



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

**OVERSIGHT ★ INTEGRITY ★ GUIDANCE**



**Audit of the Office of Justice  
Programs Regional Information  
Sharing Systems Grants Awarded  
to Rocky Mountain Information  
Network, Phoenix, Arizona**



# Executive Summary

*Audit of the Office of Justice Programs Grant awarded to the Rocky Mountain Information Network, Phoenix, Arizona*

## Objectives

The Office of Justice Programs (OJP) awarded the Rocky Mountain Information Network (RMIN) two grants totaling \$18,460,232 for the Regional Information Sharing Systems (RISS) program. The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and to determine whether the grantee demonstrated adequate progress towards achieving program goals and objectives.

## Results in Brief

As a result of our audit, we concluded that RMIN demonstrated adequate progress towards achieving the awards' stated goals and objectives and that required performance reports were generally accurate. In addition, we found that RMIN complied with grant requirements related to budget management, drawdowns, program income, and federal financial reports. However, we found RMIN charged unallowable expenditures totaling \$233,293, and unsupported expenditures totaling \$4,000 to the grants. We also found that RMIN needs to update its Personally Identifiable Information security policy to be compliant with grant special conditions.

## Recommendations

Our report contains four recommendations to OJP. We requested a response to our draft audit report from RMIN and OJP, which can be found in Appendices 3 and 4, respectively. Our analysis of those responses is included in Appendix 5.

## Audit Results

The purposes of the two OJP grants we reviewed were to support the Regional Information Sharing Systems program, which assists local, state, federal, and tribal criminal justice partners by providing adaptive solutions and services that facilitate information sharing, support criminal investigations, and promote officer safety. The project period for the grants was from September 2015 through August 2019. RMIN drew down a cumulative amount of \$17,050,232 for all of the grants we reviewed.

***Program Goals and Accomplishments*** – Based on our review, there were no indications that RMIN was not adequately achieving the stated goals and objectives of the grants. We also found that based on our progress report testing, the accomplishments described in the progress reports generally matched the supporting documentation.

***Grant Special Conditions*** – We found that RMIN was not in compliance with one special condition.

***Payroll Expenditures*** - We identified \$31,841 in unallowable questioned costs charged to Grant Number 2018-RS-CX-0002 for unbudgeted payroll bonuses.

***Other Direct Costs*** - We identified \$201,452 in unallowable questioned costs charged to Grant Number 2015-RS-CX-0003. We also identified \$4,000 in unsupported questioned costs.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
REGIONAL INFORMATION SHARING SYSTEMS GRANTS  
AWARDED TO ROCKY MOUNTAIN INFORMATION NETWORK,  
PHOENIX, ARIZONA**

**TABLE OF CONTENTS**

INTRODUCTION .....	1
The Grantee .....	1
OIG Audit Approach .....	2
AUDIT RESULTS.....	3
Program Performance and Accomplishments .....	3
Program Goals and Objectives.....	3
Required Performance Reports .....	3
Compliance with Special Conditions.....	3
Grant Financial Management .....	4
Grant Expenditures .....	4
Personnel Costs .....	4
Other Direct Costs .....	5
Budget Management and Control .....	7
Drawdowns .....	7
Federal Financial Reports .....	8
Program Income .....	8
CONCLUSION AND RECOMMENDATIONS.....	9
APPENDIX 1: OBJECTIVES, SCOPE, AND METHODOLOGY .....	10
APPENDIX 2: SCHEDULE OF DOLLAR-RELATED FINDINGS.....	11
APPENDIX 3: ROCKY MOUNTAIN INFORMATION NETWORK'S RESPONSE TO THE DRAFT AUDIT REPORT .....	12
APPENDIX 4: OFFICE OF JUSTICE PROGRAMS' RESPONSE TO THE DRAFT AUDIT REPORT .....	16

APPENDIX 5: OFFICE OF THE INSPECTOR GENERAL ANALYSIS AND SUMMARY  
OF THE ACTIONS NECESSARY TO CLOSE THE REPORT ..... 20

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS  
REGIONAL INFORMATION SHARING SYSTEMS GRANTS  
AWARDED TO ROCKY MOUNTAIN INFORMATION NETWORK  
PHOENIX, ARIZONA**

**INTRODUCTION**

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of two grants awarded by the Office of Justice Programs (OJP), under the Regional Information Sharing Systems (RISS) program to the Rocky Mountain Information Network (RMIN) in Phoenix Arizona. RMIN was awarded two grants totaling \$18,460,232, as shown in Table 1.

**Table 1  
Grants Awarded to RMIN**

<b>Award Number</b>	<b>Program Office</b>	<b>Award Date</b>	<b>Project Period Start Date</b>	<b>Project Period End Date</b>	<b>Award Amount</b>
2015-RS-CX-0003	OJP	07/22/2015	09/01/2015	08/31/2018	\$13,547,769
2018-RS-CX-0002	OJP	07/27/2018	09/01/2018	08/31/2019	\$4,912,463
<b>Total:</b>					\$18,460,232

Source: OJP's Grants Management System

Funding through OJP's Regional Information Sharing Systems program supports the priorities of strengthening counterterrorism efforts, reducing violent crime, supporting law enforcement officers and prosecutors, while at the same time protecting officers and other public safety personnel. This is achieved by providing a viable method to share criminal intelligence information and provide resources for both reducing crime and assistance in counterterrorism investigations, by providing necessary resources and de confliction methods to augment the safety of law enforcement officers and other public safety personnel and by providing resources to prosecutors to assist successful prosecutions.

**The Grantee**

The mission of the Regional Information Sharing Systems program is to assist local, state, federal, and tribal criminal justice partners by providing adaptive solutions and services that facilitate information sharing, support criminal investigations, and promote officer safety. RISS has been supporting the law enforcement and criminal justice communities for more than 40 years. RISS is composed of six regional centers and the RISS Technology Support Center (RTSC). RMIN is one of the six regional centers and serves Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, and Wyoming, as well as parts of Canada. RMIN provided services include the RISS Officer Safety Event Deconfliction System (RISSafe), intelligence research, case analysis, computer and digital forensic analysis, audio and video forensic analysis, technical equipment loans, investigative

and confidential funding, and training support.<sup>1</sup> RMIN also produces a monthly bulletin and periodic special reports on topics of special law enforcement interest.<sup>2</sup>

### **OIG Audit Approach**

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the grants. The 2015 DOJ Grants Financial Guide, 2017 DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains additional information on this audit's objective, scope, and methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

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<sup>1</sup> RISSafe maintains data on planned law enforcement investigative events submitted for inclusion, as well as appropriate non-investigative events, with the goal of identifying and alerting affected agencies or officers of potential conflicts.

<sup>2</sup> Background information on RMIN has been taken from the organization's website directly (unaudited).

## AUDIT RESULTS

### Program Performance and Accomplishments

We reviewed required performance reports, award documentation, and interviewed recipient officials to determine whether RMIN demonstrated adequate progress towards achieving the program goals and objectives. We also reviewed the Progress Reports, to determine if the required reports were accurate. Finally, we reviewed RMIN's compliance with the special conditions identified in the award documentation.

#### *Program Goals and Objectives*

The goals and objectives for both awards included the following. Facilitate multi-agency information sharing between law enforcement and criminal justice agencies to combat multi-jurisdictional criminal activities and conspiracies. Provide value added services to federal, state, local, and tribal law enforcement member agencies in fulfilling their public safety missions combating crime.

Based on our review, there were no indications that RMIN was not adequately achieving the stated goals and objectives of the grants.

#### *Required Performance Reports*

According to the 2015 and 2017 DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in the progress reports, we selected a sample of 4 performance measures from the 2 most recent reports submitted for Grant Number 2015-RS-CX-0003 and the 1 available report submitted for Grant Number 2018-RS-CX-0002 for a total sample size of 12. We then traced the items to supporting documentation maintained by RMIN.

Based on our progress report testing, we found that the accomplishments described in the progress reports generally matched the supporting documentation.

#### *Compliance with Special Conditions*

Special conditions are the terms and conditions that are included with the awards. We evaluated the special conditions for each grant and selected a judgmental sample of the requirements that are significant to performance under the grants and are not addressed in another section of this report. We evaluated a total of five special conditions for the awards in our scope.

Based on our review, we found that RMIN was in compliance with four of the five the special conditions we tested. However, we noted that RMIN was not in compliance with special condition nine for Grant Number 2018-RS-CX-0002. Specifically, RMIN's RISS Program Privacy Policy does not address the special condition requirement to notify an OJP Program Manager no later than 24 hours after an occurrence of an actual breach, or the detection of an imminent breach of

Personally Identifiable Information (PII). Therefore, we recommend that OJP ensure RMIN adheres to all special conditions for the awards.

## **Grant Financial Management**

According to the DOJ Grants Financial Guides, all grant recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. To assess the RMIN's financial management of the grants covered by this audit, we conducted interviews with financial staff, examined policy and procedures, and inspected grant documents to determine whether RMIN adequately safeguards the grant funds we audited. We also reviewed RMIN's Single Audit Reports for the years ended June 30, 2016, June 30, 2017, and June 30, 2018 to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report.

Based on our review, we found that RMIN charged unallowable and unsupported costs to the awards. These deficiencies are discussed in more detail in the Personnel and Other Direct Costs sections of this report.

## **Grant Expenditures**

For the awards in our scope, RMIN's approved budgets included personnel, fringe benefits, travel costs, equipment costs, supplies, consultants and contracts, and other direct costs. To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. Our sample included 110 transactions totaling \$1,166,874. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. As discussed in the following sections, we identified \$285,658 in unallowable questioned costs and \$4,000 in unsupported questioned costs.

### *Personnel Costs*

As part of our sample, we reviewed 52 payroll transactions totaling \$737,373, which included all salary expenditures and fringe benefits for two non-consecutive pay periods for each grant in our scope, to determine if labor charges were computed correctly, properly authorized, accurately recorded, and properly allocated to the award.

Based on our review, we found that the payroll costs for three of the four pay periods tested were computed correctly, properly authorized, accurately recorded, and properly allocated to the award. For the remaining pay period, we identified unallowable bonuses that were not included in the award budget for Grant Number 2018-RS-CX-0002. Specifically, we found that all employees in our sample received a health stipend. The RMIN Deputy Director stated that the stipends were direct reimbursements given to every employee, regardless of whether they received health insurance through RMIN, to offset an increase in the employees'

share of health care costs. However, we determined that these payments were actually bonuses rather than health care benefits. We made this determination based on the fact that the amounts paid to the employees were based on a percentage of the employee's salary, rather than the employee's share of health care costs, which can vary depending on the type of coverage needed by the employee. We also found that since the stipends went directly to each employee, there is no assurance that the money was used for health related expenses. As a result, we identified \$31,841 in unallowable bonuses that were not included in the award budget for Grant Number 2018-RS-CX-0002. Therefore, we recommend OJP remedy the \$31,841 in unallowable personnel costs.

#### *Other Direct Costs*

For Grant Number 2015-RS-CX-0003, our sample included transactions for equipment, training, software, leased vehicles, and professional dues that were not included in the approved grant budgets. Specifically, we identified the following unallowable and unsupported questioned costs.

- Three unallowable equipment transactions totaling \$49,236 that were not included in the approved budget.
- One unallowable training transaction totaling \$11,837 that was not included in the approved budget.
- One software transaction that was not in the approved budget. As a result, we expanded our analysis to include all software expenditures. Based on our expanded analysis, we identified 11 transactions totaling \$55,799 for software that was not included in the award budget.
- One transaction for a leased vehicle located at RMIN's headquarters that was not in the approved budget. The approved budget included leased vehicles for RMIN's Law Enforcement Information Coordinators, who are located throughout the region and travel extensively to RMIN's member agencies. However, the leased vehicle transaction in our sample was for a pooled vehicle located at RMIN's headquarters. The RMIN Deputy Director explained that the vehicle was used by headquarters staff for running errands and local travel so that RMIN could avoid reimbursing POV mileage. As a result, we expanded our testing to include all leased vehicle expenditures and identified \$80,580 in unallowable costs associated with five pooled vehicles that were not included in the award budget.
- One transaction for professional dues paid to the RISS Directors Association (RDA) that was not included in the award budget. As a result, we expanded our analysis to include all RDA transactions. Based on our expanded analysis, we identified four transactions totaling \$4,000 in unallowable costs for RDA professional dues that were not included in the award budget. Additionally, as discussed in the RISS Directors Association section of this report, we also found that the RDA transactions totaling \$4,000 were unsupported.

For Grant Number 2018-RS-CX-0002 our sample included transactions for equipment, training, and software that were not included in the approved grant budgets. Specifically, we identified the following unallowable questioned costs.

- One unallowable equipment transaction totaling \$31,044 that was not included in the approved budget.
- One unallowable training transaction totaling \$1,990 that was not included in the approved budget.
- Two unallowable software transactions that were not included in the approved budget. As a result, we expanded our analysis to include all software expenditures. Based on our expanded analysis, we identified seven transactions totaling \$51,171 for software not included in the budget.

In total, we identified \$285,658 in unallowable questioned costs for items that were not included in the approved award budgets and \$4,000 in unsupported questioned costs.

As a result of our audit, RMIN submitted and BJA approved a Grant Adjustment Notice (GAN) for Grant Number 2018-RS-CX-0002, which modified the budget to include the equipment, software, training, and vehicle costs that we identified as unallowable. We determined that the GAN is sufficient to remedy the \$84,206 associated with these items. Therefore, we recommend that OJP remedy the remaining unallowable questioned costs totaling \$201,452 for training, travel, equipment, software, and vehicles that were not included in the approved award budgets. We also recommend that OJP remedy the \$4,000 in unsupported questioned costs for dues paid to the RISS Directors Association. Additionally, we recommend that OJP ensure that RMIN discontinues its practice of providing funding to the RDA.

#### RISS Directors Association

As discussed previously, we identified four transactions totaling \$4,000 for professional dues paid to the RDA that were unallowable and unsupported. According to RMIN's Executive Director, the RDA is a separate non-profit corporation that provides the RISS Directors with a platform to address RISS-wide issues, share best practices, discuss strategy and upcoming initiatives, and to foster relationships and coordination among the RISS Directors and RISS Centers. The RDA was established in 2000 and is managed by the Institute for Intergovernmental Research (IIR) – a separate agency that is funded in part through RISS grants. The RMIN Executive Director also stated that all RISS Executive Directors agreed to provide \$1,000 annually in dues to fund the RDA. Based on this description, we determined the RDA is essentially an unbudgeted subrecipient. As a result, we requested a copy of the RDA's general ledger for FY 2015 through May 2019, to determine if the RMIN funds provided to the RDA during the scope of our audit were used for allowable purposes and adequately supported. In response to our request, we received the RDA check register for FY 2015 through May 2019. Based on our review of the check register, we found that RDA commingles the funding it receives from the six RISS Centers; as a result,

we could not determine how the funds provided by RMIN were used. Therefore, we consider the \$4,000 RMIN paid to the RDA during the scope of our audit as unsupported questioned costs. Additionally, since the RDA expenditures were not included in the approved budget, we also identified the \$4,000 as unallowable questioned costs.

The annual dues paid by the RISS Centers are the RDA's only source of funding; as a result, the RDA is funded solely through RISS grant funds. Although we could not specifically determine how the RMIN funds were used, we noted that the RDA's check register for FY 2015 through May 2019, included a number of expenditures that are generally not allowable under federal awards, including gifts for retiring Executive Directors, RISS lapel pins, and payments totaling \$9,986 to an organization that, according to its public website, provides congressional updates, as well as lobbying services. In our judgment, it appears that the RDA was established by the RISS Executive Directors to provide funding for expenditures that are not allowed under the RISS program. Assuming, that the RISS Centers have been providing \$1,000 annually since the RDA was established, the unallowable expenditures using RISS funds could be in excess of \$100,000.

Given that the RDA dues are not included in the award budget and the fact that the RDA is using the RISS funds provided by RMIN, as well as the other RISS Centers for expenditures that are generally not allowable under federal awards, we recommend that OJP ensure RMIN discontinues its practice of providing funding to the RDA.

### **Budget Management and Control**

According to the DOJ Grants Financial Guides, the recipient is responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures or outlays with budgeted amounts for each award. Additionally, the grant recipient must initiate a GAN for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount.

We compared grant expenditures to the approved budgets to determine whether RMIN transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals was not greater than 10 percent.

### **Drawdowns**

According to the DOJ Grants Financial Guides, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. As of May 09, 2019, RMIN had drawn down a total of \$13,547,769 from Grant Number 2015-RS-CX-0003 and a total of \$3,502,463 from Grant Number 2018-RS-CX-0002 from the grants in our scope. To assess whether RMIN managed

grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.

During this audit, we did not identify significant deficiencies related to the recipient's process for developing drawdown requests. However, we identified deficiencies and questioned costs related to compliance of individual expenditures with grant rules. We address those deficiencies in the Grant Expenditures section in this report.

### **Federal Financial Reports**

According to the DOJ Grants Financial Guides, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report as well as cumulative expenditures. To determine whether RMIN submitted accurate FFRs, we compared the four most recent reports for Grant Number 2015-RS-CX-0003 and the three available FFRs for Grant Number 2018-RS-CX-0002 to RMIN's accounting records for each grant.

We determined that expenditures reported on the FFRs were generally accurate and supported.

### **Program Income**

According to the DOJ Grants Financial Guides, all income generated as a direct result of an agency-funded project shall be deemed program income. This income may be used to further the program objectives or refunded to the Federal Government. Additionally, program income may only be used for allowable program costs and must be expended prior to additional OJP drawdowns, program income must be used for the purposes of and under the conditions applicable to the award, and unless specified by the awarding agency, program income must be used as earned and expended as soon as possible.

We determined that program income was included in both Grant Number 2015-RS-CX-0003 and Grant Number 2018-RS-CX-0002's approved budgets, and was used to further the program objectives.

## CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we conclude that RMIN did not adhere to all of the grant requirements we tested, but demonstrated adequate progress towards achieving the grants' stated goals and objectives, except for several discrepancies or instances of noncompliance. We did not identify significant issues regarding RMIN's performance reports, management of the award budgets, drawdowns, FFRs, or program income. However, we found that the RMIN did not comply with essential award conditions related to award special conditions and the use of funds. We provide four recommendations to RMIN to address these deficiencies.

We recommend that OJP:

1. Ensure RMIN adheres to all special conditions for the awards.
2. Remedy \$233,293 in unallowable questioned costs related to the \$31,841 in unallowable personnel costs and the \$201,452 in unallowable other direct costs.
3. Remedy the \$4,000 in unsupported questioned costs for dues paid to the RISS Directors Association.
4. Ensure that RMIN discontinues its practice of providing funding to the RDA.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

### **Scope and Methodology**

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This was an audit of Office of Justice Programs (OJP) grants awarded to the Rocky Mountain Information Network under the Regional Information Sharing Systems program. RMIN was awarded \$18,460,232 under Grant Number 2015-RS-CX-0003 and Grant Number 2018-RS-CX-0002, and as of May 09, 2019, had drawn down \$17,050,232 of the total grant funds awarded. Our audit concentrated on, but was not limited to July 22, 2015, the award date for Grant Number 2015-RS-CX-0003, through May 2019, the last day of our audit work. The project period for Grant Number 2015-RS-CX-0003 ended on August 31, 2018, prior to the start of our audit.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of RMIN's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, financial reports, and progress reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grants reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The 2015 DOJ Grants Financial Guide, 2017 DOJ Grants Financial Guide, and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System as well as RMIN's accounting system specific to the management of DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources.

**APPENDIX 2**

**SCHEDULE OF DOLLAR-RELATED FINDINGS**

<b>Description</b>	<b>Amount</b>	<b>Page</b>
<b>Questioned Costs:</b> <sup>3</sup>		
<b>Unallowable Costs</b>		
Personnel Costs	\$31,841	5
Other Direct Costs	\$285,658	5-6
<b>Less Remedied Costs</b> <sup>4</sup>	(\$84,206)	6
<i>Total Unallowable Costs</i>	<i>\$233,293</i>	
<b>Unsupported Costs</b>		
Other Direct Costs	\$4,000	5-6
<i>Total Unsupported Costs</i>	<i>\$4,000</i>	
<b>Gross Questioned Costs</b>	<b>\$237,293</b>	
<i>Less Duplicate Questioned Costs</i>	<i>(\$4,000)</i>	
<b>Net Questioned Costs</b>	<b>\$233,293</b>	

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<sup>3</sup> **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

<sup>4</sup> As a result of our audit, RMIN requested and BJA approved a GAN for Grant Number 2018-RS-CX-0003, which modified the budget to include the equipment, software, training, and vehicle costs that we identified as unallowable under the originally approved grant budget.

**ROCKY MOUNTAIN INFORMATION NETWORK'S  
RESPONSE TO THE DRAFT AUDIT REPORT**



**ROCKY MOUNTAIN INFORMATION NETWORK, INC.**

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**RMIN**

J. L. Pierce, Executive Director

September 6, 2019

David M. Sheeren  
Regional Audit Manager  
Denver Regional Audit Office  
Office of the Inspector General  
U.S. Department of Justice  
1120 Lincoln Street, Suite 1500  
Denver, CO 80203

Dear Mr. Sheeren:

The Rocky Mountain Information Network (RMIN) appreciates the opportunity to respond to the draft audit report your office prepared regarding the Office of Justice Programs Grant Nos. 2015-RS-CX-0003 and 2018-RS-CX-0002. The following represents RMIN's official response to the audit findings, including RMIN's concurrence/non-concurrence with these conclusions and proposed RMIN actions to address each of the recommendations:

1) **2018-RS-CX-0002 - Compliance with Grant Special Condition #9**

“The recipient (and any “subrecipient” at any tier) must have written procedures in place to respond in the event of an actual or imminent “breach” (OMB M-17-12) if it (or a subrecipient)—creates, collects, uses, processes, stores, maintains, disseminates, discloses, or disposes of “personally identifiable information (PII)” (2 CFR Part 200.79) within the scope of an OJP grant-funded program or activity, or 2) uses or operates a “Federal information system” (OMB Circular A-130). The recipient’s breach procedures must include a requirement to report actual or imminent breach of PII to an OJP Program Manager no later than 24 hours after an occurrence of an actual breach, or the detection of an imminent breach.

The RISS Privacy Policy (revised September 27, 2017; Section 4,I,10), does address the requirement to notify the originating agency and their subsequent responsibility to notify the affected individual about whom PII was obtained, and states, “The notice will be made promptly and without unreasonable delay following discovery or notification of the access to the information...”, however, **RMIN agrees** that the RISS Privacy Policy does not currently meet the requirement to notify the OJP Program manager within 24 hours of any breach.

**Proposed Action:** *The RMIN Executive Director will recommend that this additional language be added to the RISS Privacy Policy at the next RNPG meeting scheduled on September 24, 2019.*

2) **Unallowable Questioned Costs**

**2018-RS-CX-0002-Unallowable Personnel Costs**

During the 2018 health insurance open enrollment process (April 2018), RISS budget figures were not yet finalized, therefore, to contain costs, RMIN reduced the corporate contribution towards health insurance premiums from 90% to 87%. This resulted in a corresponding 38% increase in health insurance premiums to the 31 employees who obtained health insurance through RMIN.

The RMIN Executive Policy Board of Directors (Board) had previously approved a 1.84% cost of living adjustment (COLA) in 2018 and once the official RMIN grant budget was issued realized that the health insurance premium reduction was unnecessary. As a result, the RMIN Board approved the action to give each employee a 1.16% health insurance premium subsidy to offset the negative financial impact of the precautionary 3% reduction in corporate health insurance premium contributions. The rationale was based upon a combined RMIN Board approved 1.84% COLA plus 1.16% health insurance subsidy = 3%. Every RMIN employee received this subsidy because RMIN did not want to 'discriminate' against employees who made health insurance decisions to either drop insurance or obtain insurance through other methods due to cheaper premiums.

The sole intention was to rectify the unnecessary premium increases that would have been paid by RMIN had RMIN known its budget figures prior to open enrollment. As such, this one-time health insurance subsidy was specifically coordinated as a non-taxable distribution with RMIN's Professional Employer Organization (PEO).

**RMIN disagrees** with the OIG finding that this action be considered an unallowable "bonus." The \$31,000 identified as an "employee bonus" was RMIN Board initiated and approved as a "one-time offset of health care costs for employees." The purpose of this action was to compensate employees for loss of net salary income incurred as a result of increased employee health insurance premiums.

**Proposed Action: Work closely with OJP and the RISS Program Manager to take the necessary steps to submit a GAN requesting approval of this action.**

**2015-RS-CX-0003-Unallowable Other Direct Costs**

The OIG audit identified \$201,452 in unallowable other direct costs as follows; three transactions totaling \$49,236 were identified as unallowable equipment transactions, \$11,837 for an unallowable training, \$55,799 of unallowable software expenses, \$80,580 of unallowable leased vehicle expenses and \$4,000 of unallowable costs paid to the RISS Directors Association (RDA). (See Attachment 1 for detailed description).

**RMIN disagrees** with the OIG finding that these are unallowable expenses. Attachment 1 itemizes each expense. All identified expenses directly relate to achieving core RMIN/RISS goals and objectives. These purchases were considered mission essential and well within the

scope of RISS grant program guidelines providing investigative support to law enforcement member agencies. (Attachment 1)

**Proposed Action: Work closely with OJP and the RISS Program Manager to take the necessary steps to remedy the expenses identified as unallowable.**

**3) Unsupported questioned costs for dues paid to RISS Director's Association**

The RDA is a critical mechanism used to collectively represent the interests of the RISS Program as a whole. The first "Guiding Principle", identified in the RISS Adaptive Strategy is "Nationwide Name—Regional Focus" (updated August 2018). The RDA allows for six regionally focused geographically separate RISS Centers to collectively unite and conduct RISS Program-wide goals, objectives, policies, and direction. There are situations, relationships and agreements that require united RISS Program leadership and direction to demonstrate support of RISS as a federally funded "Program" (especially with federal partners), rather than six individual Centers. The RDA achieves this necessary function. *RMIN disagrees* with the OIG finding of \$4,000 in unsupported questioned costs for dues paid to the RDA.

The RDA serves as a critical element that has established national name recognition for the RISS Program, especially during the last decade. The results of this success include stronger federal law enforcement partnerships, a new FBI MOU (2017), and requests for RISS to participate on national forums i.e.; Global/CICC, DHS HSIN-Intel Governance Board, ODNI Advisory Board, etc. and special multi-regional information sharing initiatives specific to the law enforcement community. The nominal dues paid by each RISS Center to sustain the RDA have helped create national visibility for RISS' proven success and effectiveness.

**Proposed Action: Work closely with OJP and the RISS Program Manager to take the necessary steps to recognize and revalidate the need for the RDA as the unified, executive leadership voice for the RISS Program and authorize approval to pay nominal annual dues to support the RDA.**

**4) Discontinue the practice of providing funding to the RDA**

*RMIN disagrees* with this recommendation. The RDA is a critical component designed specifically to address the needs of the entire RISS Program rather than separate individual regional projects (like RMIN). RMIN's response to item #3 also explains our rationale for #4.

**Proposed Action: Work closely with OJP and the RISS Program manager to validate the ongoing support of the RDA and authorize approval to continue payment of annual dues to support the RDA.**

In closing, RMIN has noted that much of the unallowable questioned costs identified during this OIG audit focus on historically recognized 'allowable' project expenses in direct support of accomplishing core RMIN/RISS missions assisting law enforcement member agencies to more effectively combat crime. Many of the identified unallowable/questioned costs were absent in the

David M. Sheeren  
Page 4  
September 6, 2019

initial budget submission, because they were unknown or unforeseen expenses at the time of grant application.

It seems apparent from this audit report that OIG is expecting RMIN to obtain prior approval from OJP/BJA on any purchase or expense not specifically contained within the initial grant application. Such a requirement hinders both RISS and DOJ. It would create extensive micromanagement at the federal level and unnecessarily delay/complicate overall RISS Program effectiveness. RMIN has always conducted business in compliance with the DOJ Financial Guide and rules which state that a GAN is required only when modifying budget categories greater than ten percent. However, it seems this may no longer be accurate. Such a new restrictive interpretation seems to be excessive for the RISS Program, which has proven to be a success for over forty years in providing critical services to federal, state, local and tribal law enforcement agencies.

In summary, RMIN will comply with whatever actions or processes need to occur to resolve and close out this OIG Audit, so that RMIN can continue providing vital RISS services to member agencies.

Very respectfully,

Jeff L. Pierce  
Executive Director

JLP:tt

Attachment

OFFICE OF JUSTICE PROGRAMS'  
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of Audit, Assessment, and Management

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Washington, D.C. 20531

SEP 18 2019

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

FROM: Ralph E. Martin  
Director 

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs Grant Numbers 2015-RS-CX-0003 and 2018-RS-CX-0002 Awarded to Rocky Mountain Information Network, Inc., Phoenix, Arizona*

This memorandum is in reference to your correspondence, dated August 27, 2019, transmitting the above-referenced draft audit report for Rocky Mountain Information Network, Inc. (RMIN). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **four** recommendations and **\$233,293<sup>1</sup>** in net questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP ensure RMIN adheres to all special conditions for the awards.**

OJP agrees with the recommendation. We will coordinate with RMIN to obtain a copy of written policies and procedures, developed and implemented, to ensure they adhere to all special conditions for their Federal awards.

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<sup>1</sup> Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

2. **We recommend that OJP to remedy \$233,293 in unallowable questioned costs related to the \$31,841 in unallowable personnel costs and the \$201,452 in unallowable other direct costs.**

OJP agrees with the recommendation. We will review the \$233,293 in questioned costs, related to the \$31,841 in personnel costs that were not included in the approved budget for Grant Number 2018-RS-CX-0002, and the \$201,452 in other direct costs that were not included in the approved budget for Grant Number 2015-RS-CX-0003, and will work with the RMIN to remedy, as appropriate.

3. **We recommend that OJP remedy the \$4,000 in unsupported questioned costs for dues paid to the RISS Directors Association.**

OJP agrees with the recommendation. We will review the \$4,000 in unsupported questioned costs, charged to Grant Number 2015-RS-CX-0003, related to dues paid to the Regional Information Sharing Systems (RISS) Directors Association, and will work with the RMIN to remedy, as appropriate.

4. **We recommend that OJP ensure that RMIN discontinues its practice of providing funding to the RISS Directors Association (RDA).**

OJP agrees with the recommendation. We will coordinate with the RMIN to obtain a copy of written policies and procedures, developed and implemented, to ensure that RMIN discontinues its practice of providing funding to the RDA.

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.

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

The OIG provided a draft of this audit report to RMIN and OJP. RMIN's response is incorporated in Appendix 3 and OJP's response is incorporated in Appendix 4 of this final report. In response to our draft audit report, OJP concurred with our recommendations, and as a result, the status of the audit report is resolved. The following provide the OIG analysis of the response and summary of actions necessary to close the report.

**Recommendation for OJP:**

**1. Ensure RMIN adheres to all special conditions for the awards.**

Resolved. OJP agreed with our recommendation and stated in its response that it will obtain a copy of written policies and procedures, developed and implemented, to ensure RMIN adheres to all special conditions.

RMIN agreed with our finding that RMIN's RISS Program Privacy Policy does not address the special condition requirement to notify an OJP Program Manager no later than 24 hours after an occurrence of an actual breach or the detection of an imminent breach of PII. RMIN's Executive Director plans to recommend that this additional language be added to the RISS Privacy Policy at the next RISS National Policy Group meeting.

This recommendation can be closed when we receive documentation showing that the RISS Privacy Policy has been updated to include a requirement to notify the OJP Program manager within 24 hours after an occurrence of an actual breach or the detection of an imminent breach of PII.

**2. Remedy \$233,293 in unallowable questioned costs related to the \$31,841 in unallowable personnel costs and the \$201,452 in unallowable other direct costs.**

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$233,293 in questioned costs related to the unallowable personnel costs and unallowable other direct costs, and will work with RMIN to remedy, as appropriate.

RMIN disagreed with our finding related to the \$31,841 in unallowable bonuses. In its response, RMIN stated that the \$31,000 identified as an employee bonus was RMIN Board initiated and approved as a one-time offset of health care costs for employees to compensate employees for loss of net salary income incurred as a result of increased employee health insurance premiums. However, as stated in the report, we determined that these payments were actually bonuses rather than health care benefits. We made this determination based on the fact that the amounts paid to the employees

were based on a percentage of the employee's salary, rather than the employee's share of health care costs, which can vary depending on the type of coverage needed by the employee. The bonuses were also paid to employees who did not have health care benefits provided through RMIN.

RMIN also disagreed with our finding related to the \$201,452 in unallowable other direct costs. In its response, RMIN stated that the equipment transactions totaling \$49,236, the \$11,837 training transaction, and the \$55,799 for software expenses identified as unallowable, were expenses directly related to achieving core RMIN/RISS goals and objectives. RMIN also stated that these purchases were considered mission essential and well within the scope of RISS grant program guidelines of providing investigative support to law enforcement member agencies. However, as stated in the report, these costs were not included in the approved budget; as a result, the costs are not allowable.

In an attachment to its response to the draft report, RMIN stated that the \$80,580 in costs for leased vehicle expenses identified as unallowable, included four vehicles that were assigned to Law Enforcement Coordinators (LEC) and one vehicle assigned to the RMIN headquarters. However, the documentation provided to the OIG by RMIN indicated that all four vehicles were pooled vehicles used by RMIN headquarters staff and not assigned to LECs as RMIN indicated. As stated in the report, the costs for pooled vehicles were not included in the approved budget; as a result, the costs are not allowable.

In its response, RMIN disagreed with our finding that that the \$4,000 in costs paid to the RDA were unallowable. RIMN's response did not directly address our finding related to the unallowable RDA costs. However, as stated in the report, we found that the RDA is essentially an unbudgeted subrecipient. Additionally, we found that the RDA's check register included a number of expenditures that are generally not allowable under federal awards.

Finally, RMIN included a general statement in its response that many of the unallowable questioned costs were absent in the initial budget submission because they were unknown or unforeseen expenses at the time of the grant application. However, RMIN should have submitted a GAN to modify the budget to include these expenses once it determined that the costs were necessary to achieve the program objectives.

Nonetheless, RMIN stated it will work closely with OJP and the RISS Program Manger to take the necessary steps to remedy the expenses identified as unallowable.

This recommendation can be closed when we receive documentation that OJP has remedied the \$233,293 in unallowable questioned costs.

**3. Remedy \$4,000 in unsupported questioned costs for dues paid to the RISS Directors Association.**

Resolved. OJP agreed with our recommendation and stated in its response that it will review the \$4,000 in questioned costs related to unsupported dues paid to the RISS Directors Association, and will work with RMIN to remedy, as appropriate.

RMIN disagreed with our finding that the \$4,000 in dues paid to the RDA were unsupported. However, as stated in our report, we found that RDA commingles the funding it receives from the six RISS Centers; as a result, we could not determine how the funds provided by RMIN were used. Therefore, we consider the \$4,000 RMIN paid to the RDA unsupported.

In its response, RMIN stated that the RDA serves as a critical mechanism used to collectively represent the interest of the RISS Program as a whole. RMIN also stated that in their view the nominal dues paid by each RISS Center to sustain the RDA have helped create national visibility for RISS' proven success and effectiveness. However, as stated in the report, we found that the RDA is essentially an unbudgeted subrecipient. The RDA is funded solely through RISS grant funds provided by the six RISS Centers, including RMIN. Further, the RDA's check register for FY 2015 through May 2019 included a number of expenditures that are generally not allowable under federal awards, including gifts for retiring Executive Directors, RISS lapel pins, and payments to an organization that, according to its public website, provides congressional updates, as well as lobbying services.

This recommendation can be closed when we receive documentation that OJP has remedied the \$4,000 in unsupported questioned costs.

**4. Ensure that RMIN discontinues its practice of providing funding to the RISS Directors Association.**

Resolved. OJP agreed with our recommendation and stated in its response that it will coordinate with the RMIN to obtain a copy of written policies and procedures, developed and implemented, to ensure that RMIN discontinues its practice of providing funding to the RDA.

RMIN disagreed with our recommendation. In its response, RMIN stated that the RDA is a critical component designed specifically to address the needs of the entire RISS program rather than separate individual regional projects. However, as stated in our report, we found that the RDA, which is funded through RISS grant funds, made a number of expenditures for costs that are generally not allowable under federal awards. Based on our analysis, it appears that the RDA was established by the RISS Executive Directors to provide funding for expenditures that are not allowed under the RISS program.

This recommendation can be closed when we receive documentation showing that OJP has ensured RMIN discontinues its practice of providing funding to the RDA.



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