and must be appropriate for the particular procurement and for promoting the best interest of the program or project involved. The 'cost-plus-a-percentage-of-cost' or 'percentage of construction cost' methods of contracting must not be used."

While reviewing the travel contractor's contract, we identified that the Statement of Work outlines the services that they must provide. In particular, it states that this contractor will be reimbursed for airfare, travel, lodging, and meals, and that their payment for service fee is equal to "22 percent of the overall total expenditures" incurred. Therefore, it appears that the contract method utilized for the contractor responsible for travel arrangements is 'cost-plus-a-percentage-of-cost'. This contracting method is strictly unallowable under 28 CFR Part 70, and therefore, unallowable under

Special Condition 24. The use of a 'cost-plus-a-percentage-of-cost' potentially incentivizes the contractor to inflate costs in order to obtain a higher fee for services, a practice that is not in the best interest of the program. Therefore, we are questioning the entire fee for services for the travel contractor, which totals \$77,814. Details regarding these fees can be found in Appendix VIII.

## **Program Performance and Accomplishments**

As mentioned previously, the principal focus of WPSTC is to support the OST's research, development, test, and evaluation Process by hosting those TWGs associated with the Explosives, Corrections, and Officer Safety and Protective Technologies (OSPT)<sup>8</sup> portfolios. WPSTC will also participate at conferences/exhibitions and manage activities in support of the research, development, test, and evaluation process. The University of Denver applied for funding to support WPSTC, and to contribute to the following deliverables:

1. Administer and support the Explosives, OSPT, Institutional Corrections and Community Corrections TWG. Each TWG will meet twice during the performance period to articulate technology requirements and review all NIJ and Office of Science and Technology (OST) projects for their respective areas.
2. Provide technical support to NIJ's research and development programs, specifically:
  - *Explosives Program*: support the National Bomb Squad Commander Advisory Board (NBSCAB); provide support to L-3 in cooperation with the FBI and Technical Support Working Group (TSWG); host an international bomb squad commander's workshop; continue to evaluate protection afforded by riot shields from suicide bombers; and continue to provide IT support to the NBSCAB website.
  - *OSPT*: support update of handcuff standard; support the development of a retention holster standard; and support the development of new standards as defined by the OSPT TWG and NIJ.

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<sup>8</sup> A WPSTC official explained that the OSPT portfolio was originally called the Personal Protective Equipment (PPE) focus area.

- *Corrections Program*: manage the Electronic Monitoring Resource Center (EMRC); manage a community corrections technology demonstration and evaluation test bed; support the development of a new standard from electronic monitoring equipment; support the development of new standards as may be defined by the Community and/or Institutional TWGs and NIJ.
3. Provide support to criminal justice agencies that request technical assistance for the Explosive Program, the OSPT Program, and the Corrections Program. The University of Denver will coordinate with other NIJ centers and resources to provide the requested technical assistance.
    - Technical assistance will primarily consist of providing information, data, and subject matter expertise. It may also include the coordination of technology demonstrations, technology research and technology transfer.
  4. The University of Denver staff will participate in conferences in order to keep abreast of technology issues and share information with criminal justice community WPSTC.

While evaluating the accuracy of Progress Reports, WPSTC personnel provided OIG auditors with supporting documentation for events and activities performed under the cooperative agreement. We found that WPSTC personnel performed activities including meetings for TWGs for Corrections, OSPT, and Explosives. We also found that WPSTC officials provided technical assistance for the following agencies:

NAME OF AGENCY	TOPIC
California Department of Corrections and Rehabilitation	Circumvention vulnerabilities of offender tracing systems
Quebec and Nova Scotia Ministries of Justice	The use of GPS for domestic violence cases
Strafford County Department of Corrections (New Hampshire)	Wind turbines in correctional facilities
Monroe County Probation (New York)	Field Search
Pennsylvania Juvenile Justice	Cell phone blocking issues
New Mexico Department of Transportation	Alternative DUI sanctions
San Francisco Probation	Effects of auto window glazing on GPS technology
Colorado Department of Corrections	Stun Fence Technology
California Department of Corrections	Sources of Field Search training
Police Service of Northern Ireland	Sources of Field Search training

Source: University of Denver WPSTC

A WPSTC official explained that one of the purposes of the WPSTC is to contribute in writing, evaluating, and testing new standards at the discretion of the NIJ. To this end, NIJ funded two Special Technical Committees (STCs) under the OSPT program in order to develop the standards for holsters and restraints. The work of the STC meetings is relayed to the TWGs for their feedback and input. According to the last meeting minutes of the OSPT STCs, (June 1, 2009, through June 3, 2009), plans were made for the NIJ review process to begin on the draft version of the holsters and restraints testing standards. During our review of the progress reports, we also noted that there were several meetings for a Corrections Program STC regarding the development of testing standards for offender tracking.

A WPSTC official stated that overall; they believe that they have met, over and above, the stated goals and objectives of this cooperative agreement. WPSTC officials also stated that they believe that the program is currently on track to accomplish the goals and objectives of the cooperative agreement. Based on interviews of WPSTC officials and the information obtained during our review of the Progress Reports, we did not find any indication that the University of Denver WPSTC program is not on track to accomplish the goals and objectives of the cooperative agreement.

### **Monitoring Contractors**

According to the 2009 *OJP Financial Guide*, direct recipients should be familiar with, and periodically monitor, their subrecipients'

financial operations, records, systems, and procedures. Particular attention should be directed to the maintenance of current financial data. Also, recipients must ensure that subrecipients have met the necessary audit requirements contained in the *OJP Financial Guide*. Recipients are also responsible for ensuring that subrecipient audit reports are received and for resolving any audit findings. Known or suspected violations of any law encountered during audits, including fraud, theft, embezzlement, forgery, or other serious irregularities, must be communicated to the recipient. For subrecipients who are not required to have an audit as stipulated in OMB Circular A-133, the recipient is still responsible for monitoring the subrecipients' activities to provide reasonable assurance that the subrecipient administered Federal awards in compliance with Federal requirements.

ORSP officials stated that they are consistent with A-133 regarding subrecipient monitoring. A letter is sent to contractors to see if they are applicable for A-133. If the contractor is subject to A-133, ORSP officials will review the documentation for discrepancies. Once the annual audit is reviewed, ORSP officials make an assessment to see if the findings impact the contractor's internal controls and ability to administer the cooperative agreement properly. If the entity is not subject to A-133, ORSP officials check the Excluded Parties List System (EPLS) to ensure that they are not debarred or otherwise excluded from receiving federal funds. ORSP officials search EPLS using the potential contractor's name, DUNS number, and location of the entity. Also, W-9 forms are obtained from the subrecipient prior to setting up the contracts. Before an award is made, ORSP officials also go through a risk list before entering into a contract. We were also informed that the monitoring of contractors' internal controls is done at the program level after an award is made.

ORSP officials explained that the evaluation of the contractor's processes and procedures for administering the contract occurs when the contractors submit invoices. ORSP officials first check that the Principal Investigator or other signing authority has approved the invoice. Then, they verify that the work provided is within the time period and in line with the Statement of Work from their contract. Once an appropriate WPSTC official signs, dates, and approves the invoice for payment, the invoice is sent to the purchase department for disbursement and the transaction is moved to accounts payable within the Accounting system.

WPSTC officials informed us that the Program Director and the program managers of the WPSTC program assess the performance of

the contractors almost daily, with the exception of the travel contractor's assessment done monthly. Each WPSTC program manager is responsible for the oversight of the contractors within their program area. Since the Statement of Work included in the contracts dictates the work to be performed by each contractor, WPSTC officials feel that it is easy for them to measure contractor performance. It is important to note, that even though this assessment is done continually, no documentation is maintained in regards to the monitoring of contractors by the University of Denver.

WPSTC personnel participate in the oversight of the travel contractor, and every month the travel contractor invoices the program for the travel expenses incurred during the month. This invoice shows the airfare, hotel charges, and the expenses charged to WPSTC for each event. Once an invoice is received, a WPSTC employee and the WPSTC program managers verify the invoice and the associated expenses for each event to verify that the individuals attended and that the expenditures are allowable.

From the explanations and documentation we were provided, it appears that generally the program is sufficient at monitoring their contractors. During our transaction testing, we verified the work product and other such documentation to support the various transactions. From this review, we identified that most contractors provided detailed invoices and timesheets, monthly status reports, or other forms of documentation to support the services rendered. However, one contractor did not submit a timesheet, detailed invoice, or another form of documentation to support work performed and services rendered under the program.<sup>9</sup> In the future, management should require that all contractors provide documentation of their services rendered in order to be compensated for that period. This would provide an easier way for WPSTC program managers to approve payment, and allow for an audit trail.

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<sup>9</sup> As mentioned on page 15 of the report, this contractor's compensation was questioned due to a lack of additional work product, timesheets or other documentation associated with the services that this contractor has provided under the cooperative agreement.

## Recommendations

We recommend that the OJP:

1. Remedy the \$1,134 in unallowable transaction costs.
2. Remedy the \$9,038 in travel costs that were charged to another NLECTC program.
3. Ensure that University of Denver officials implement policies and criteria to determine how NLECTC activities should be charged to the appropriate program.
4. Remedy the \$44,071 in personnel costs for personnel not included in the approved cooperative agreement budget.
5. Remedy the \$454,285 in costs for contracts that were not competitively bid.
6. Remedy the \$77,814 in unallowable costs for fees charged from a cost-plus-a-percentage-of-cost contract.
7. Ensure that University of Denver officials require that all contractors provide adequate documentation of their services rendered in order to be compensated.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the cooperative agreement were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreement, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) cooperative agreement expenditures, including personnel and indirect costs; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) financial and progress reports; (9) cooperative agreement requirements; (10) program performance and accomplishments; and (11) monitoring of subrecipients and contractors. We determined that matching costs, property management, program income, and monitoring of subrecipients were not applicable to this cooperative agreement.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit concentrated on, but was not limited to, the award of the cooperative agreement on September 23, 2009, through September 10, 2010. This was an audit of the National Institute of Justice Continuation Awards cooperative agreement No. 2009-IJ-CX-K010, for the operation of the Weapons and Protective Systems Center of Excellence. The University of Denver has drawn down a total of \$1,278,897 in cooperative agreement funds through September 10, 2010. As stated in the report, due to timing of the University of Denver receiving a supplement to this award, we determined to not include the supplement in our scope.

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

**APPENDIX I**

In conducting our audit, we performed sample testing in five areas, which were drawdowns, cooperative agreement expenditures, personnel expenditures, FFRs, and Progress Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed, such as dollar amounts or expenditure category. We identified samples of 10 of 10 drawdowns (which included all drawdowns made as of the date of our fieldwork), 87 of 1,621 cooperative agreement expenditures, 2 of 2 progress reports, and 4 of 4 FFRs. It should also be noted that we had selected a judgmental sample of 77 transactions for transaction testing, totaling \$881,813 and 15 transactions (5 of the transactions were also selected for transaction testing) for indirect cost testing totaling \$29,472.

In addition, we evaluated performance to cooperative agreement objectives, and evaluated the recipient's monitoring of contractors. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective.

SCHEDULE OF DOLLAR-RELATED FINDINGS<sup>10</sup>

<b>QUESTIONED COSTS:</b>	<b><u>AMOUNT</u></b>	<b><u>PAGE</u></b>
Unallowable Costs for Property Damage	\$ 1,134	14,18
Unallowable Travel Costs	9,038	16
Unallowable Personnel Costs	44,071	18
Unallowable Contracting Costs	454,285	24
Unallowable Fees for cost-plus contract	77,814	25
<b>Total Questioned Costs:</b>	<b>\$586,342</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS</b>	<b>\$586,342</b>	

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<sup>10</sup> Questioned Costs are monies spent that, at the time of the audit, do not comply with legal requirements, or are unsupported, unbudgeted, or are unnecessary or unreasonable. They can be recoverable or nonrecoverable.

**DETAILED UNALLOWABLE COSTS FROM DIRECT AND INDIRECT TRANSACTION TESTING**

<b>TRANSACTION</b>	<b>DATE</b>	<b>AMOUNT</b>
Cherry Creek Marina	1/28/2010	\$900
Cherry Creek Marina	1/28/2010	234
<b>TOTAL UNALLOWABLE COSTS FROM DIRECT AND INDIRECT TRANSACTION TESTING:</b>		<b>\$1,134</b>

**DETAILED UNSUPPORTED CONTRACTOR COSTS**

<b>TRANSACTION</b>	<b>DATE</b>	<b>AMOUNT</b>
Contractor #7	1/19/2010	\$6,000
Contractor #7	2/15/2010	6,000
Contractor #7	3/16/2010	6,000
Contractor #7	4/15/2010	1,500
Contractor #7	4/23/2010	4,500
Contractor #7	5/18/2010	6,000
Contractor #7	5/25/2010	1,056
Contractor #7	6/15/2010	1,944
<b>TOTAL UNSUPPORTED CONTRACTOR COSTS:</b>		<b>\$33,000</b>

**DETAILED UNALLOWABLE TRAVEL COSTS**

DATE	MEETING NAME	MEETING CITY AND STATE	COST
4/15/2010	Meeting w. Lockheed Martin - ROC Centers	Washington, DC	\$ 142
4/15/2010	Ribbon Cutting for ROC Center	Rockville, MD	124
4/30/2010	Meet w/ Outreach Specialists	Lincolnshire, IL	178
5/21/2010	2010 Kansas Joint Law Enforcement Conference	Hutchinson, KS	182
5/21/2010	2010 Kansas Joint Law Enforcement Conference	Hutchinson, KS	182
5/31/2010	CFED West Conference - Outreach	Palm Springs, CA	323
5/26/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	620
5/26/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	485
5/17/2010	Meet w/ Outreach Specialists	Lincolnshire, IL	230
5/17/2010	Meet w/ Outreach Specialists	Lincolnshire, IL	178
5/31/2010	Meet w/ Outreach Specialists	Lincolnshire, IL	178
6/17/2010	2010 Kansas Joint Law Enforcement Conference	Hutchinson, KS	731
6/17/2010	2010 Kansas Joint Law Enforcement Conference	Hutchinson, KS	432
6/17/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	523
6/17/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	299
6/9/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	193
6/9/2010	Idaho Sheriff's Association Conference	Coeur d'Alene, ID	193
6/15/2010	Montana 2010 Joint LE Training & Convention	Helena, MT	701
6/17/2010	Outreach WA Assn of Sheriff's & Chiefs of Police	Spokane, WA	153
6/17/2010	Rural CAG Meeting	Scottsdale, AZ	189
7/13/2010	LA Sheriff's Assn. Conference	Destin, FL	451
7/26/2010	LA Sheriff's Assn. Conference	Destin, FL	593
7/15/2010	Missouri Sheriff's Assn.	Branson, MO	461
7/15/2010	Montana 2010 Joint LE Training & Convention	Helena, MT	984
7/15/2010	Montana 2010 Joint LE Training & Convention	Helena, MT	317
<b>TOTAL UNALLOWABLE TRAVEL COSTS:</b>			<b>\$9,038</b>

**DETAILED UNBUDGETED PERSONNEL COSTS**

<b>POSITION</b>	<b>SALARY COSTS</b>	<b>LEAVE RESERVE CHARGES</b>	<b>FRINGE BENEFIT COSTS</b>	<b>INDIRECT COSTS</b>
Public Information Officer	\$20,062	\$3,009	\$4,875	\$7,266
Student Intern	6,927	0	104	1,828
<b>TOTAL UNALLOWABLE PERSONNEL COSTS:</b>				<b>\$44,071</b>

**DETAILED COSTS FOR CONTRACTORS THAT WERE NOT  
COMPETITIVELY BID**

<b>CONTRACTOR</b>	<b>AMOUNT AWARDED TO CONTRACTOR</b>	<b>TOTAL DIRECT COSTS</b>	<b>TOTAL INDIRECT COSTS</b>	<b>TOTAL PAYMENTS TO CONTRACTOR</b>
Contractor #1	\$71,250	\$49,913	\$0	\$49,913
Contractor #2	27,000	26,650	6,500	33,150
Contractor #3	54,000	48,000	0	48,000
Contractor #4	49,669	32,944	0	32,944
Contractor #5	98,000	70,000	6,500	76,500
Contractor #6	44,000	43,400	6,500	49,900
Contractor #7	36,000	33,000	0	33,000
Contractor #8	95,000	94,478	0	94,478
Contractor #9	11,000	10,317	0	10,317
Contractor #10	35,000	26,084	0	26,084
<b>TOTALS</b>		<b>\$434,785</b>	<b>\$19,500</b>	<b>\$454,285</b>

APPENDIX VIII

**DETAILED FEES FROM CONTRACTOR RESPONSIBLE FOR TRAVEL ARRANGEMENTS**

MEETING NAME	TOTAL MEETING EXPENSES	FEE
October Community Corrections TWG - Denver, CO	\$4,765	\$1,048
October Institutional Corrections TWG - Arlington, VA	439	97
November OSPT TWG - Ft. Lauderdale, FL	11,470	2,523
December NBSCAB Meeting – Huntsville, AL	19,142	4,211
December Holsters and Restraints STC Meeting - Bohemia, NY	9,902	2,178
December Offender Tracking STC - Baltimore, MD	16,198	3,564
December RMTAC - Denver, CO	10,431	2,295
Denver Judges SCRAM & AMS Facility Visit - Denver CO	434	95
Explosives Technology Demo - Inyokern, CA	1,008	222
Individual Hotel - Invoices 2765 & 2179 - Denver, CO	319	70
Offender Tracking STC - Arlington, VA	2,198	484
January ACA Conference - Tampa, FL	2,555	562
January APPA Conference - Austin, TX	1,517	334
January Holsters & Restraints STC - Las Vegas, NV	22,735	5,002
January Offender Tracking STC - Tampa, FL	10,281	2,262
February Offender Tracking STC - Denver, CO	12,126	2,668
March Holsters STC - Orlando, FL	9,859	2,167
March NBSCAB TWG Meeting - Huntsville, AL	13,891	3,056
March Offender Tracking STC - San Diego, CA	17,500	3,850
April Officer Safety & Protective Technology - New Orleans, LA	14,397	3,167
April Community Corrections TWG - Washington, DC	11,157	2,455
April Institutional Corrections TWG - Washington, DC	10,204	2,245
April Offender Tracking STC - Washington, DC	13,027	2,866
April RMTAC - Denver, CO	10,618	2,336
TCIP - NIJ Conference - Philadelphia, PA	456	100
Warden's Peer Group - Huntsville, TX	979	215
Innovative Technologies for Corrections Conference - Ft. Lauderdale, FL	35,281	6,662
May Offender Tracking STC - Alexandria, VA	14,253	3,136
June NBSCAB TWG Meeting - Rio Grande, Puerto Rico	28,973	6,374
June Offender Tracking STC - Alexandria, VA	17,466	3,843
June Restraints STC Meeting - Annapolis, MD	6,548	1,441
Meeting w/Lockheed Martin - ROC Centers - Washington, DC	142	31
Ribbon Cutting for ROC Center - Rockville, MD	124	27

**DRAFT AUDIT REPORT – LIMITED OFFICIAL USE**

**APPENDIX VIII**

<b>MEETING NAME</b>	<b>TOTAL MEETING EXPENSES</b>	<b>FEE</b>
Contractor - Misc	5,265	1,158
Meet with Outreach Specialists - Lincolnshire, IL	763	168
Mock Prison Riot - Moundsville, VA	4,194	923
2010 Kansas Joint Law Enforcement Conference - Hutchinson, KS	1,528	336
CEFD West Conference - Outreach - Palm Springs, CA	323	71
Idaho Sheriff's Association Conference - Coeur d'Alene, ID	2,312	509
NIJ Conference - Arlington or Alexandria, VA	955	210
GPS Task Force Meeting - Sacramento, CA	1,149	253
Maritime Workshop (Explosives) - Huntsville, AL	949	209
NFPA 472 WG Conference (Explosives) - Anniston, AL	326	72
Montana 2010 Joint LE Training and Convention - Helena, MT	1,957	431
Outreach WA Association of Sheriff's & Chiefs of Police - Spokane, WA	153	34
Rural CAG Meeting - Scottsdale, AZ	189	41
ACA Conference - Chicago, IL	505	111
August Offender Tracking STC - Washington, DC	5,824	1,281
LA Sheriff's Association Conference - Destin, FL	1,044	230
Missouri Sheriff's Association - Branson, MO	461	101
Supplies	220	48
<b>TOTAL FEES:</b>		<b>\$77,814</b>

## UNIVERSITY OF DENVER RESPONSE TO DRAFT AUDIT REPORT

**The University of Denver  
Response to OIG Draft Audit Report (January 11, 2011)  
NIJ Cooperative Agreement 2009-IJ-CX-K010**

The following are responses to the recommendations detailed in the Draft Audit Report submitted to the University of Denver by the United States Department of Justice, Office of the Inspector General concerning the recent audit of National Institute of Justice's (NIJ) cooperative agreement number 2009-IJ-CX-K010.

At the outset, it should be noted that the University of Denver strives to comply with the various rules, regulations, laws and executive orders that govern cooperative agreements and grants that are sponsored by the federal government.

The University of Denver has enjoyed a valued relationship with the National Institute of Justice for nearly two decades operating some component of the National Law Enforcement and Corrections Technology Center program (NLECTC).

The University of Denver has annual audits performed as required by OMB Circular A-133 and the Code of Federal Regulations. In addition to annual audits, NIJ staff members regularly conduct site visits and performance reviews and interact almost daily, one on one, with University staff in managing the NLECTC programs.

Lastly, the University notes that in addition to annual audits, an OIG audit was conducted in CY 2006 (March 2007 report). At that time, the University's procurement and contracting practices were examined and no findings or recommendations were made by the OIG. There have been no substantive changes to the University's policies in the three years since the last OIG audit. An integral part of the overall operation of the NLECTC system is the reliance on the use of subawards and professional services contracts, in order to maximize service delivery and reduce cost. For this reason, the NLECTC has relied on both subawards and professional services contracts since the inception of the NLECTC at the University of Denver. The University believes that the findings made in the current audit are the result of legitimate misinterpretations of our practices.

The University of Denver takes great pride in its compliance practices. The University of Denver also provides ongoing training for personnel who must interpret and implement the changing and often complex rules and regulations governing the management of federal grants and cooperative agreements.

The University of Denver hopes that the offered responses, along with those that are expected to be submitted on behalf of NIJ staff, resolve all of the issues herein raised. The University of Denver looks forward to ongoing discussions with the OIG and NIJ.

**University of Denver Responses to Recommendations**  
(See page 31 of the OIG Draft Report)

**1. Remedy the \$1,134 in unallowable transaction costs.**

The University of Denver (DU) does not concur with this recommendation. This charge was incurred during an NIJ sponsored event at an offsite, leased location. The damage was caused by a fire that was started in a fire pit, using wood that was provided by the property owner. The property owner discovered that the fire burned too hot and the result was minor damage that was caused to the decking below the fire pit. The property owner made a claim totaling \$900 to repair the damage that was done. The University does not believe that this damage was caused by negligence or that it was intentional. This damage occurred in the normal course of business during a conference sponsored by NIJ and DU. An NIJ program manager as well as the NLECTC Director were present during this event and supervised the event and observed those in attendance.

This expense was reviewed with NIJ and with concurrence it was determined that because this damage was not the result of negligence or intentionally caused it was appropriate to charge to award. We believe that the cost (along with the associated indirect cost) for this damage is a cost that should be classified as a normal repair and is allowed under OMB Circular A-21 (A-21) and the OJP financial guidelines.

**2. Remedy the \$9,038 in travel costs that were charged to another NLECTC program.**

The University of Denver does not concur with this finding, but does agree to review the travel costs for the appropriate programs. As discussed with OIG staff, The University of Denver manages two distinct, yet closely related "centers" for the NIJ; the Weapons and Protective Systems Technology Center (WPSTC) and the Regional Outreach Center (ROC). Both of these "centers" have an outreach component and both of the "centers" rely on joint staffing by members of the University of Denver.

The University of Denver believes that OIG misunderstood the nature of the work conducted by the WPSTC. The WPSTC has an outreach component and often staff from the University are called upon and directed to participate in regional and national events to provide information to criminal justice practitioners about the work and services being done by the NIJ and WPSTC. Due to the overlapping and sometimes joint effort and work being done by staff on the WPSTC as well as the ROC, it becomes very difficult, if not impossible, to parse the work effort and resulting expenditures between the WPSTC and/or the ROC. OIG has taken a narrow approach in determining that any event appearing at first glance to be "outreach" may only be

charged to the ROC. The WPSTC has an outreach component and staff of the University must travel to events to discuss the work being done by the NIJ and WPSTC.

This is not to say that a better method cannot be developed to clearly distinguish travel and outreach activities between the two centers. The University will work with the NIJ to review all of the costs that have been identified in the OIG report and make any adjustments between the WPSTC and ROC accounts that may be necessary after such a careful review.

**3. Ensure that University of Denver officials implement policies and criteria to determine how NLECTC activities should be charged to the appropriate program.**

The University of Denver concurs with this recommendation. As noted above, the University will work with NIJ to clearly identify costs to a specific program. The University of Denver works and communicates almost daily with officials from the NIJ and agrees to review all business practices to ensure compliance with the various rules, regulations that apply to cooperative agreements. In relation to travel, effective immediately, prior approval from NIJ is now required before charging any travel to a specific program.

**4. Remedy the \$47,370 in personnel costs for personnel not included in the approved cooperative agreement budget.**

The University of Denver does not concur with this recommendation. Although not specifically identified by "position" the work that was performed by the individuals mentioned in the report worked exclusively on NIJ programs, specifically those associated with the WPSTC. The personnel in question performed work tasks that would be performed by the Sr. Program Manager in the cooperative agreement budget. The University position title for one of the individuals is Program Manager. The personnel costs are allowable under OMB-Circular A-21 and the OJP Financial Guide and were performed for the benefit of the agreement. Although these questioned positions did not appear as a unique line item on the budget, the University does join with the findings by the OIG that the budget category for personnel was not exceeded.

The University will work with NIJ to make any modifications to the original budget, submit any Grant Adjustment Notices, or other corrective actions to resolve this item. In addition, the University will budget personnel in more detail, if appropriate, in future proposals. The University will continue to seek NIJ approvals or modifications if personnel or scope or work outside the budget agreement is required.

**5. Remedy the \$454,285 in cost for contracts that were not competitively bid.**

The University of Denver does not concur with this recommendation. The University believes that its procurement policies and general practices do comply with Special Condition 24 of the cooperative agreement, the OJP Financial Guide, and CFR's cited by the OIG. Essentially, this finding centers on the need to competitively bid contracts for professional services.

The University's purchasing and procurement policies allow for an exemption from competitive bidding on subawards and professional services contracts. As noted in the opening narrative of this response, this purchasing policy has been audited as part of the University's A-133 audit without exception and was audited by OIG in 2006 with no findings or recommendations. The University's reliance on these previous findings is therefore reasonable.

There is no explicit requirement in Special Condition 24 or 28 CFR Part 70 that requires competitive bidding on subawards and professional service contracts. The only requirement is that vendor services be procured by free and open competition to the maximum extent practical. This does not mean that vendor contracts be competitively awarded in all cases.

By their very nature, subawards and professional service contracts require a unique, specialized service that in most cases cannot be procured through the competitive bidding process appropriate to pure "vendor" contracts, such as the University's travel service contract that was competitively bid. In most cases, the contractors used on the cooperative agreement are nationally recognized subject matter experts in their field. In addition to their specialized skills and experience, these contractors have substantive roles in the design and management of the award as part of their subaward or contract responsibilities, which renders them sub-recipients of the NIJ award, rather than vendors subject to normal procurement rules. The selection of the individuals for subawards and professional service contracts was done in direct consultation with the NIJ Program Manager, who concurred with the University's approach.

The University concedes that a short memo explaining the exception to the University's policy was not included in the contract files in the Office of Research and Sponsored Programs (ORSP) for those services deemed to be professional in nature. The substantiation for these contracts had been maintained by the NLECTC Director. Corrective action has been taken wherein such memos will be prepared and included in the contract files identified by the OIG as well as future contract files for professional services.

In addition, OMB Circular A-21-J.37 specifically allows professional service costs for those who are members of a profession or possess a specialized skill. The cooperative agreement received the benefits of the professional service work performed. Further, the University and NIJ believe the cost of these services to be fair and equitable to the agreement and the Federal government.

As noted above, the University's purchasing and procurement policies allow for an exemption from competitively bidding on contracts for professional services. Of the contracts questioned by OIG, all but two are for professional services (the other two were for the work in the explosives area and are discussed below). One of the professional services contracts involved a former full time benefitted employee of the University who worked exclusively on NIJ/WPSTC related issues. During the recent budget decrease, in an effort to save government resources while still maintaining the level of service NIJ expected, this employee was gave up her full time benefitted position and accept a professional services contract. The net result was a savings to the cooperative agreement by avoiding payment for fringe benefits and the associated indirect costs of a full-time employee. The employee/contract professional lost her health, retirement and other employee benefits in this transition. However, as a contract staff member, this individual was free to accept work from other employers and enjoy the independence associated with being a contractor. This process was done to reduce expenses to the cooperative agreement. The net result was that the individual was able to maintain a monthly salary similar to what she would have earned as an employee and the cooperative agreement paid considerably less for her services. Thus, significant cost savings were realized as contemplated by OMB Circular A-21, Attachment J.37. It would be impractical to competitively bid a professional services contract in this type of situation, even if it were required.

The OIG expressed concern regarding the documentation to support the services of this contractor. The documentation for the services provided is contained in the meeting reports. This contractor attended the meetings (which OIG verified in the draft report) and provided the meeting notes to the Assistant Director for report preparation. The Assistant Director approved the work that was done by this contractor in order to prepare the report. The University believes these to be properly approved allowable professional service costs under OMB Circular A-21, for which the cooperative agreement received a direct and measurable benefit. As will be discussed in item #7 later in this report, the University will improve the process of documenting reports submitted by contractors.

Other contracts that are mentioned in the OIG report are for individuals, most of whom have organized themselves as sole proprietor limited liability companies, and who are recognized as national subject matter experts. As small businesses, these contractors would be provided preferential consideration even if a competitive bid process was

required. These individuals are specifically recruited to participate in and manage certain aspects of the WPSTC. The selection process for these individuals is done in consultation with program managers at the NIJ and in the spirit of the cooperative agreement. The selection process follows the same process as would be followed if these individuals were being considered for full time employment, i.e. resume review, interview and background check. Because most of these individuals also work on other government and non-government contracts, the only way to retain their services is through a professional services contract. The rate of payment is determined, using as a basis, the rate of compensation that the University of Denver would pay, if these experts were hired as full time benefitted employees. A competitive bid process would defeat the objectives of hiring these identified subject matter experts. By not making these individuals full time benefitted employees, there is a significant cost savings realized by the cooperative agreement.

In both of the above instances, the University believes that the OIG has mischaracterized the scope of work, the nature of work and the benefit to the cooperative agreement by allowing individuals to be retained by the University of Denver under a professional services contract.

With regard to the two contracts that were executed for the services related to the explosives program; the OIG noted that these contracts were directed by the NIJ. The University will obtain the written authorization from NIJ regarding these contracts. The services performed by this particular contractor, working for two different entities over the performance period, are unique. There would be no manner in which a competitive bid for these services would be beneficial to the government, even if this contractor was not a directed subcontractor. This contractor is a retired FBI senior professional who has been involved with the National Bomb Squad Advisory Board (NBSCAB) since its inception. As noted by the OIG, this particular contract is part of an intergovernmental agreement involving NIJ in cooperation with the Department of Defense and the Department of Homeland Security. Additionally, this particular contractor and the amount paid were included as a specific cost in the budget. Thus the contractor and the cost associated with this contract were part of the budget review and approval process. Since this contractor has been used by NIJ on other contracts, NIJ has had the opportunity to review his costs and determined them to be reasonable. Thus, a competitive award process was unnecessary in his case.

Finally, the University of Denver points out that none of the contracts questioned by the OIG exceed the \$100,000 threshold wherein a competitive bid is a prerequisite to a contract notwithstanding the University's policies.

The University's policy, as mentioned by the OIG, allows for an exemption to competitive bids on professional services contracts and the University believes that it has complied with the Special Condition 24, regulations in the OJP financial guidelines, the CFR's cited by the OIG and the policies and procedures adapted by the University of Denver in conformity with past OIG audits. The University also firmly believes that all of the contractor costs (and any associated indirect costs) are specifically allowable under OMB Circular A-21 of which the cooperative agreement received fair and equitable benefit. In this regard, the factors specified in OMB Circular A-21, Attachment J.37, such as a comparison with in house costs, the customary nature of the fees charge (as corroborated by NIJ), and past patterns of procuring such services, all support the University's practices in this case.

**6. Remedy the \$77,814 in unallowable costs for fees charged from a cost plus a percentage of cost contract.**

As noted by the OIG, this contract was competitively bid and is not considered to be a professional services contract.

After review of the contract, the University of Denver concurs that the travel agent contract as executed is a "cost-plus-a-percentage-of-cost" contract. The University will work with the NIJ to better clarify the contractual language and, if necessary, modify this contract to a form of a "cost-plus-fixed-fee" contract.

However, the University of Denver does not concur that the fee paid to the travel contractor is totally unallowable. This service fee is an allowable cost under OMB Circular A-21 and the cooperative agreement received the benefit of these services. The University also firmly believes the cost for these services to be fair and equitable to the cooperative agreement and the Federal government. In addition, the contract in its existing form (cost + percentage) was approved by NIJ in the cooperative budget.

This contractor books lodging, airfare and makes per diem expense reimbursements for travelers identified by NLECTC and NIJ for travel to official functions, meetings, conferences and events. This contractor must book lodging for all travelers that utilize its services at or below government authorized per diem rates. The lodging venues are those that have been preselected and approved by NIJ. Additionally, this contractor reimburses travelers for MI&E according to the OPM approved per diem rates. Thus, there is no ability for this contractor to gain any advantage in profit in its obligation to book rooms or make MI&E reimbursements.

This contractor also books airline tickets. Because airfare prices are not fixed, NLECTC staff monitors every ticket that is purchased. NLECTC staff conducts a cost survey for

airfare in the planning of all events and thus has a reasonable expectation of what price should be paid for airfare. Every ticket purchased is monitored by NLECTC staff and there has not been one instance wherein a ticket price has been found to be excessive. No airline change fees, rescheduling fees or other costs are allowed by this contractor without prior NLECTC staff approval. Approval is reserved for instances where there is a legitimate need to make such changes.

In fact, because this contractor is given specific date and time windows allowed for arrival and departure, there are generally only a few airline options available for selection. As an added layer of assurance that this contractor is booking airfare at the lowest price, this contractor has been instructed to find the lowest airfare using no more than one layover in making all airline reservations.

The OIG has expressed concern that this particular contract potentially allows for this contractor to make excessive fees/profit by not utilizing the lowest possible means to secure lodging and/or airfare. As mentioned, the lodging fees and MI&E reimbursements are fixed thus there is no ability to overcharge. With regard to airfare, the University believes that this contractor has in fact saved the cooperative agreement money compared to the former method that was used. The former practice allowed each traveler to book their own airfare and then seek reimbursement. Under the former practice, there was minimal oversight and travelers often found the most direct flights during preferred hours of travel resulting in the highest possible ticket price for that travel segment.

Lastly, it should be noted that the University's current indirect cost rate for the NIJ cooperative agreement is 26%. The contractor in this instance charges 22%. If University employees were to handle the services that this contractor now provides, it would cost the government, at a minimum, an additional 4%. It is believed that this cost would be even more since the University would have to hire additional staff to manage this task.

**7. Encourage that University of Denver officials require that all contractors provide documentation of their services rendered, as well as time and effort reports in order to be compensated.**

The University concurs with the recommendation that all contractors be required to provide documentation to support their services. All contractors currently do provide some level of documentation, depending on their particular task and this information is then incorporated into the monthly, quarterly and annual reports to NIJ. University staff will work to ensure that each contractor is better identified for his/her contribution in the reports and documentation and to ensure that all reports submitted are consistent and uniform. The producer and approver of all documents will be specifically identified.

The University does not concur with the recommendation that contractors document their time and effort. This practice would violate the prohibitions defining contract employees as well as the prohibitions of the Fair Labor Standards Act (FLSA) and other federal and state rules concerning contract employment. The University works very hard to ensure compliance with the various rules and laws that distinguish employees from contractors and as a result contractors are not encouraged to keep or submit time/attendance records. Contractor effort is measured by task performance, not hours. Contractors have not been renewed in instances where their work has been determined to be substandard. The flexibility that is afforded, in addition to the cost savings realized by the government, makes the use of professional services contracts much more appealing than hiring full time employees to execute the tasks associated in fulfilling the obligations of the WPSTC and other NIJ related programs.

**OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION, COMMENTS  
ON UNIVERSITY OF DENVER'S RESPONSE TO THE DRAFT REPORT**

The Office of the Inspector General (OIG), Audit Division, provided a draft of this audit report to the Office of Justice Programs (OJP) and to the University of Denver. University of Denver included comments on the report regarding details of the University of Denver WPSTC Program and its activities, programs, and contractors. The OIG, Audit Division, has identified further issues in the University of Denver's response to our draft report (see Appendix IX) that we believe should be addressed. As a result, we are providing the following comments on the University of Denver's response to the draft report.

University of Denver's Response to recommendation 1 on page 43 of this report states:

*This charge was incurred during an NIJ sponsored event at an offsite, leased location. The damage was caused by a fire that was started in a fire pit, using wood that was provided by the property owner. The property owner discovered that the fire burned too hot and the result was minor damage that was caused to the decking below the fire pit. The property owner made a claim totaling \$900 to repair the damage that was done. The University does not believe that this damage was caused by negligence or that it was intentional. This damage occurred in the normal course of business during a conference sponsored by NIJ and DU. An NIJ program manager as well as the NLECTC Director were present during this event and supervised the event and observed those in attendance.*

*This expense was reviewed with NIJ and with concurrence it was determined that because this damage was not the result of negligence or intentionally caused it was appropriate to charge to award. We believe that the cost (along with the associated indirect cost) for this damage is a cost that should be classified as a normal repair and is allowed under OMB Circular A-21 (A-21) and the OJP financial guidelines.*

As stated in the report, the 2009 *OJP Financial Guide* states that the cost of normal repairs and maintenance are allowable to the extent they are not otherwise included in rental or other charges for a space. As stated in the report, in our judgment, the fee for property damage at the marina does not qualify as a normal repair or maintenance fee.

Although the cost mentioned occurred during a program event, we do not believe that it was a part of the normal or expected course of business and, as the University of Denver stated in its response, was unintentional. The OMB Circular the University of Denver cites in its response (A-21) discusses reasonableness of costs charged to grants and states that "A cost may be considered reasonable if the nature of the goods or services acquired or applied, and the amount involved therefore, reflect the action that a prudent person would have taken under the circumstances prevailing at the time the decision to incur the cost was made." The Circular goes on to state that "Major considerations involved in the determination of the reasonableness of a cost are: ... whether or not the individuals concerned acted with due prudence in the circumstances, considering their responsibilities to the institution, its employees, its students, the Federal Government, and the public at large." In our opinion, the grantee did not act in a prudent manner by conducting a fire demonstration on a leased wooden deck because it would be reasonable to conclude that such action would cause fire damage. Therefore, we still consider the \$1,134 in transaction costs to be unallowable.

University of Denver's Response to recommendation 2 on pages 43-44 of this report states:

*The University of Denver believes that OIG misunderstood the nature of the work conducted by the WPSTC. The WPSTC has an outreach component and often staff from the University are called upon and directed to participate in regional and national events to provide information to criminal justice practitioners about the work and services being done by the NIJ and WPSTC. Due to the overlapping and sometimes joint effort and work being done by staff on the WPSTC as well as the ROC, it becomes very difficult, if not impossible, to parse the work effort and resulting expenditures between the WPSTC and/or the ROC. OIG has taken a narrow approach in determining that any event appearing at first glance to be "outreach" may only be charged to the ROC. The WPSTC has an outreach component and staff of the University must travel to events to discuss the work being done by the NIJ and WPSTC.*

According to the *OJP Financial Guide*, funds specifically budgeted and/or received for one project may not be used to support another. Where a recipient's or subrecipient's accounting system cannot comply with this requirement, the recipient or subrecipient shall establish a system to provide adequate fund accountability for each project it has been awarded. Also,

according to OMB Circular A-21, if a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost should be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, the costs may be allocated or transferred to benefited projects on any reasonable basis.

During our analysis, we reviewed invoices from the contractor responsible for travel arrangements. As stated in the report, we identified several line items that were not labeled with the proper account fund code designated for the WPSTC program. We inquired WPSTC officials concerning the invoices, and were informed that when a WPSTC program manager submits a Group Travel Request to this contractor, the WPSTC program manager must assign a program, like the WPSTC or ROC program, to the event.

We acknowledge, as stated by University of Denver officials, the difficulty in assigning activities between the WPSTC and ROC programs because of their overlapping missions. However, as stated in the report, we had identified items in the travel contractor's invoices that were designated as ROC program activities. As a result, we still consider the \$9,038 in travel costs unallowable.

University of Denver's Response to recommendation 4 on page 44 of this report states:

*Although not specifically identified by "position" the work that was performed by the individuals mentioned in the report worked exclusively on NIJ programs, specifically those associated with the WPSTC. The personnel in question performed work tasks that would be performed by the Sr. Program Manager in the cooperative agreement budget. The University position title for one of the individuals is Program Manager. The personnel costs are allowable under OMB-Circular A-21 and the OJP Financial Guide and were performed for the benefit of the agreement. Although these questioned positions did not appear as a unique line item on the budget, the University does join with the findings by the OIG that the budget category for personnel was not exceeded.*

As stated in the report, we determined that grant expenditures did not exceed the budget amount for personnel costs. We also concluded that the duties listed by these questioned WPSTC personnel

were not similar to the duties for the Program Manager positions that were included in the approved budget, and therefore, out of the scope of the cooperative agreement. For example, the WPSTC Director stated that a Program Manager's responsibilities include managing various programs, coordinating outreach, and technical assistance request made of the WPSTC. However, duties involving marketing, communications, and event planning performed by the Public Information Manager were not consistent with a Program Manager's duties. Also, the job duties of another grant-funded position include general clerical assistance to staff, which were not similar to the duties the Program Manager position that was approved by OJP. According to the OJP Financial Guide, a formal request from the grantee for a GAN is required when scope of the project is changed. Therefore, we still consider the \$44,071 in personnel costs to be unallowable.

University of Denver's Response to the Draft Audit Report on page 42 of this report states:

*The University notes that in addition to annual audits, an OIG audit was conducted in CY 2006 (March 2007 report). At that time, the University's procurement and contracting practices were examined and no findings or recommendations were made by the OIG. There have been no substantive changes to the University's policies in the three years since the last OIG audit. An integral part of the overall operation of the NLECTC system is the reliance on the use of subawards and professional services contracts, in order to maximize service delivery and reduce cost. For this reason, the NLECTC has relied on both subawards and professional services contracts since the inception of the NLECTC at the University of Denver. The University believes that the findings made in the current audit are the result of legitimate misinterpretations of our practices.*

Also, University of Denver's Response to recommendation 5 on page 45 of this report states:

*The University's purchasing and procurement policies allow for an exemption from competitive bidding on subawards and professional services contracts. As noted in the opening narrative of this response, this purchasing policy has been audited as part of the University's A-133 audit without exception and was audited by OIG in 2006 with no findings or recommendations. The University's reliance on these previous findings is therefore reasonable.*

The University of Denver refers to an audit report we issued in March 2007 of the Office of Justice Programs' management of the National Law Enforcement and Corrections Technology Centers (NLECTC) program.<sup>11</sup> The University of Denver was 1 of 10 cooperative agreement recipients that assisted with the implementation of this program and was 1 of the 10 recipients we visited for the 2007 audit. Our audit focused on OJP's management of the (NLECTC) program. Therefore, we did not conduct an in-depth analysis of the University of Denver's procurement policies' adherence to general grant requirements for the March 2007 audit. As such, the findings we discussed in this current audit report, which focused on the University of Denver's management of the cooperative agreement, were generally not within the scope of the March 2007 audit.

We do not agree with the University of Denver's statement that the findings made in the current audit are the result of legitimate misinterpretations of its practices. As stated later in this section, we do not take exception to the use of Professional Service Contracts, but when competitive bidding practices are not conducted, there is no assurance that the procurements made provide the maximum benefit for the federal government and the cooperative agreement, regardless of whether the contractors are paid amounts that they would have been paid as University employees. As stated in the report, with exception to the occurrences relating to the costs mentioned in pages 14-17 of this report, we found that the transactions reviewed were generally properly authorized, classified, supported, and charged to the cooperative agreement.

University of Denver's Response to recommendation 5 on page 45 of this report states:

*There is no explicit requirement in Special Condition 24 or 28 CFR Part 70 that requires competitive bidding on subawards and professional service contracts. The only requirement is that vendor services be procured by free and open competition to the maximum extent practical. This does not mean that vendor contracts be competitively awarded in all cases.*

*By their very nature, subawards and professional service contracts require a unique, specialized service that in most cases*

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<sup>11</sup> U.S. Department of Justice Office of the Inspector General, *Office of Justice Programs National Law Enforcement and Corrections Technology Centers, Audit Report 07-22* (March 2007).

*cannot be procured through the competitive bidding process appropriate to pure "vendor" contracts, such as the University's travel service contract that was competitively bid. In most cases, the contractors used on the cooperative agreement are nationally recognized subject matter experts in their field. In addition to their specialized skills and experience, these contractors have substantive roles in the design and management of the award as part of their subaward or contract responsibilities, which renders them sub-recipients of the NIJ award, rather than vendors subject to normal procurement rules. The selection of the individuals for subawards and professional service contracts was done in direct consultation with the NIJ Program Manager, who concurred with the University's approach.*

We believe that there is a misunderstanding regarding the University of Denver's statement that there is no explicit requirement in Special Condition 24 or 28 CFR Part 70 that requires competitive bidding on subawards and professional service contracts. According to 28 CFR Part 70, § 70.41 through 70.48 set forth standards for recipients to establish procurement procedures for supplies, other expendable property, equipment, real property, and other services with Federal funds. These standards are furnished to ensure that such materials and services are obtained in an effective manner and in compliance with the provisions of applicable Federal statutes and executive orders. The regulations state that all procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition. Also, 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. These requirements are not specifically for vendors, but for all procurement transactions under the cooperative agreement.

University of Denver's Response to recommendation 5 on page 47 of this report states:

*With regard to the two contracts that were executed for the services related to the explosives program; the OIG noted that these contracts were directed by the NIJ. The University will obtain the written authorization from NIJ regarding these contracts. The services performed by this particular contractor, working for two different entities over the performance period, are unique. There would be no manner in which a competitive*

*bid for these services would be beneficial to the government, even if this contractor was not a directed subcontractor. This contractor is a retired FBI senior professional who has been involved with the National Bomb Squad Advisory Board (NBSCAB) since its inception. As noted by the OIG, this particular contract is part of an intergovernmental agreement involving NIJ in cooperation with the Department of Defense and the Department of Homeland Security. Additionally, this particular contractor and the amount paid were included as a specific cost in the budget. Thus the contractor and the cost associated with this contract were part of the budget review and approval process. Since this contractor has been used by NIJ on other contracts, NIJ has had the opportunity to review his costs and determined them to be reasonable. Thus, a competitive award process was unnecessary in his case.*

In regards to the contractor involved with the National Bomb Squad Advisory Board (NBSCAB), as stated in the report, since we were not provided documentation to support an exemption from Special Condition 24, and in particular 28 CFR Part 70, competitive bidding; we were unable to conclude that the contracts between the University of Denver and this contractor are exempt from Special Condition 24. Therefore, we still consider these contracts in our recommendation.

University of Denver's Response to recommendation 5 on pages 45-48 of this report states:

*In addition, OMB Circular A-21-J.37 specifically allows professional service costs for those who are members of a profession or possess a specialized skill. The cooperative agreement received the benefits of the professional service work performed. Further, the University and NIJ believe the cost of these services to be fair and equitable to the agreement and the Federal government.*

*As noted above, the University's purchasing and procurement policies allow for an exemption from competitively bidding on contracts for professional services. Of the contracts questioned by OIG, all but two are for professional services (the other two were for the work in the explosives area and are discussed below). One of the professional services contracts involved a*

*former full time benefitted employee of the University who worked exclusively on NIJ/WPSTC related issues. During the recent budget decrease, in an effort to save government resources while still maintaining the level of service NIJ expected, this employee gave up her full time benefitted position and accept a professional services contract. The net result was a savings to the cooperative agreement by avoiding payment for fringe benefits and the associated indirect costs of a full-time employee. ... The net result was that the individual was able to maintain a monthly salary similar to what she would have earned as an employee and the cooperative agreement paid considerably less for her services. Thus, significant cost savings were realized as contemplated by OMB Circular A-21, Attachment J.37. It would be impractical to competitively bid a professional services contract in this type of situation, even if it were required.*

*Other contracts that are mentioned in the OIG report are for individuals, most of whom have organized themselves as sole proprietor limited liability companies, and who are recognized as national subject matter experts. As small businesses, these contractors would be provided preferential consideration even if a competitive bid process was required. These individuals are specifically recruited to participate in and manage certain aspects of the WPSTC. The selection process for these individuals is done in consultation with program managers at the NIJ and in the spirit of the cooperative agreement. The selection process follows the same process as would be followed if these individuals were being considered for full time employment, i.e. resume review, interview and background check. Because most of these individuals also work on other government and non-government contracts, the only way to retain their services is through a professional services contract. The rate of payment is determined, using as a basis, the rate of compensation that the University of Denver would pay, if these experts were hired as full time benefitted employees. A competitive bid process would defeat the objectives of hiring these identified subject matter experts. By not making these individuals full time benefitted employees, there is a significant cost savings realized by the cooperative agreement.*

*In both of the above instances, the University believes that the OIG has mischaracterized the scope of work, the nature of work and the benefit to the cooperative agreement by allowing individuals to be retained by the University of Denver under a professional services contract.*

...

*The University also firmly believes that all of the contractor costs (and any associated indirect costs) are specifically allowable under OMB Circular A-21 of which the cooperative agreement received fair and equitable benefit. In this regard, the factors specified in OMB Circular A-21 , Attachment J.37, such as a comparison with in house costs, the customary nature of the fees charge (as corroborated by NIJ), and past patterns of procuring such services, all support the University's practices in this case.*

According to Special Condition 24 of the award package, "any contracts under this award should be made in accordance with the procurement standards set out in applicable regulations and the current edition of the *OJP Financial Guide*." Also, the *OJP Financial Guide* states that "recipients and subrecipients shall use their own procurement procedures and regulations, provided that the procurement conforms to applicable Federal law and the standards identified in the Procurement Standards Sections of 28 CFR Parts 66 and 70." According to the procurement standards listed in 28 CFR Part 70, "all procurement transactions must be conducted in a manner to provide, to the maximum extent practical, open and free competition."

Specifically, according to 28 CFR Part 70, regarding procurements, recipients must, on request, make available for the Department, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply; including when the procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403 (11) (currently \$25,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

As stated in the report, we determined that University of Denver's exclusion from the competitive bidding practice does not appear to conform to the standards set forth in the *OJP Financial Guide* and in 28 CFR Part 70. Therefore, the University of Denver must

follow the procurement guidelines set forth in these criteria rather than their own policies and procedures for procurement transactions funded by federal money. As such, procurement transactions under the cooperative agreement should have been conducted in a manner to provide, to the maximum extent practical, open and free competition, regardless of the dollar amount.

We do not contest the University of Denver's use of professional service contracts for the WPSTC Program. We acknowledge that interviewing and background checks are an important part of the selection process, whether for an employee or a contractor. However, when competitive bidding practices are not conducted, there is no assurance that the procurements made provide the maximum benefit for the federal government and the cooperative agreement, regardless of whether the contractors are paid amounts that they would have been paid as University employees. Therefore, we still consider these contracts to not be competitively bid, and still considered in our recommendation.

University of Denver's Response to recommendation 6 on pages 48-49 of this report states:

*After review of the contract, the University of Denver concurs that the travel agent contract as executed is a "cost-plus-a-percentage-of-cost" contract. The University will work with the NIJ to better clarify the contractual language and, if necessary, modify this contract to a form of a "cost-plus-fixed-fee" contract.*

*However, the University of Denver does not concur that the fee paid to the travel contractor is totally unallowable. This service fee is an allowable cost under OMB Circular A-21 and the cooperative agreement received the benefit of these services. The University also firmly believes the cost for these services to be fair and equitable to the cooperative agreement and the Federal government. ... This contractor books lodging, airfare and makes per diem expense reimbursements for travelers identified by NLECTC and NIJ for travel to official functions, meetings, conferences and events. This contractor must book lodging for all travelers that utilize its services at or below government authorized per diem rates. The lodging venues are those that have been preselected and approved by NIJ. Additionally, this contractor reimburses travelers for MI&E*

*according to the OPM approved per diem rates. Thus, there is no ability for this contractor to gain any advantage in profit in its obligation to book rooms or make MI&E reimbursements.*

*This contractor also books airline tickets. Because airfare prices are not fixed, NLECTC staff monitors every ticket that is purchased. NLECTC staff conducts a cost survey for airfare in the planning of all events and thus has a reasonable expectation of what price should be paid for airfare. Every ticket purchased is monitored by NLECTC staff and there has not been one instance wherein a ticket price has been found to be excessive. No airline change fees, rescheduling fees or other costs are allowed by this contractor without prior NLECTC staff approval. Approval is reserved for instances where there is a legitimate need to make such changes.*

*In fact, because this contractor is given specific date and time windows allowed for arrival and departure, there are generally only a few airline options available for selection. As an added layer of assurance that this contractor is booking airfare at the lowest price, this contractor has been instructed to find the lowest airfare using no more than one layover in making all airline reservations.*

As stated in the report, we concluded that it appears that generally the program is sufficient at monitoring their contractors. We acknowledge the internal controls implemented to monitor the travel contractor's performance, especially pertaining to ensuring that costs are not in excess, are necessary. However, as stated in the report and in the University of Denver's response, the contracting method utilized for the travel contractor appears to be 'cost-plus-a-percentage-of-cost.' This is unallowable under 28 CFR Part 70, and therefore, we still consider the \$77,814 in fees charged from the travel contractor to be unallowable.

In its response, the University of Denver agreed with our recommendation that all contractors be required to provide documentation to support their services, but disagreed with the provision of time and effort reports. According to the 2009 *OJP Financial Guide*, direct recipients should be familiar with, and periodically monitor, their subrecipients' financial operations, records, systems, and procedures. Particular attention should be directed to

the maintenance of current financial data. During transaction testing we noted that 1 of the 11 contractors did not submit a timesheet, detailed invoice, or any other form of documentation to support work performed and services rendered under the program. We believe that all contractors should consistently provide adequate documentation relating to the charges being billed to the grant in order to be compensated. We modified the report to clarify this conclusion.

## OFFICE OF JUSTICE PROGRAMS RESPONSE TO DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

*Office of Audit, Assessment, and Management*

Washington, D.C. 20531

FEB 09 2011

MEMORANDUM TO: David M. Sheeren  
Regional Audit Manager  
Office of the Inspector General  
Denver Regional Audit Office

FROM: Maureen A. Henneberg  
Director *MA Henneberg*

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, National Institute of Justice Continuation Cooperative Agreement Awarded to the University of Denver for Operation of Weapons and Protective Systems Technology Center of Excellence, Denver, Colorado*

This memorandum is in response to your correspondence, dated January 11, 2011, transmitting the subject draft audit report for the University of Denver (University). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **seven** recommendations and **\$589,641** in questioned costs. The following is the Office of Justice Programs' analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

**1. We recommend that OJP remedy the \$1,134 in unallowable transaction costs.**

We agree with the recommendation. We will coordinate with the University to remedy the \$1,134 in questioned transaction costs that were charged to cooperative agreement 2009-IJ-CX-K010.

**2. We recommend that OJP remedy the \$9,038 in travel costs that were charged to another National Law Enforcement and Corrections Technology Center (NLECTC) program.**

We agree with the recommendation. We will coordinate with the University to remedy the \$9,038 in questioned travel costs that were charged to cooperative agreement 2009-IJ-CX-K010.

3. **We recommend that OJP ensure that University of Denver officials implement policies and criteria to determine how NLECTC activities should be charged to the appropriate program.**

We agree with the recommendation. We will coordinate with the University to obtain a copy of implemented policies and procedures to ensure that National Law Enforcement and Corrections Technology Center activities are properly charged to the appropriate program.

4. **We recommend that OJP remedy the \$47,370 in personnel costs for personnel not included in the approved cooperative agreement budget.**

We agree with the recommendation. We will coordinate with the University to remedy the \$47,370 in unapproved personnel costs that were charged to cooperative agreement 2009-IJ-CX-K010.

5. **We recommend that OJP remedy the \$454,285 in costs for contracts that were not competitively bid.**

We agree with the recommendation. We will coordinate with the University to remedy the \$454,285 in questioned costs associated with contracts that were not competitively bid, and were charged to cooperative agreement 2009-IJ-CX-K010.

6. **We recommend that OJP remedy the \$77,814 in unallowable costs for fees charged from a cost-plus-a-percentage-of-cost contract.**

We agree with the recommendation. We will coordinate with the University to remedy the \$77,814 in unallowable costs for fees charged from a cost-plus-a-percentage-of-cost contract that were charged to cooperative agreement 2009-IJ-CX-K010.

7. **We recommend that OJP ensure that University of Denver officials require that all contractors provide documentation of their services rendered, as well as time and effort reports in order to be compensated.**

We agree with the recommendation. We will coordinate with the University to obtain a copy of implemented procedures for ensuring that sufficient documentation is obtained from contractors, including time and effort reports, to support the services rendered and related compensation amounts.

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

cc: Diane Hughes  
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OJP Executive Secretariat  
Control Number 20110078

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

Pursuant to OMB Circular A-50 Revised, *Audit Follow-up*, responses to audit reports are defined as “written comments by agency officials indicating agreement or disagreement on reported findings and recommendations. Comments indicating agreement on final reports shall include planned corrective actions and, where appropriate, dates for achieving actions. Comments indicating disagreement shall explain fully the reasons for disagreement. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not to take action, the response must include the legal basis.”

1. **Resolved.** This recommendation can be closed when we receive documentation that OJP has remedied the \$1,134 in unallowable transaction costs.
2. **Resolved.** This recommendation can be closed when we receive documentation that OJP has remedied the \$9,038 in travel costs that were charged to another NLECTC program.
3. **Resolved.** This recommendation can be closed when we receive documentation from OJP showing that the University of Denver has implemented policies and criteria to determine how NLECTC activities should be charged to the appropriate program.
4. **Resolved.** This recommendation can be closed when we receive documentation that OJP has remedied the \$44,071 in personnel costs for personnel not included in the approved cooperative agreement budget.
5. **Resolved.** This recommendation can be closed when we receive documentation that OJP has remedied the costs for contractors that were not competitively bid. Regarding the contractor who helps the National Bomb Squad Commanders Advisory Board (mentioned on page 24 of this report), costs for this contractor can be remedied when we receive documentation that NIJ officials approved this contractor’s exception to Special Condition 24 of the award.
6. **Resolved.** This recommendation can be closed when we receive documentation that OJP has remedied the \$77,814 in

unallowable costs for fees charged from a cost-plus-a-percentage-of-cost contract.

7. **Resolved.** This recommendation can be closed when we receive documentation from OJP showing that the University of Denver implemented policies to ensure that all contractors provide adequate documentation of their services rendered.