



**AUDIT OF THE OFFICE OF COMMUNITY ORIENTED
POLICING SERVICES
GRANT AWARDED TO THE
CITY OF WILMINGTON, DELAWARE**

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**OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
GRANT AWARDED TO THE CITY OF WILMINGTON, DELAWARE**

EXECUTIVE SUMMARY

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services' (COPS) Interoperable Communications Technology Grant, number 2004-IN-WX-0007, awarded to the City of Wilmington, Delaware (Wilmington), in the amount of \$2,243,239.¹ The purpose of the COPS Interoperable Communications Technology Program was to increase interoperability among the law enforcement, fire services, and emergency medical service communities.

The objective of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed Wilmington's program performance in meeting the grant's objectives and overall accomplishments.

Wilmington was awarded \$2,243,239 in federal assistance and was required to provide a \$747,746 local cash match, for a total budget of \$2,990,985. The overall objective of the Wilmington program was to resolve interoperability problems and support multi-disciplinary and multi-jurisdictional public safety communications. Specifically, Wilmington agreed to: (1) replace its antiquated analog radio system; (2) integrate this new system with the State of Delaware's digital radio system; (3) obtain equipment and services to upgrade existing City of Wilmington 911 dispatch consoles and integrate them into Delaware's digital radio system; and (4) fund travel costs for at least four representatives to attend a required technical assistance/kick-off conference.

We examined Wilmington's accounting records, financial and progress reports, and operating policies and procedures. As a result of this audit, we questioned the entire project costs totaling approximately \$3 million due to the deficiencies discussed below:

- Wilmington could not support its compliance with federal procurement regulations or its receipt of grant-funded equipment.

¹ The use of Wilmington throughout this report refers to the Wilmington Department of Finance, Communications Division, and the Police Department which were responsible for various grant administration procedures.

As a result, the total grant expenditures of \$2,990,985 were unsupported.

- Wilmington did not record the grant-funded equipment in a property management system.
- Wilmington changed the scope of its grant funded project without prior written approval from COPS. As a result, the total grant expenditures of \$2,990,985 were unallowable.
- Wilmington did not have approved budget management policies and procedures.
- Wilmington did not prepare accurate and timely financial and progress reports.
- Wilmington failed to address prior-year Single Audit Report recommendations which contributed to the issues we identified in Wilmington's grant administration.

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.

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

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INTRODUCTION

The Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Interoperable Communications Technology Grant, number 2004-IN-WX-0007, awarded by the Office of Community Oriented Policing Services (COPS) to the City of Wilmington, Delaware (Wilmington) in the amount of \$2,243,239.² The purpose of the COPS Interoperable Communications Technology Program was to increase interoperability among the law enforcement, fire services, and emergency medical service communities.

The objective of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed Wilmington's program performance in meeting grant objectives and overall accomplishments. As shown in the table below, Wilmington was awarded a total of \$2,243,239 to implement the program.

INTEROPERABLE COMMUNICATIONS TECHNOLOGY GRANT TO WILMINGTON, DELAWARE

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2004-IN-WX-0007	9/01/04	8/31/08	\$2,243,239

Source: Office of Community Oriented Policing Services (COPS)

Background

In fiscal year (FY) 2004, COPS was appropriated \$85 million to administer the Interoperable Communications Technology Program to address the interoperability needs of both urban and rural jurisdictions by funding system and technology upgrades to make existing systems compatible. Wilmington was 1 of 66 jurisdictions invited to submit an application that included a clear and demonstrated plan for accomplishing improved interoperability between first responders of local, tribal, regional, and state public safety agencies or organizations. Wilmington and 21 other applicants were awarded FY 2004 Interoperable Communications Technology Program grants.

Wilmington was awarded \$2,243,239 in federal assistance, which required a \$747,746 local cash match, to: (1) replace its antiquated analog

² The use of Wilmington throughout this report refers to the Wilmington Department of Finance, Communications Division, Audit Department, and the Police Department which were responsible for various grant administration procedures.

radio system; (2) integrate this new system with the State of Delaware's digital radio system; (3) obtain equipment and services to upgrade existing City of Wilmington 911 dispatch consoles and integrate them into Delaware's digital radio system; and (4) fund travel costs for at least four representatives to attend a required technical assistance/kick-off conference.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against are contained in the Code of Federal Regulations: 28 C.F.R. § 66, Uniform Administrative Requirements for Grants and the award documents.

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

- **Grant expenditures** to determine whether costs charged to the grant were allowable and supported.
- **Accountable property** to determine whether Wilmington had effective procedures for managing and safeguarding assets acquired with grant funding.
- **Budget management and control** to determine the overall acceptability of costs by identifying budget category and project scope deviations between the approved budget and the actual costs incurred.
- **Reporting** to determine if the required periodic Financial Status Reports and Progress Reports were submitted on time and accurately reflected grant activity.
- **Drawdowns** (requests for grant funding) to determine if Wilmington adequately supported its requests for funding and managed its grant receipts in accordance with federal requirements.
- **Internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant. We also reviewed Wilmington's fiscal year 2004 to 2009 Single Audit Reports.

- **Matching costs** to determine if Wilmington provided matching funds that supported the project and were in addition to funds that otherwise would have been available for the project.
- **Program performance and accomplishments** to determine whether Wilmington achieved the grant's objectives and assess performance and grant accomplishments.

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

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

In performing our audit, we found that Wilmington requested and received \$2,243,238 in grant funds and provided a local match of \$748,000 in support of the grant funded project.³ We also found that Wilmington changed the scope of its grant-funded project without obtaining approval from COPS, did not have adequate support for grant-related expenditures, and did not properly record the equipment purchased with grant funds or conduct an inventory. In addition, we found that Wilmington did not file accurate and timely financial and progress reports, have approved budget management policies and procedures, or address internal control weaknesses identified in its Single Audit Reports.

Project Background

In its application, Wilmington requested the COPS grant to achieve interoperability with the State of Delaware's existing radio system by replacing its system with radio equipment compatible with the State of Delaware's system. Based on our review of Wilmington's supporting documentation, Wilmington based its request on a proposed standalone project to upgrade Wilmington's analog system with the most current analog technology and radios that were compatible with the State of Delaware's digital system.

However, rather than implementing the proposed project that was approved and funded by the COPS grant, we found that Wilmington used grant funds to participate in a communications expansion project being implemented by the State of Delaware. Specifically, in September 2004, the State of Delaware began its Emergency Communications System expansion project, a \$51.2 million project to provide the state with improved emergency communications coverage throughout the state and to increase network capacity. Wilmington provided its grant funds to the State of Delaware for a portion of the state's project – Wilmington's share of the project included the replacement of Wilmington's existing analog radio system with a digital system integrated directly into the state's new system.

³ Although Wilmington was required to match \$747,746, Wilmington actually matched \$748,000.

As a result of this change, Wilmington became compatible with the State of Delaware's digital system; however, we found that Wilmington did not notify COPS of the changes it made to its grant-funded program. We also found that Wilmington could not establish exactly what the COPS grant-funding was used for, but instead found that it reimbursed the State of Delaware for costs associated with its project. These findings are discussed in greater detail below.

Grant Expenditures

We reviewed Wilmington's grant-related expenditures to ensure that costs charged to the grant were allowable and adequately supported. Based on grant account records, Wilmington charged 15 expenditures, totaling \$2,991,238, to the grant-funded project. Specifically, Wilmington made three payments of \$775,805, totaling \$2,327,415, to the State of Delaware for portions of the state's \$51,200,000 Emergency Communications System expansion project. Additionally, charges were made for six contract change orders, totaling \$206,814; three payments were made for portable and mobile radio equipment purchased through the State of Delaware, totaling \$454,610; and a single payment was made for an electrical study, totaling \$2,400.

Competitive Contract Award not Supported

As set forth in the 28 C.F.R § 66.36, procurement transactions are required to provide full and open competition and grantees must maintain records sufficient to detail contractor selection and the basis for the contract price. Although the scope of this audit did not include a review of the procurement processes used by the State of Delaware, which provided contract management for the grant-funded project, Wilmington was required to maintain documentation to support its compliance with federal procurement regulations.⁴

To evaluate Wilmington's compliance with procurement regulations, we reviewed documentation Wilmington submitted to support the project, including the State of Delaware's Emergency Communications System expansion project and Consolidated Communications Hardware and Software Purchasing contracts, a January 2005 Statement of Work, and a March 2005 Memorandum of Understanding with the state noting that Wilmington would

⁴ Based on a Memorandum of Understanding (MOU), the State of Delaware provided contract management services for the City's portion of the project and forwarded all invoices from the contractor to Wilmington after ensuring that the amounts invoiced to Wilmington included agreed upon costs.

provide funding for a portion of the project. However, these documents did not substantiate that the contracts utilized for the grant-funded program were awarded competitively. We requested additional contract documentation that would substantiate that procurement regulations were met, but Wilmington did not provide documentation to support the contract award during our audit.

As result, we could not determine whether the contracts were competitively awarded in compliance with federal procurement regulations.⁵ The lack of documentation was significant because Wilmington, and not the State of Delaware, was bound by the federal procurement regulations in its use of grant funds for the project, and this contract comprised most of the grant project costs.

Contract Equipment not Properly Supported

We also determined that Wilmington was unable to document its receipt of equipment associated with the project. To support its receipt of equipment, Wilmington provided a copy of the state's November 2005 staging list obtained from its contractor. Wilmington identified 115 line items as equipment installed at its communications sites from this list, and noted each as funded by the grant program. We compared these line items to the equipment list established in the statement of work for the project and determined that only 78 of the 115 items, totaling \$129,800, could be matched to the statement of work equipment totaling \$1,443,393. Wilmington could not provide us with a formal listing of the equipment it received following the completion of the contract.

Without adequate documentation supporting the equipment received for the project, we were not able to determine if the project costs charged to the grant were directly allocable to Wilmington's share of the expansion project. We determined that Wilmington was not able to support the contract expenditures because it relied on the State of Delaware to ensure that the contractor fulfilled the requirements of the project. As a result, the state maintained all project documents until Wilmington requested support for its share of the expansion project in response to our audit, and even when documentation was provided to us, we found the documentation to be inadequate.

⁵ Based on the available documents, the consolidated contract and related prices were derived from the expansion contract to allow State of Delaware first responders and other agencies to purchase equipment for use on the state's system.

Electrical Study

In addition to the other project expenditures, Wilmington charged a \$2,400 electrical study to the grant. Although the electrical study was not approved in the budget, we reviewed Wilmington's method for selecting the electrical study vendor to determine if the cost was reasonable. As set forth in the 28 C.F.R § 66.36, grantees are required to obtain price quotations from an adequate number of qualified sources for purchases valued at \$100,000 or less and to maintain documents to support the procurement method. After reviewing the invoice and supporting documents provided, which included only one vendor quote, we determined Wilmington could not demonstrate that it complied with federal regulations. We also determined that Wilmington did not comply with its own Division of Procurement and Records Procedures Manual, which authorizes departments to make purchases valued between \$75 and \$5,000 from a list of approved vendors, because the supporting documents provided by Wilmington did not include or reference an approved vendor list. As a result, we were unable to determine if the electrical study cost was reasonable.

As a result of the contract competition, equipment, and electrical study issues discussed above, we concluded that Wilmington could not document its compliance with federal procurement regulations and could not demonstrate what was received through its participation in the state's communications project. We therefore question the entire program amount of \$2,990,985 as unsupported.

Accountable Property

As set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 28 C.F.R. § 66.32, grantees are required to maintain detailed property records, conduct a physical inventory of property at least once every 2 years, and reconcile the inventory with its property records.⁶

As discussed previously, Wilmington relied on the State of Delaware to manage the grant-funded project. As a result, Wilmington officials were not able to provide property records for the equipment purchased with grant funds. An equipment list from November 2005 was the only documentation provided by Wilmington to support its receipt of the expansion project equipment, despite the grant-funded equipment being purchased between

⁶ Property records must include: a property description, serial number or other identification number, title information, the source of property, acquisition date, cost, the percentage of federal participation in the cost of property, location, use and condition of the property, and ultimate date of disposal and sale price.

November 2005 and September 2007. Additionally, we determined that this list did not reconcile to the project's statement of work or include radio equipment obtained by Wilmington. According to a Wilmington Finance Department official, entries were made in the accounting system to record grant-funded equipment. However, during our review, we did not find such documentation present in Wilmington's records.

Additionally, we determined that Wilmington's last physical inventory was conducted in December 2005. Based on our review, the inventory report from 2005 did not include any grant-funded equipment and did not include all the property information required to meet federal regulations governing grant-funded equipment.

During our audit, Wilmington provided its Fixed Assets Policy and Procedures manual to support its property management procedures. We determined that this manual requires property records to be reconciled on an annual basis. However, we found that this policy was not enforced and, as a result, Wilmington did not comply with the federal requirement to maintain detailed property records that were reconciled to a physical inventory at least once every 2 years.

Budget Management and Control

As previously discussed, COPS approved Wilmington's \$2,990,985 project budget, including Wilmington's required cash match of \$747,746, to upgrade its communications system and become compatible with the State of Delaware's system by upgrading its own communications system. The approved budget designated \$2,985,985 for equipment and \$5,000 for travel costs for the grant-funded project.

In reviewing the expenditures reimbursed with grant-program funds, we found that Wilmington categorized all of the grant-program's funds used to reimburse the State of Delaware as equipment purchases. Because agencies can redirect less than ten percent of grant funds between budget categories without prior approval from the granting agency, we found that Wilmington's expenditures remained within the approved grant budget category totals.⁷ However, Wilmington's categorization of the expenditures as equipment could not be verified and as a result, we could not verify that Wilmington spent the grant funds in accordance with the approved budget.

⁷ Based on the accounting records and supporting documents, Wilmington did not use the grant to fund travel. The budgeted travel funds, \$5,000, totaling less than 10 percent of the total award, were re-allocated to the equipment category.

We also found that Wilmington altered the purpose of its approved project without obtaining approval from COPS. Rather than using the grant funds to upgrade its own communications system, Wilmington utilized its grant-program funds to participate in the State of Delaware's Emergency Communications System expansion project contract. We considered this to be a significant change in scope. As set forth in the Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 28 C.F.R. § 66.30, grantees must obtain prior approval from the awarding agency before revisions are made to the scope or objectives of the project, regardless of whether there is an associated budget revision.

In addition, we found that Wilmington lacked established policies and procedures designed to ensure grant funds were used according to the terms and conditions of the grant. To support its current grant management policies and procedures, Wilmington provided its draft Grants Manual dated July 2010. Because the manual was not formally approved, we determined that Wilmington did not have policies and procedures in place to ensure that it would meet the terms and conditions of the COPS grant-program funding. Furthermore, the draft policy did not provide specific guidance regarding project changes that would require prior written approval. An approved manual was not provided for our review during the audit.

We question the entire grant amount of \$2,990,985 as unallowable because Wilmington changed the scope of its project without prior written approval from COPS.⁸

Reporting

Financial Status Reports (FSRs) and progress reports are the principal method COPS uses to monitor the performance of its grants.⁹ FSRs summarize the use of federal funding for a grant program, showing the funds expended, planned to be expended, and remaining balances for each calendar quarter. Progress reports summarize grant activity for a specified period of time, including equipment and technology purchased. For our audit, we reviewed the FSRs and progress reports submitted by Wilmington for both factual accuracy and timely submission. As discussed below, we

⁸ The Interoperable Communications Technology grant applications were awarded competitively based on application details and budget.

⁹ As of October 2009, FSRs are Federal Financial Reports (FFRs). Because the reports submitted by Wilmington for this grant program occurred prior to October 2009, we refer to these reports as FSRs throughout this report.

determined that Wilmington did not file accurate or timely FSRs and progress reports.

Financial Status Reports

Accuracy

We reviewed 15 quarterly FSRs Wilmington submitted between November 2004 and June 2008 for accuracy by comparing the reported outlays to accounting system data. We found that the financial information included within the submitted FSRs did not match the accounting system data. Specifically, we found that Wilmington's reported share of outlays were underreported. We found that this occurred because Wilmington recorded the federal and recipient shares for expenditures in two separate accounts, one for the federal share and another for Wilmington's local match, but the preparer used only the federal share account to calculate total outlays. Additionally, the local match was calculated using an incorrect percentage, 10 percent instead of the actual 25 percent match requirement. The official responsible for the financial reporting agreed that both accounts were not used to prepare the reports and that he incorrectly believed the match was 10 percent.

Additionally, Wilmington reported a July 2006 payment, totaling \$775,805, in an FSR before the transaction was recorded in the grant program accounts, and reported only \$5,822 of the final \$28,408 in grant expenditures in another report.

Based on our review of the draft City of Wilmington Grants Manual dated July 2010, the manual did not provide specific guidance for completing the financial reports accurately. Specifically, the manual did not address calculating the total outlays based on the federal and recipient share account records. According to the official, the draft manual was revised to ensure reports are completed accurately, however, a final, approved manual was not provided for our review during the audit.

Timeliness

FSR reports are to be submitted within 45 days of the end of each quarter. We reviewed the FSRs submitted by Wilmington for timeliness and found that 10 of the 15 reports were submitted late. On average, these reports were submitted 46 days after the deadline, ranging 11 to 171 days beyond the due date.

In addition to our testing of Wilmington's procedures for filing financial reports, we found that in 2008, the Office of Justice Programs (OJP) conducted a financial monitoring and assistance visit, which reviewed five federal grants awarded to Wilmington, including the grant we audited, grant number 2004-IN-WX-0007. The OJP report included financial reporting findings, which we determined were relevant to our audit. Specifically, Wilmington's FSRs did not reconcile to the cumulative expenditures recorded in its accounting system and the reports were not submitted timely for the 2004-IN-WX-0007 grant.

We found that it did not appear that Wilmington took steps necessary to address the OJP Report's findings. Specifically, Wilmington, in its response to OJP's findings, stated that it had established e-mail reminders to monitor the due dates for timely filing of its reports. During our audit, we observed that Wilmington was currently using the reminders for other grant awards. We determined, however, that the implementation of the reminders without specific procedures for submitting reports was not sufficient to ensure reports were filed on time. Based on our review, Wilmington's draft Grants Manual did not have procedures for filing timely reports or include report due dates.

Progress Reports

According to COPS, Wilmington was required to submit one annual progress report for calendar year 2007 and a final progress report at the end of the grant award. We reviewed these reports for accuracy and timeliness. The 2007 annual report was due in mid-February 2008 and the final report was due 90 days after the end of the grant award period. After reviewing the reports, we determined that the 2007 report was submitted approximately 108 days late, in June 2008, but we also found that the final report was submitted on time.

The two progress reports had five questions that required grantees to respond by selecting "yes" or "no" answers. Of the five questions, we determined that two of the questions were the most relevant to our audit. These questions, to which Wilmington responded "yes" for both reports, were:

- Has your agency met all the grant objectives and implemented the programmatically-approved activities scheduled to be achieved as of the reporting period?"
- "Has your agency purchased all equipment...and other cost items in your approved project budget?"

We determined that these reports were not accurate because the grant-funded project scope changed during the grant award period without prior written approval, and Wilmington could not support its receipt of grant funded equipment.

Drawdowns

We reviewed the process that Wilmington followed to request grant funding. Based on the grant's payment history, Wilmington received \$2,243,238 through three separate requests, as shown below.¹⁰

Drawdowns for Grant 2004-IN-WX-0007

Date of Drawdown	Drawdown Number	Amount of Drawdown
9/28/2006	1	\$1,516,163
9/27/2007	2	\$705,000
7/1/2008	3	\$22,075
Total		\$ 2,243,238

Source: Office of Justice Programs (OJP)

We compared these drawdown dates to the expenditures recorded in the grant account and determined that Wilmington requested grant funding on a reimbursement basis. These payments were requested in September 2006, September 2007, and July 2008, all before the end of the grant award period on August 31, 2008. Based on our review of the accounting records, we determined that the receipt of grant funding was recorded in the accounting system.

Internal Control Environment

Our audit approach included an assessment of Wilmington's controls to ensure compliance with laws, regulations, and the grant's terms and conditions. To accomplish this objective, we gained an understanding of Wilmington's financial management system as it was used to record grant transactions; reviewed the fiscal year 2004 to 2009 Single Audit Reports; interviewed officials regarding their grant administration practices; and assessed property management, procurement procedures, and a draft grant administration manual.

¹⁰ Wilmington claimed \$2,243,238.28 in federal funding, or \$0.72 less than the \$2,243,239.

Financial Management System

The Code of Federal Regulations requires grantees and sub-recipients to maintain records to adequately identify the source and application of grant funds provided for financially supported activities. These records must contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays or expenditures, and income.

We found that Wilmington maintained these records in two separate accounts, one for federal funds and another for Wilmington's local matching share. We determined that the two accounts tracked obligations, outlays, and expenditures allocated to the grant project. We also determined that the accounting system was used to record the receipt of federal funds.

Single Audits

We reviewed Wilmington's Single Audit Reports for fiscal years 2004 to 2009 and identified three internal control findings related to Wilmington's administration of the grant we audited. In our audit, we found that the related internal control weaknesses have not been adequately resolved and are consistent with the basis for our findings for the unsupported grant expenditures. Specifically, we continue to have concerns regarding Wilmington's property management, policies and procedures for procurement and the use of federal grants, and recordkeeping.

Property Management

The FY 2005 Single Audit found that Wilmington did not maintain records for property and equipment for a previous COPS technology grant and recommended that records for equipment purchased with federal funds be maintained and reconciled with a physical inventory at least every 2 years. During this audit, we determined that Wilmington did not maintain property records and its last inventory was completed in December 2005. Furthermore, equipment from the grant we audited was not included in this inventory. Additionally, we determined that Wilmington did not enforce the policies in its Fixed Assets Policy and Procedures Manual that requires property records to be maintained for all equipment and an annual inventory be conducted.

Procurement Policies and Procedures for Federal Grants

The FY 2004 Single Audit found that Wilmington "...did not have a written procurement policy ... for expending federal funds." To support its

policies and procedures, Wilmington provided its Division of Procurement and Records Procedures manual dated April 2004. Based on our review, the manual did not include guidance for cooperative purchasing with the State of Delaware, evaluating proposals and bids, selecting contractors, and awarding contracts for federally-funded procurements.

As discussed, Wilmington could not support that the Delaware Emergency Communications System project and Consolidated Communications Hardware and Software Purchasing contracts were awarded competitively by the State of Delaware and could not support its receipt of project-related equipment. We also reviewed Wilmington's draft Grants Manual for relevant procurement policies and procedures, but the manual did not include specific policies for expending federal funds.

Additionally, we determined that Wilmington could not support its compliance with either the federal regulations or its own procedures in its selection of the electrical study vendor.

Recordkeeping

The FY 2005 Single Audit found that Wilmington "...could not provide supporting documentation for selected test work ... [and] recommended that the city adopt a record retention policy." As discussed, our audit found that Wilmington could not provide documentation supporting its actual project scope or grant expenditures. Although the draft Wilmington Grants Manual (July 2010) states that each grant has its own record retention requirement, usually 3 years, it did not include specific procedures to ensure that records are properly retained.

Matching Costs

The FY 2004 Interoperable Communications Technology Program grant required a local match of at least 25 percent. As required by the federal regulations, grantees are required to maintain records which document the amount and source of local matching funds from non federal sources. Wilmington's approved grant budget included local matching costs of \$747,746. After reviewing the recipient share account, we determined that Wilmington met the match requirement using its non-federal funds to contribute at least 25 percent of the expenditures. Wilmington actually exceeded the local match by contributing \$748,000. Based on Wilmington's FY 2006 Budget and the recipient share account record, we determined that the local match was funded by a local bond.

Program Performance and Accomplishments

Wilmington was awarded the COPS Interoperable Communications Technology Program grant to replace its antiquated analog radio system with a new analog system that would integrate with the State of Delaware's digital radio system. As discussed previously, we found that the project implemented by Wilmington using grant funds differed significantly from the plan established in Wilmington's grant application, in that it participated in the development of a digital system with the state, and Wilmington did not receive approval for the significant change in its methodology to integrate with the state's system. However, during the course of our audit, we found that the project implemented by Wilmington did meet the overall objective of the grant, albeit through its unapproved means, as well as the COPS Interoperable Communications Technology Program, in that Wilmington is now fully integrated into the State of Delaware's emergency communications system. While we could not establish what the costs associated with the final results of Wilmington's interoperability with the state's system were for directly, or whether Wilmington paid too much for its fair share of the system it is now a part, we found that Wilmington's implementation of the grant program did fulfill its objective of becoming interoperable with the state.

While we question the expenditures associated with the grant-funded program because we could not track the costs and because Wilmington did not implement the program it established through its grant application, we do find that Wilmington did meet the objective of the grant.

Conclusions

We determined that Wilmington requested and received \$2,243,238 in grant funds for claimed expenditures and provided \$748,000 in local matching funds for the grant-funded program. However, we found that the expenditures made with program funds included costs that were unallowable and unsupported. Specifically, we found that Wilmington: (1) changed the scope of its grant-funded project without prior written approval from COPS, (2) did not have approved budget management policies and procedures in place to ensure that grant objectives were met, (3) could not support its compliance with the federal regulations requiring competitive procurement or receipt of grant-funded equipment, (4) did not record equipment in a property management system or conduct an inventory at least once every 2 years, (5) did not complete accurate and timely financial and progress reports, and (6) did not ensure that internal control weaknesses identified in its Single Audit Reports were adequately resolved. As a result of these findings, we question all of the funds expended for the program. While we

found that Wilmington did not ensure that it implemented the project outlined and approved in its grant application, which resulted in the questioned costs described above, we also found that the result of the expenditures associated with the grant-funded program did result in Wilmington's ability to establish interoperable communications with the State of Delaware.

Recommendations

We recommend that COPS:

1. Remedy the \$2,990,985 in expenditures that were unsupported as a result of deficiencies related to contract competition, equipment, and an electrical study.
2. Remedy the \$2,990,985 in unallowable expenditures that were not approved by COPS as a result of the project scope change.
3. Ensure Wilmington implement and adhere to budget management policies and procedures.
4. Ensure grant-funded equipment is properly recorded and reconciled to a physical inventory at least once every 2 years in accordance with the federal regulations.
5. Ensure that Wilmington implement and adhere to policies and procedures for completing accurate and timely financial and progress reports.
6. Ensure that Wilmington implements and adheres to internal control policies and procedures that address its Single Audit Report findings.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review Wilmington's performance in the following areas: (1) grant expenditures, (2) accountable property, (3) budget management and control, (4) reporting, (5) drawdowns, (6) internal control environment, (7) matching costs, and (8) program performance and accomplishments. We determined that program income, indirect costs, and monitoring of contractors and subgrantees were not applicable to this grant.

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 grant on September 1, 2004, through grant close-out in March 2009. This was an audit of the Interoperable Communications Technology Program grant 2004-IN-WX-0007.¹¹ Wilmington had a total of \$2,243,238 in drawdowns through August 2008.

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in Title 28, Part 66, Code of Federal Regulations, Uniform Administrative Requirements for Grants and the award documents.

In conducting our audit, we reviewed all claimed grant-related expenditures and drawdowns. In addition, we reviewed the timeliness and accuracy of FSRs and progress reports, and evaluated performance to grant objectives. However, we did not test the reliability of Wilmington's financial management system as a whole.

¹¹ The audit scope was specific to the City of Wilmington and its administration of the grant.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS:</u>	<u>AMOUNT</u>	<u>PAGE</u>
Unallowable expenditures	2,990,985	9
Unsupported expenditures	2,990,985	7
<i>TOTAL GROSS QUESTIONED COSTS</i>	\$5,981,970	
LESS DUPLICATION ¹²	(\$2,990,986)	
NET QUESTIONED COSTS	\$2,990,984	

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.

¹² These costs relate to identical expenditures—though questioned for different reasons—and as a result, that portion of questioned costs is duplicated. We reduced the amount of costs questioned by the amount of this duplication, as well as by an insignificant amount that was de-obligated.

CITY OF WILMINGTON'S RESPONSE TO THE DRAFT AUDIT REPORT



City of Wilmington

James M. Baker, Mayor

Wilmington Police Department
William T. McLaughlin Public Safety Building
300 N. Walnut Street
Wilmington, DE 19801-3936

www.WilmingtonDE.gov

March 19, 2012

Thomas O. Puerzer
Regional Audit Manager
Office of the Inspector General
Philadelphia Regional Audit Office
701 Market Street, Suite 201
Philadelphia, Pennsylvania 19106

Dear Mr. Puerzer:

I am in receipt of your letter dated March 9, 2012, as well as the draft audit report concerning the Office of Community Oriented Policing Services (COPS) grant number 2004-IN-WX-007. In compliance with your request for an official response, my comments are as follows.

The Wilmington Department of Police applied for the Interoperable Communications Technology Program to achieve interoperability with the State of Delaware's digital radio system. This objective was met. The grant required a cash match of \$747,746.00 which was also satisfied. I acknowledge the conclusions in the audit report, and appreciate the efforts taken to document the steps the City could take to improve our budget management policies. I will address these findings with the officials in our Office of Management and Budget for rectification.

I would like to close by stating that the Wilmington Department of Police has been the recipient of numerous COPS grants in the past and present. There has never been any intentional misuse of funds, and our current grants are in good standing.

Sincerely,

A handwritten signature in cursive script that reads "Michael J. Szczerba".

Michael J. Szczerba
Chief of Police

MJS/fsr

Wilmington
In the middle of it all

CC: U.S. Department of Justice
Community Oriented Policing Services

William Montgomery
Chief of Staff

Eugene Bradley
City Auditor

Suzanne Oliver
Director of Integrated Technology

Laura Papas
Finance Director

Michael Witkowski
Communications Manager

File

OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
RESPONSE TO THE DRAFT AUDIT REPORT



U.S. DEPARTMENT OF JUSTICE
OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
Grant Operations Directorate/Audit Liaison Division
145 N Street, N.E., Washington, DC 20530

COPS

MEMORANDUM

To: Thomas O. Puerzer
Philadelphia Regional Audit Manager
Office of the Inspector General

From: Melonie V. Shine
Management Analyst

Date: April 12, 2012

Subject: Response to the Draft Audit Report issued on March 9, 2012 for the City of
Wilmington, Delaware

This memorandum is in response to your March 9, 2012, draft audit report on the Interoperable Communications Technology Grant #2004INWX0007, awarded to the City of Wilmington, Delaware (Wilmington). For ease of review, each audit recommendation is stated in bold and underlined, followed by a response from COPS concerning the recommendation.

Recommendation 1 - Remedy the \$2,990,985 in expenditures that were unsupported as a result of deficiencies related to contract competition, equipment, and an electrical study.

COPS concurs that grantees should provide documentation which supports the expenditures that were made under the grant.

Discussion and Planned Action

COPS will request an explanation and documentation from Wilmington concerning the expenditures that were questioned as unsupported. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Wilmington.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 1.

ADVANCING PUBLIC SAFETY THROUGH COMMUNITY POLICING

Thomas O. Puerzer
Philadelphia Regional Audit Manager, OIG
April 12, 2012
Page 2

Recommendation 2 - Remedy the \$2,990,985 in unallowable expenditures that were not approved by COPS as a result of the project scope change.

COPS concurs that grantees should obtain approval prior to making changes to the scope of the grant project which was awarded based on the submitted grant application and budget.

Discussion and Planned Action

COPS will request an explanation and documentation from Wilmington regarding changes that were made to the project scope without prior approval. After reviewing the response from Wilmington, COPS will determine the appropriate action concerning this recommendation.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 2.

Recommendation 3 - Ensure that Wilmington implements and adheres to budget management policies and procedures.

COPS concurs that grantees should implement policies and procedures to ensure adequate budget management.

Discussion and Planned Action

COPS will request an explanation and documentation to demonstrate that Wilmington has implemented and adheres to policies and procedures to ensure proper budget management. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Wilmington.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 3.

Recommendation 4 - Ensure grant-funded equipment is properly recorded and reconciled to a physical inventory at least once every 2 years in accordance with the federal regulations.

COPS concurs that grantees should properly record grant-funded equipment and reconcile it to a physical inventory at least once every 2 years.

Thomas O. Puerzer
Philadelphia Regional Audit Manager, OIG
April 12, 2012
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Discussion and Planned Action

COPS will request an explanation and documentation from Wilmington to confirm that equipment purchased with grant funds is properly recorded and reconciled to a physical inventory. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Wilmington.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 4.

Recommendation 5 - Ensure that Wilmington implements and adheres to policies and procedures for completing accurate and timely financial and progress reports.

COPS concurs that grantees are expected to submit accurate and timely financial and progress reports.

Discussion and Planned Action

COPS will request an explanation and documentation which demonstrates that Wilmington implemented and adheres to policies and procedures to ensure that financial and progress reports are submitted with accurate information and on time. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Wilmington.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 5.

Recommendation 6 - Ensure that Wilmington implements and adheres to internal control policies and procedures that address its Single Audit Report findings.

COPS concurs that grantees should implement and adhere to policies and procedures which ensure adequate internal controls.

Discussion and Planned Action

COPS will request an explanation and documentation to confirm that Wilmington implemented and adheres to internal control policies and procedures that address its Single Audit Report findings. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Wilmington.

Thomas O. Puerzer
Philadelphia Regional Audit Manager, OIG
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Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 6.

COPS considers Recommendations 1 through 6 resolved, based on the discussion and planned actions shown above. In addition, COPS requests written acceptance of the determination from your office.

COPS would like to thank you for the opportunity to review and respond to the draft audit report. If you have any questions, please contact me at 202-616-8124 or via e-mail.

cc: Martin L. Ward (copy provided electronically)
Philadelphia Regional Audit Office, OIG

Louise M. Duhamel, Ph.D. (copy provided electronically)
Justice Management Division

Mary T. Myers (copy provided electronically)
Justice Management Division

Marcia O. Samuels-Campbell (copy provided electronically)
Audit Liaison Division

Nancy Daniels (copy provided electronically)
Audit Liaison Division

James M. Baker
City of Wilmington

Michael J. Szczerba
City of Wilmington

Grant File: Interop #2004INWX0007

Audit File

ORI: DE00206

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

The OIG provided a draft of this audit report to the City of Wilmington and the Office of Community Oriented Policing Services (COPS) for review and comment. Their responses are included as Appendix III and IV of this final report. The following provides the OIG analysis of the responses and summary of actions necessary to close the report.

Recommendation Number:

1. **Resolved.** COPS concurred with our recommendation to remedy the \$2,990,985 in expenditures that were unsupported as a result of deficiencies related to contract competition, equipment, and an electrical study. COPS stated that it will request an explanation and documentation from Wilmington concerning the expenditures that were questioned as unsupported. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation that COPS has remedied these questioned costs.

2. **Resolved.** COPS concurred with our recommendation to remedy the \$2,990,985 in unallowable expenditures that were not approved by COPS as a result of the project scope change. COPS stated that it will request an explanation and documentation from Wilmington regarding the changes that were made to the project scope without prior written approval. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation that COPS has remedied these questioned costs.

3. **Resolved.** COPS concurred with our recommendation to ensure Wilmington implement and adhere to budget management policies and procedures. COPS stated that it will request an explanation and documentation to demonstrate that Wilmington has implemented and adheres to policies and procedures to ensure proper budget management. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation from COPS of Wilmington's implementation and adherence to budget management policies and procedures that comply with federal regulations.

4. **Resolved.** COPS concurred with our recommendation to ensure grant-funded equipment is properly recorded and reconciled to a physical inventory at least once every 2 years in accordance with the federal regulations. COPS stated it will request an explanation and documentation from Wilmington to confirm that equipment purchased with grant funds is properly recorded and reconciled to a physical inventory. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation from COPS demonstrating that Wilmington has properly recorded equipment purchased with grant funds and implemented property management policies and procedures that comply with federal regulations.

5. **Resolved.** COPS concurred with our recommendation to ensure that Wilmington implement and adhere to policies and procedures for completing accurate and timely financial and progress reports. COPS stated that it will request an explanation and documentation that demonstrates Wilmington implemented and adheres to policies and procedures to ensure that financial and progress reports are submitted with accurate information and on time. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation from COPS demonstrating Wilmington's implementation and adherence to financial and progress reporting policies and procedures that comply with federal regulations.

6. **Resolved.** COPS concurred with our recommendation to ensure that Wilmington implements and adheres to internal control policies and procedures that address its Single Audit Report findings. COPS stated that it will request an explanation and documentation to confirm that Wilmington implemented and adheres to internal control policies and procedures that address its Single Audit Report findings. In its response, Wilmington acknowledged the finding.

This recommendation can be closed when we receive documentation from COPS demonstrating Wilmington's implementation and adherence to policies procedures for addressing Single Audit Report findings in compliance with federal regulations.