



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
NATIONAL INSTITUTE OF JUSTICE
DNA BACKLOG REDUCTION PROGRAM AWARDS
TO THE SAN MATEO COUNTY SHERIFF'S OFFICE
REDWOOD CITY, CALIFORNIA**

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

Audit Report GR-90-14-004
September 2014

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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of Office of Justice Programs (OJP), National Institute of Justice (NIJ) DNA Backlog Reduction Program awards 2011-DN-BX-K472 and 2012-DN-BX-0082, totaling \$409,800, to the San Mateo County Sheriff's Office (SMCSO), in Redwood City, California, as shown in Exhibit 1. As of August 2013, the SMCSO had expended 93 percent of the total amount awarded.

EXHIBIT 1: DNA BACKLOG REDUCTION PROGRAM

AWARD NUMBER ¹	AWARD START DATE	AWARD END DATE ²	AWARD AMOUNT
2011-DN-BX-K472	10/01/11	03/31/13	\$213,288
2012-DN-BX-0082	10/01/12	03/31/14	\$196,512
TOTAL			\$409,800

Source: OJP

The purpose of the DNA Backlog Reduction Program is to assist eligible states and units of local government in reducing the number of forensic DNA and DNA database samples awaiting analysis. The SMCSO's goals for both awards were to: (1) reduce the forensic DNA case backlog through the employment of forensic scientists and the purchase of supplies; (2) increase the capacity of the laboratory system by purchasing equipment, and (3) provide the required continuing education for forensic scientists.

The purpose of our audit was to determine whether costs claimed under awards 2011-DN-BX-K472 and 2012-DN-BX-0082 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements;

¹ The 2011-DN-BX-K472 award was a cooperative agreement between the NIJ and the SMCSO. The 2012-DN-BX-0082 award was a grant that the NIJ awarded to the SMCSO. Throughout our report we refer to both as awards.

² The Award End Date includes all time extensions that were approved by OJP.

(10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and monitoring of sub-recipients and contractors were not applicable to these awards.

The SMCSO did not comply with essential award requirements in five of the nine areas we tested. Specifically, our audit found that the SMCSO failed to record program income on its award ledgers and commingled expenditures related to that program income totaling \$84,059. The SMCSO also commingled award-related expenditures totaling \$769 in its Forensic Laboratory's (Laboratory) general fund rather than recording it in the award-specific ledgers, as required by OJP. We questioned both amounts. In addition, we found that the methodology by which the Laboratory calculated its program income was incorrect. These discrepancies affected the SMCSO's Federal Financial Reports (FFR) that it submitted to OJP; eight of the FFRs that we reviewed were inaccurate. Included in the FFR discrepancies was at least a \$12,450 understatement of program income for both awards.

We also found that the SMCSO reimbursed Laboratory personnel for lodging expenses that exceeded approved government rates and as such, we questioned \$1,298 in unallowable travel reimbursements. We also found that the SMCSO did not adhere to the San Mateo County travel guidelines by advancing Laboratory personnel funds in excess of guideline maximums.

Finally, the Laboratory was unable to adequately support performance measurement data that it reported in its Progress Reports. Examples of performance measurement data that were not adequately supported included: (1) how quickly the Laboratory processed backlogged cases, (2) the number of backlogged cases, and (3) the number of cases processed by analysts each month. As a result, we were unable to determine whether the SMCSO was reducing its backlog of DNA cases.

As a result of our audit, we questioned a total of \$86,126 and made 8 recommendations to OJP. Our findings are discussed in detail in the Findings and Recommendations section of this report. Our audit objective, scope, and methodology are discussed in Appendix I. Our Schedule of Dollar-Related Findings is located in Appendix II.

We discussed the results of our audit with SMCSO officials and have included their comments in the report as applicable. In addition, we requested from the SMCSO and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices III and IV, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix V.

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INTRODUCTION

The U.S. Department of Justice Office of the Inspector General (OIG), Audit Division, has completed an audit of Office of Justice Programs (OJP), National Institute of Justice (NIJ) DNA Backlog Reduction Program awards 2011-DN-BX-K472 and 2012-DN-BX-0082, totaling \$409,800, to the San Mateo County Sheriff's Office (SMCSO), in Redwood City, California, as shown in Exhibit 1. As of August 2013, the SMCSO had expended 93 percent of the total amount awarded.

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Total			\$409,800

Source: OJP

Background

OJP's mission is to increase public safety and improve the fair administration of justice through innovative leadership and programs. Specifically, OJP provides innovative leadership to federal, state, local, and tribal justice systems, by disseminating state of the art knowledge and practices, and providing awards for the implementation of these crime fighting strategies. OJP works in partnership with the justice community to identify the most pressing crime-related challenges confronting the justice system and to provide information, training, coordination, and innovative strategies and approaches for addressing these challenges.

NIJ is the research, development, and evaluation agency of the U.S. Department of Justice, and is dedicated to improving knowledge and understanding of crime and justice issues through science. The NIJ provides objective and independent knowledge and tools to reduce crime and promote justice, particularly at the state and local levels.

¹ The 2011-DN-BX-K472 award was a cooperative agreement between the NIJ and the SMCSO. The 2012-DN-BX-0082 award was a grant that the NIJ awarded to the SMCSO. Throughout our report we refer to both as awards.

² The Award End Date includes all time extensions that were approved by OJP.

The purpose of the DNA Backlog Reduction program is to assist eligible states and units of local government in processing, recording, screening, and analyzing forensic DNA and DNA database samples, and to increase the capacity of public forensic DNA and DNA database laboratories to process more DNA samples, thereby helping to reduce the number of forensic DNA and DNA database samples awaiting analysis.

San Mateo County was founded in 1856, with the San Francisco Bay and Pacific Ocean making up the eastern and western most boundaries, respectively, and covers approximately 450 square miles consisting of densely populated cities and rural farmland. The county's approximate 720,000 citizens reside in 20 incorporated cities. The SMCSO has over 600 sworn officers and civilian personnel who provide various law enforcement services to all cities in the County, including contract police services for the Peninsula Corridor Joint Powers Board, the City of San Carlos and Eichler Highlands, and the towns of Woodside and Portola Valley. The SMCSO also provides investigative services to the San Francisco International Airport.

The SMCSO Forensic Laboratory (Laboratory) was last accredited for 5 years by the American Society of Crime Laboratory Directors/Laboratory Accreditation Board (ASCLD/LAB) in September 2010.³ The Laboratory performs analyses in the following areas: Crime Scenes; Controlled Substances; Firearms and Toolmarks; Forensic Biology; Latent Prints; Questioned Documents; Toxicology; and Trace. The Laboratory provides its services to law enforcement and other agencies within San Mateo County. In addition, the Laboratory provides its services, on a fee-for-service basis, to more than 35 law enforcement and other organizations outside of San Mateo County including the City of Vallejo and the Bay Area Rapid Transit Police Department.

OIG Audit Approach

The purpose of our audit was to determine whether costs claimed under awards 2011-DN-BX-K472 and 2012-DN-BX-0082 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and monitoring of sub-recipients and contractors were not applicable to this award.

We tested the SMCSO's compliance with what we consider to be the most important conditions of the award. Unless otherwise stated in our report, the

³ Accreditation is for a period of 5 years. Therefore, the Laboratory is up for accreditation renewal in September 2015.

criteria we audited against are contained in the *OJP Financial Guide*, award requirements, Code of Federal Regulations (C.F.R.), and Office of Management and Budget (OMB) Circulars. Specifically, we tested:

- **Internal Control Environment** – to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard the funds awarded to the SMCSO and ensure compliance with the terms and conditions of the award.
- **Drawdowns** – to determine whether drawdowns were adequately supported and if the SMCSO was managing award receipts in accordance with federal requirements.
- **Program Income** – to determine whether any program income generated from the award funds was properly managed.
- **Expenditures** – to determine whether costs charged to the awards, including payroll and fringe benefits were accurate, adequately supported, allowable, reasonable, and allocable. In addition, we tested expenditures related to the purchase of accountable property and equipment to determine whether the SMCSO recorded accountable property and equipment in its inventory records, identified the source of the property, and utilized the accountable property and equipment consistent with the awards.
- **Budget Management** – to determine whether there were deviations between the amounts budgeted and the actual costs for each category.
- **Reporting** – to determine if the required financial and programmatic reports were submitted on time and accurately reflected award activity.
- **Additional Award Requirements** – to determine whether the SMCSO complied with award guidelines, special conditions, and solicitation criteria.
- **Program Performance and Accomplishments** – to determine whether the SMCSO made a reasonable effort to accomplish stated objectives.
- **Post End Date Activity** – to determine whether the SMCSO complied with post end date requirements.

The results of our audit are discussed in detail in the Findings and Recommendations section of this report. The audit objective, scope, and methodology are discussed in Appendix I. The Schedule of Dollar-Related Findings is located in Appendix II. We discussed the results of our audit with SMCSO officials and have included their comments in the report, as applicable. In addition, we requested from the SMCSO and OJP written responses to a draft copy of our audit report. We received those responses and they are found in Appendices III

and IV, respectively. Our analysis of those responses and the status of the recommendations are found in Appendix V.

FINDINGS AND RECOMMENDATIONS

The SMCSO did not comply with essential award requirements in five of the nine areas we tested. Specifically, we found that the SMCSO failed to record program income on its award ledgers and commingled expenditures related to that program income totaling \$84,059. The SMCSO also commingled award-related expenditures totaling \$769 in its Laboratory's general fund rather than recording it in the award-specific ledgers, as required by OJP. We also found that the methodology by which the Laboratory calculated its program income was incorrect, resulting in at least a \$12,450 understatement in program income. These discrepancies affected the accuracy of the SMCSO's Federal Financial Reports (FFR) that it submitted to OJP. We identified \$1,298 in travel reimbursements that exceeded the allowable government rate. We also found that the SMCSO advanced travel funds in excess of county guidelines. Finally, we found that performance metrics data reported on its progress reports was not adequately supported, and as such, we could not determine if the SMCSO had met its goal of reducing its DNA Backlog. Based on these findings and other issues we discuss in our report, we questioned a total of \$86,126 and made 8 recommendations to OJP.

Internal Control Environment

We reviewed San Mateo County's Single Audit Reports for fiscal years (FY) 2010 through 2012 and its financial management system to assess the SMCSO's risk of noncompliance with laws, regulations, guidelines, and terms and conditions of the awards. We interviewed officials from the SMCSO's Payroll Department and Fiscal Services, including its Contract and Grants Unit, regarding internal controls and processes related to payroll and accounting functions. In addition, we interviewed an official at the San Mateo County Controller's Office regarding accounting functions.

Single Audit

According to OMB Circular A-133, non-federal entities that expend \$500,000 or more in federal awards in a year shall have a Single Audit conducted annually. We reviewed San Mateo County's most recent Single Audits for FYs 2010 through 2012.⁴ We found that in each of the San Mateo County's Single Audit reports, the independent auditors issued an unqualified opinion, yet identified weaknesses regarding internal controls over federal awards. Auditors found that San Mateo

⁴ San Mateo County's fiscal year is from July 1 through June 30.

County was not conducting secondary reviews of reports including: (1) performance measurement reports; (2) financial expenditure reports; and (3) request for funds reports. These omissions created risks that reporting errors may not be prevented or detected in a timely manner. In the FYs 2011 and 2012 Single Audit reports, the independent auditors stated that the previous years' finding relating to lack of secondary review of reports were corrected. This issue was relevant to our audit, as we found FFRs and Progress Reports that were submitted with errors. We discuss our findings of inaccurate FFRs, and unsupported performance measurements in the Reports and Program Performance and Accomplishments sections of this report, respectively.

Financial Management System

The *OJP Financial Guide* requires that all fund recipients "establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them." Further, the accounting system should provide adequate maintenance of financial data to enable planning, control, and measurement. The guide also requires that awardees separately account for each award and not commingle award funds.

Overall, we found that the SMCSO adequately maintained award-related financial records and data in accordance with the *OJP Financial Guide*. Based on our review of award-related transactions that were recorded in an integrated fund accounting system, we found that the system accurately accounted for award-related receipts and expenditures. However, we identified expenditures and program income allocable to the awards that were not separately accounted for in the SMCSO's separate award-related funds as required.

For award 2011-DN-BX-K472, the Laboratory purchased \$1,817 worth of supplies and spent \$4,205 on salaries that were not recorded in the award account ledger. Instead, the expenditures were recorded in the Laboratory's general fund ledger. As a result, the SMCSO commingled \$6,022 contrary to OJP requirements. When we brought this deficiency to the attention of the SMCSO, it made adjusting entries to correct \$5,253 of the amount that was commingled. For the remaining \$769 spent on salaries, a SMCSO official stated that it was unable to make correcting entries because the SMCSO's accounting records for that time period were closed and no further adjustments could be made. However, we believe that the SMCSO is able to post a correcting entry even if it is recorded in a different time period than the original transaction. Therefore, we question \$769 in expenditures that were commingled.

In addition, the SMCSO did not allocate to the specific award account ledgers program income and it commingled the expenditures related to that program income. We discuss this particular finding and question additional funds related to the commingling of program income in the Program Income section of this report.

Drawdowns

According to the *OJP Financial Guide*, award recipients should request funds based upon immediate disbursement or reimbursement needs. According to a SMCSO official, drawdowns were made quarterly and on a reimbursement basis.

We reviewed the drawdowns for each award by comparing the total actual costs recorded in the award ledger against cumulative drawdowns as of July 17, 2013. As illustrated in Exhibit 2, for awards 2011-DN-BX-K472 and 2012-DN-BX-0082, cumulative expenditures as reported on the award ledgers were greater than cumulative drawdowns. As a result, we determined that drawdowns for both awards were made as reimbursements.

EXHIBIT 2: ANALYSIS OF DRAWDOWN HISTORY

AWARD NUMBER	DATE OF DRAWDOWN	TOTAL DRAWDOWN	CUMULATIVE EXPENDITURES	CUMULATIVE DIFFERENCES
2011-DN-BX-K472	06/05/13	\$213,288	\$224,274	\$(10,986)
2012-DN-BX-0082	07/17/13	\$141,067	\$155,248	\$(14,181)

Source: SMCSO and OIG Analysis

Program Income

The Laboratory entered into fee-for-service contracts with outside law enforcement agencies to provide services such as crime scene investigation, evidence screening, and DNA analysis. These services generated income for the Laboratory. In our review of award-related program income, we identified findings in how the SMCSO and its Laboratory recorded, calculated, and reported program income.

Recording of Program Income

According to *OJP's Guide for Fee for Service Laboratories*, if a laboratory receives federal funding for equipment or personnel to expand the capacity of the DNA laboratory and the laboratory charges fees for providing DNA laboratory services, part of those fees are allocable to on-going federal awards. The allocated federal portion of program income must be used to further increase the DNA laboratory's capacity and cannot be used for another purpose nor be placed in the awardee's general fund to support non-DNA testing items.

As mentioned above, the Laboratory collected fees for its DNA services. Those fees were recorded in the SMCSO's accounting records. Further, a portion of the DNA fees that the Laboratory collected was allocable to the two awards we audited. However, the SMCSO did not allocate to the specific award-related ledgers program income and it commingled the expenditures related to that program income. SMCSO officials explained to us that they were unaware of OJP's requirement to separately account for and not commingle program income and related expenditures.

As a result of the SMCSO failure to separately record allocable DNA fees in the specific award-related ledgers, we could not definitively determine the amount of program income that was allocable to the awards nor the specific expenditures related to that program income. Therefore, we referred to the total program income that the SMCSO reported to OJP on its FFRs. For award 2011-DN-BX-K472, the SMCSO reported a total of \$43,416 in program income as of March 2013. For award 2012-DN-BX-0082, the SMCSO reported a total of \$40,643 in program income as of March 2014. The SMCSO reported on its FFRs expenditures related to program income that exactly matched the amounts reported as being earned for both awards.

Therefore, we recommend that OJP ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records. Also, we questioned \$84,059 in program income-related expenditures that were commingled and recommend that OJP work with the SMCSO to remedy those questioned costs.

Calculation of Program Income

OJP through its *Guide for Fee for Service Laboratories* provided guidance to DNA Backlog Reduction Program awardees for how to calculate program income by providing a formula. Specifically, the percentage of the Laboratory's total DNA budgeted operational costs covered by the federal award is multiplied by the quarterly fees the Laboratory received for its DNA services. Based on our review of the Laboratory's method for calculating program income, we found that the Laboratory incorrectly calculated both the: (1) percentage of its total DNA operational budgeted costs covered by the federal awards, and (2) quarterly fees the Laboratory received for its DNA services.⁵

In calculating its DNA laboratory's operating budget, the SMCSO did not include all budgeted operating costs (personnel, supplies, equipment, and training) related to the DNA forensic part of the Laboratory. Rather, the SMCSO only included the budgeted personnel costs for the DNA Laboratory and no other expenditures. Additionally, the Laboratory included into its calculations 2008 operational personnel budgeted costs even though OJP required award recipients to use current fiscal or calendar year operating budgeted costs. As a result of these discrepancies, the SMCSO's percentage calculation was incorrect. The Laboratory was unable to provide us with the information that would allow us to perform this calculation.

⁵ As previously stated, the SMCSO failed to allocate DNA fees it received for DNA analysis to the appropriate award-related general ledgers. Therefore, the SMCSO's program income calculations pertained to the program income amounts it reported on its FFRs.

Further, the Laboratory also failed to calculate the DNA fees on a quarterly basis for an 18-month period for each award as required by OJP. For example, for award 2011-DN-BX-K472, the Laboratory should have calculated its DNA fees on a quarterly basis beginning in October 2011 through March 2013. If the Laboratory followed OJP's criteria, it would have calculated a total of \$358,238 in award-related DNA fees. Instead, the Laboratory included the total DNA fees that it collected from May 2009 until April 2010, which preceded the award period and totaled \$246,581. Likewise, for award 2012-DN-BX-0082, the Laboratory should have calculated its DNA fees on a quarterly basis beginning in October 2012 through March 2014. If the Laboratory followed OJP's criteria, it would have calculated a total of \$373,372 in award-related DNA fees.⁶ Instead, the Laboratory included the total DNA fees that it collected from April 2010 until March 2011, which preceded the award period and totaled \$246,320.

Laboratory officials explained that they attempted to follow OJP's guidance for calculating and reporting program income and the SMCSO's accounting system had a limitation in that it could not separate the DNA Laboratory's budgeted operating costs from the rest of the Laboratory's sections. Therefore, the Laboratory only included total personnel costs as the basis for calculating its percentage of total DNA budgeted operational costs. Officials believed that by including 12 months of only personnel costs in its operating budgeted costs they would overestimate the amount of program income it had generated. However, officials acknowledged that calculating fees-for-service generated over the previous 12 months rather than quarterly over the 18-month period of the award, they did not include all program income generated by the DNA laboratory allocable to the DNA Backlog Reduction Program awards 2011-DN-BX-K472 and 2012-DN-BX-0082.

After we brought the calculation discrepancies to the attention of Laboratory officials, the Laboratory recalculated program income including the operational personnel budgeted costs for the correct fiscal years and 18 months of fees generated by the Laboratory, as illustrated in Exhibit 3. Although the Laboratory attempted to correct its calculation of allocable program income to the awards, there still remained the discrepancy of the Laboratory including only personnel budget costs rather than all operational budgeted costs.

⁶ The quarterly DNA fees-for-service covering the final FFR period from January 2014 until the end of the award March 2014 was yet to be determined at the time of our review and was not included in the \$373,372.

EXHIBIT 3: PROGRAM INCOME AS OF DECEMBER 2013

AWARD NUMBER	PROGRAM INCOME REPORTED ON FFRs	RECALCULATED PROGRAM INCOME	DIFFERENCE
2011-DN-BX-K472	\$43,416	\$48,979	\$5,563
2012-DN-BX-0082	\$40,643	\$47,530 ⁷	\$6,887
Total	\$84,059	\$96,509	\$12,450

Source: OIG Analysis of SMCSO's Program Income

Reporting of Program Income

OJP guidelines state program income earned and expended must be reported quarterly on the FFRs and any earned program income for the quarter should be expended by the end of the following quarter. For both awards, the program income earned and expended was incorrectly recorded on the FFRs for the reasons already stated above related to the Laboratory's incorrect calculation of program income. Further, the program income reported as expended on the FFRs did not match the program income reported as expended on the Progress Reports. Therefore, the SMCSO incorrectly calculated and reported program income to include a difference of at least \$12,450 from what should have been reported in accordance with award requirements. We recommend OJP ensure the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082, from January 2014 through March 2014.

As stated earlier, according to OJP's *Guide for Fee for Service Laboratories*, the allocated federal portion of program income must be used to further increase the DNA laboratory capacity and cannot be used to support non-DNA testing activity. In order to determine whether the Laboratory adhered to OJP's guidance, we tested a judgmental sample of program income-related expenditures. Specifically, for award 2011-DN-BX-K472 we selected 3 transactions totaling \$18,139 related to supply purchases. For award 2012-DN-BX-0082, we selected 1 supply purchase totaling \$10,268.⁸ We tested these transactions to determine if they were properly approved and related to DNA testing activity. We found that all four transactions were properly approved and related to DNA testing.

⁷ The \$47,530 that the Laboratory has recalculated does not include program income for the final reporting period, from January 2014 until the end of the award March 2014.

⁸ At the time of our review, the \$10,268 supply purchase was the only expense for award 2012-DN-BX-0082.

Expenditures

As of August 2013, the SMCSO had expended \$222,949 of award 2011-DN-BX-K472 and \$156,435 of award 2012-DN-BX-0082.⁹ We tested both personnel and non-personnel related expenditures for both awards. For personnel related expenditures, we describe our testing and results below. For non-personnel related expenditures, we selected all non-payroll related expenditures for each award, which resulted in us reviewing 31 expenditures totaling \$280,176 for both awards to determine if costs charged to the awards were allowable, properly authorized, adequately support, and in compliance with award terms and conditions. For award 2011-DN-BX-K472, we reviewed 15 expenditures totaling \$148,652 and for award 2012-DN-BX-0082, we reviewed 16 expenditures totaling \$131,524. The expenditures we selected included training, supplies, and equipment. We reviewed supporting documentation including purchase orders, invoices, receipts, and check copies. We discuss the results of our testing below.

Overall, we found that 23 of the 31 non-payroll transactions we tested were allowable, properly authorized, adequately supported, and in compliance with award terms and conditions. For the remaining 8 transactions, we found discrepancies that we discuss in more detail below.

Personnel

According to the *OJP Financial Guide*, charges made to federal awards for salaries, wages, and fringe benefits should be based on payroll records approved by responsible officials and the charges must be in accordance with the generally accepted practices of the organization. In particular, when an award recipient's employees work on multiple programs or cost activities, the award recipient must reasonably allocate costs to each activity and base that allocation on time and effort reports, such as timesheets.

We judgmentally selected a sample of payroll expenditures to determine if these expenditures were allowable, reasonable and adequately supported. Specifically, we selected two non-consecutive pay periods for each award totaling \$12,268, including \$7,945 (\$7,725 in salaries and \$221 in fringe benefits) for award 2011-DN-BX-K472 and \$4,323 (\$4,202 in salaries and \$120 in fringe benefits) for award 2012-DN-BX-0082.¹⁰

We found that for awards 2011-DN-BX-K472 and 2012-DN-BX-0082, labor charges, including fringe benefits were generally computed correctly, properly authorized, accurately recorded, and properly allocated to the award.

⁹ As of August 2013, the expenditures for award 2011-DN-BX-K472 exceeded the total amount of the award (\$213,288).

¹⁰ Differences between the sum of the amounts are the result of rounding.

GSA Per Diem Rates

According to the *OJP Financial Guide*, travel costs must be in accordance with federal policy or an organizationally approved travel policy. The Guide further states that for domestic travel, award recipients may follow their own travel rates, but OJP's Office of the Chief Financial Officer reserves the right to determine the reasonableness of those rates. If there is no local written travel policy, the award recipient must abide by the federal travel policy, including per diem rates, which are established by the U.S. General Services Administration (GSA). The SMCSO, including its Laboratory, followed the San Mateo County's travel policy, which stated that employees were required to request a reduced government rate within defined spending limits.

We selected a total of six transactions relating to travel lodging expenses from both awards. These transactions were part of our sample of 31 transactions that were selected for testing. Two of the six travel lodging transactions matched GSA per diem rates for lodging and were properly approved. For the remaining four travel lodging transactions (all pertaining to award 2011-DN-BX-K472), employees were reimbursed for lodging that exceeded federal government per diem rates, as illustrated in Exhibit 4.

EXHIBIT 4: REIMBURSED LODGING OVER GSA PER DIEM RATES

No.	No. of Nights	GSA Per Diem Rate	Lodging Rates ¹¹	Total Overage ¹²
1	5	\$133	\$161	\$141
2	5	\$133	\$161	\$141
3	4	\$107	\$234	\$508
4	4	\$107	\$234	\$508
TOTAL				\$1,298

Source: SMCSO and OIG

According to the SMCSO's grant manager, she was unaware of the policies pertaining to travel lodging costs. Therefore, we questioned \$1,298 in unallowable travel reimbursements.

Travel Advances

The San Mateo County travel policy states that, "an advance claim may be submitted if an employee needs moneys to defray out-of-pocket expenses up to a maximum of \$1,000 . . . Receipts to support the use of such advances must be provided and accounted for on an employee expense reimbursement form." For award 2011-DN-BX-K472, we found that in all four travel advances we reviewed the SMCSO had advanced more than \$1,000 per trip.¹³ Additionally, for award

¹¹ The lodging rates do not include any city or state occupancy taxes charged.

¹² Differences between the sum of the amounts are the result of rounding.

¹³ We previously discussed these four transactions in the GSA Per Diem Rates section.

2012-DN-BX-0082, the SMCSO advanced more than \$1,000 for both of the travel advances we reviewed. A SMCSO official stated that they were unaware of the \$1,000 travel advance threshold. We recommend that OJP ensure the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements.

Accountable Property

According to the *OJP Financial Guide*, award recipients must take a physical inventory and reconcile the results with property records at least once every 2 years. In addition, property records should be maintained accurately and include the source of the property such as the federal award number. The San Mateo County's policy is to inventory items with a cost greater than \$5,000 and a useful life of more than 1 year. Additionally, the San Mateo County Controller's Office conducts an inventory of accountable property once a year. A Laboratory official also stated that sensitive items, such as laptop computers and cameras, were maintained on the Laboratory's property inventory records.

We selected two items purchased with award funds from the accountable property inventory lists provided by the SMCSO for awards 2011-DN-BX-K472 and 2012-DN-BX-0082. We found that both items were properly recorded on the San Mateo County property inventory records, but were not identified as federally funded. We recommend that OJP ensure the SMCSO properly maintains accountable property inventory records to include whether property was purchased with federal funding.

Budget Management

The *OJP Financial Guide* requires prior approval from the awarding agency if the movement of dollars between budget categories exceeds 10 percent of the total award amount for awards over \$100,000. Based on our review of the award package and solicitation for each award, we determined that the awards exceeded the \$100,000 threshold and were subject to the 10 percent rule. The SMCSO submitted one Grant Adjustment Notice (GAN), for award 2011-DN-BX-K472, for budgetary adjustments that included the SMCSO directly hiring forensic scientists rather than contractors and the shifting of funds between budget categories. For award 2012-DN-BX-0082, the SMCSO submitted one GAN to purchase equipment and to shift funds between budget categories. Both GANs were approved by OJP and we found that there were no budget deviations that required further OJP approval.

Reporting

According to the *OJP Financial Guide*, award recipients are required to submit both FFRs and Progress Reports. These reports describe the status of funds, compare actual accomplishments to the objectives of the award, and report other pertinent information. We reviewed the FFRs and Progress Reports submitted by

the SMCSO to determine whether each report was submitted in a timely manner and was accurate.

Federal Financial Reports

The *OJP Financial Guide* states that quarterly FFRs are due no later than 30 days after the end of the quarter, with the final FFR due within 90 days after the end date of the award. We reviewed the last four FFRs submitted for each of the awards to determine if the SMCSO submitted these reports on time. We found that the SMCSO submitted all eight reports in a timely manner.

We also reviewed the FFRs to determine whether they contained accurate financial information related to actual expenditures and program income for the awards. The *OJP Financial Guide* requires that FFRs contain the actual expenditures and unliquidated obligations incurred during the reporting period as well as the cumulative amounts for each award. In addition, program income and the expenditure of program income must be tracked on the FFRs. For each award, we compared the four most recently submitted FFRs as of September 2013 to the SMCSO's accounting records.

As indicated in Exhibit 5 below, we identified discrepancies between the expenditures on the FFRs and the award ledgers for six of the eight FFRs we reviewed.

EXHIBIT 5: ACCURACY OF FEDERAL FINANCIAL REPORTS¹⁴

AWARD 2011-DN-BX-K472					
No.	REPORTING PERIOD	FFR EXPENDITURES	ACCOUNTING RECORDS - EXPENDITURES	DIFFERENCE	CUMULATIVE DIFFERENCE
3	04/01/12-06/30/12	\$ 117,372	\$ 117,372	\$ 0	\$ 0
4	07/01/12-09/30/12	\$ 28,530	\$ 28,559	\$ 29	\$ 29
5	10/01/12-12/31/12	\$ 38,246	\$ 40,732	\$ 486	\$ 2,515
6	01/01/13-03/31/13	\$ 23,840	\$ 15,176	(\$8,664)	(\$6,149)
AWARD 2012-DN-BX-0082					
No.	REPORTING PERIOD	FFR EXPENDITURES	ACCOUNTING RECORDS - EXPENDITURES	DIFFERENCE	CUMULATIVE DIFFERENCE ¹⁵
1	10/01/12-12/31/12	\$ 9,227	\$ 9,227	\$ 0	\$ 0
2	01/01/13-03/31/13	\$ 82,346	\$ 83,352	\$ 1,006	\$ 1,006
3	04/01/13-06/30/13	\$ 49,495	\$ 59,684	\$ 10,189	\$ 11,196
4	07/01/13-09/30/13	\$ 32,512	\$ 32,883	\$ 371	\$ 11,567

Source: OIG analysis of FFRs

¹⁴ Exhibit 5 does not include any DNA-related program income expenditures.

¹⁵ Differences between the sum of the amounts are the result of rounding.

For award 2011-DN-BX-K472, the cumulative difference of \$6,149 was primarily the result of charges reported on the FFR but not recorded on the award ledger. For award 2012-DN-BX-0082, the cumulative difference of \$11,566 was primarily the result of supply purchases and accrued payroll costs that were recorded on the award ledger but not reported on the FFRs.

In addition, we also found that the SMCSO did not accurately report program income earned or expended on the quarterly FFRs as required for both awards. As previously discussed in the Program Income section of this report, the SMCSO incorrectly calculated program income for both awards and reported incorrect program income amounts on the FFRs we reviewed. We recommend that OJP ensure that the SMCSO submit accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits.

Progress Reports

According to the *OJP Financial Guide*, award recipients are required to submit Progress Reports describing activities or progress in accomplishing award objectives on a semi-annual basis. Progress Reports are due 30 days after the close of each reporting period, which end on June 30 and December 31. We evaluated the timeliness and the accuracy of the Progress Reports that SMCSO submitted to OJP as of June 30, 2013.

For award 2011-DN-BX-K472, we determined that the SMCSO submitted its most recent four Progress Reports in a timely manner. For award 2012-DN-BX-0082, we reviewed the most recent two Progress Reports that the SMCSO submitted to OJP. One report was submitted in a timely manner and the other was submitted one day late, with which we do not take issue.¹⁶

We also reviewed the submitted Progress Reports to determine if the information was accurate. For award 2011-DN-BX-K472, we reviewed a judgmental sample of reported program achievements detailed in the last three Progress Reports covering 15 months, from January 2012 through March 2013. Likewise, we also reviewed reported program achievements for award 2012-DN-BX-0082 for the two available Progress Reports, covering 9 months from October 2012 through June 2013. We compared the data reported in the Progress Reports to data provided by the Laboratory from its Laboratory Information Management System (LIMS) and a Combined DNA Index System (CODIS) spreadsheet maintained by the SMCSO's CODIS Administrator.¹⁷

¹⁶ At the time of our review, the SMCSO had only submitted two Progress Reports for award 2012-DB-BX-0082.

¹⁷ The FBI implemented CODIS as a distributed database with hierarchical levels that enables federal, state, and local crime laboratories to compare DNA profiles electronically. The Laboratory maintains a CODIS spreadsheet of Laboratory DNA profiles electronically uploaded to CODIS.

Our review found that the majority of the reported program achievements we reviewed could not be supported, including: (1) how quickly the Laboratory processed backlogged cases, (2) the number of backlogged cases, and (3) the number of cases processed by analysts for each month. For award 2011-DN-BX-K472, 16 of the 24 reported program achievements could not be supported by the Laboratory's LIMS data. For award 2012-DN-BX-0082, 8 of the 15 reported program achievements could not be supported by the Laboratory's LIMS data. For example, as illustrated in Exhibit 6, the laboratory reported on its Progress Reports the number of backlogged forensic DNA cases for each award. However, upon review of the Progress Reports and supporting documentation from LIMS, the number of reported backlogged cases could not be supported.

**EXHIBIT 6: NUMBER OF DNA BACKLOGGED CASES
REPORTED BY PROGRESS REPORT PERIOD**

AWARD 2011-DN-BX-K472				
No.	REPORTING PERIOD	AS REPORTED ON PROGRESS REPORTS	LABORATORY SUPPORT	DIFFERENCE
2	01/01/12-06/30/12	384	365	19
3	07/01/12-12/31/12	247	368	(119)
4	01/01/13- 06/30/13 ¹⁸	302	117	185
AWARD 2012-DN-BX-0082				
No.	REPORTING PERIOD	AS REPORTED ON PROGRESS REPORTS	LABORATORY SUPPORT	DIFFERENCE
1	07/01/12- 12/31/12 ¹⁹	384	367	17
2	01/01/13-06/30/13	402	399	3

Source: OIG Analysis of Progress Reports

We asked Laboratory officials to explain why the LIMS data differed from the reported performance measurement data on the Progress Reports. Laboratory officials stated that SMCSO experienced a server crash in August 2012, in which data from the Laboratory's LIMS dating back until May 2012 was lost. The Laboratory decided to rebuild the lost case information in an on-going manner, and is still in the process of reloading lost data into LIMS. As a result, the LIMS data provided to us in August 2013 differed from the LIMS data used to complete the Progress Reports. Laboratory officials stated that they expect to complete the lost data uploading by the end of FY 2014. Further, Laboratory officials also stated that as of September 2013 they have begun to maintain supporting documentation for the LIMS data used to complete Progress Reports.

¹⁸ The SMCSO FY 2011 DNA Backlog Reduction Program award ended on March 31, 2013.

¹⁹ The SMCSO FY 2012 DNA Backlog Reduction Program award began on October 1, 2012, which was mid-way through the progress reporting period.

Since the Laboratory did not maintain accurate performance measurement data, we were unable to determine if the awards' goal to decrease the DNA backlog at the Laboratory had been accomplished. In order to determine if the goals of the awards are being met, we recommend that OJP ensure that the SMCSO and its Laboratory submits accurate performance measurement data in its Progress Reports and maintains adequate documentation to support the performance measurements.

Additional Award Requirements

We reviewed the SMCSO's compliance with specific program requirements in the award solicitations as well as the special conditions included in its awards. We judgmentally selected for review 4 of the 28 special conditions for award 2011-DN-BX-K472 and 4 of the 30 special conditions for award 2012-DN-BX-0082. The special conditions that were selected for testing included the required: (1) submission of an Equal Employment Opportunity Plan, (2) accreditation of the laboratory, to include an external quality assurance audit at least once in the past 2 years, (3) submission of an environmental assessment, and (4) supplementing state and local funds and not replacing those funds that have been appropriated for the same purposes. We found that the SMCSO and its Laboratory complied with the special condition award requirements that we reviewed.

According to OJP, federal funds must be used to supplement existing state and local funds for program activities and must not replace those funds that have been appropriated for the same purposes. We reviewed the SMCSO's budgets for FYs 2011 and 2012 and did not find any indication that the SMCSO was using award funds to supplant local funding.

Program Performance and Accomplishments

According to award documentation, the SMCSO's goals for award 2011-DN-BX-K472 were to: (1) reduce the forensic DNA case backlog through forensic scientist overtime, employing one forensic scientist contract employee, and the purchase of supplies; (2) increase the capacity of the laboratory system by purchasing equipment, such as a robotic workstation capable of processing more samples per run, and by hiring three part-time forensic biology processing technicians to assist with evidence screening and reagent preparation; and (3) provide the required continuing education for forensic scientists. Based on our review of documentation provided by the SMCSO, we determined that the SMCSO achieved two of its three stated goals. We were unable to determine if the SMCSO achieved its goal of reducing the backlog of cases because of the lack of supporting documentation. The accomplishments includes, the SMCSO paying overtime for five Forensic Scientists and salaries of three part-time processing technicians. Also, the SMCSO purchased a robotic workstation, DNA forensic laboratory supplies, and sent Laboratory staff to continuing education training events in Georgia and Tennessee. The SMCSO did not hire any contractors; instead, the Laboratory and the SMCSO directly hired three processing technicians.

The goals of award 2012-DN-BX-0082 were to: (1) reduce the forensic DNA case backlog through the continued employment of forensic scientists and the purchase of supplies, (2) increase the capacity of the laboratory system by purchasing equipment, including expert systems software and Nikon cameras, and (3) provide the required continuing education for forensic scientists. Based on our review of documentation provided by the SMCSO, we determined that the SMCSO had achieved or made progress towards the goals. Specifically, the SMCSO employed two part-time processing technicians, purchased supplies and equipment including ArmedXpert software and Nikon cameras, and sent Laboratory staff to continuing education training events.²⁰

Post End Date Activity

According to the *OJP Financial Guide*, all award recipients have 90 days after the project end date to close out the award.²¹ According to the award documentation, award 2011-DN-BX-K472 ended on March 31, 2013. Therefore, pursuant to OJP requirements, close-out documentation was due by June 29, 2013. We confirmed that the SMCSO had drawn down remaining award funds and expended funds in accordance with award requirements and had submitted its final FFR and Progress Report as required.

Conclusion

We found that the SMCSO did not comply with essential award requirements in five of the nine areas we tested. Specifically, we found that the SMCSO failed to record program income on its award ledgers and commingled expenditures related to that program income totaling \$84,059. The SMCSO also commingled award-related expenditures totaling \$769 in its Laboratory's general fund rather than recording it in the award-specific ledgers, as required by OJP. We also found that the methodology by which the Laboratory calculated program income was incorrect, resulting in at least a \$12,450 understatement in program income. These discrepancies affected the SMCSO's Federal Financial Reports (FFR) that it submitted to OJP; eight of the FFRs that we reviewed were inaccurate. We identified \$1,298 in travel reimbursements that exceeded the government rate. We also found that the SMCSO advanced travel funds in excess of county guidelines. The SMCSO did not maintain accountable property inventory records identifying award property as federally funded. Finally, we found that performance metrics data reported on its progress reports was not adequately supported, and as such, we could not determine if the SMCSO had met its goal of reducing its DNA Backlog. Based on these findings and other issues we discuss in our report, we questioned a total of \$86,126 and made 8 recommendations to OJP.

²⁰ ArmedXpert software is a complete DNA case management tool specifically designed to streamline the DNA interpretation process.

²¹ According to the *OJP Financial Guide*, in order for an award to be closed out, the following must be submitted by the recipient to the awarding agency: the final Federal Financial Report and final Progress Report. Also, the expenditure of funds must occur during the award liquidation period, which is no later than 90 days after the end date of the award.

Recommendations

We recommend that OJP:

1. Ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records.
2. Remedy the \$84,828 in program income and expenditures that were commingled.
3. Ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082, from January 2014 through March 2014.
4. Remedy the \$1,298 in unallowable travel reimbursements.
5. Ensure that the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements.
6. Ensure that the SMCSO properly maintains accountable property inventory records to include whether property was purchased with federal funding.
7. Ensure that the SMCSO submit accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits.
8. Ensure that the SMCSO and its Laboratory submits accurate performance measurement data in its Progress Reports and maintains adequate documentation to support the performance measurements.

APPENDIX I

OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of our audit was to determine whether costs claimed under awards 2011-DN-BX-K472 and 2012-DN-BX-0082 were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The objective of our audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) program income; (4) expenditures including payroll, fringe benefits, indirect costs, and accountable property; (5) matching; (6) budget management; (7) monitoring of sub-recipients and contractors; (8) reporting; (9) additional award requirements; (10) program performance and accomplishments; and (11) post end date activity. We determined that indirect costs, matching, and monitoring of sub-recipients and contractors were not applicable to these awards.

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

This was an audit of NIJ DNA Backlog Reduction Program award numbers 2011-DN-BX-K472 and 2012-DN-BX-0082, totaling \$409,800, that were awarded to the SMCSO. Unless otherwise specified, our audit covered, but was not limited to, activities that occurred between the inception of award 2011-DN-BX-K472 in October 2011, through the start of our audit fieldwork in August 2013, and included such tests as were considered necessary to accomplish our objective. Further, the criteria we audited against are contained in the *OJP Financial Guide*, Code of Federal Regulations, OMB Circulars, and specific program guidance, such as award documents and the award solicitation.

We did not test internal controls for San Mateo County, taken as a whole or specifically for the program administered by the SMCSO. An independent Certified Public Accountant conducted an audit of San Mateo County's financial statements. The results of that audit were reported in the Single Audit Report that accompanied the Independent Auditors' Report for the year ending June 30, 2012. The Single Audit Report was prepared under the provisions of OMB Circular A-133. We reviewed the independent auditor's assessment to identify control weaknesses and significant noncompliance issues related to San Mateo County, the SMCSO, or the federal programs it was administering, and we assessed the risks of those findings on our audit.

In conducting our audit, we reviewed FFRs and Progress Reports, and we performed sample testing of award expenditures. Our testing was conducted by judgmentally selecting a sample of expenditures for analysis, along with a review of the internal controls and procedures, for the awards we audited. A judgmental

sampling design was applied to obtain broad exposure to numerous facets of the awards we reviewed, such as dollar amounts, expenditure category, or risk. We selected 31 award expenditures totaling \$280,176. In addition, we selected two non-consecutive pay periods for each award totaling \$12,268. This non-statistical sample design does not allow projection of the test results to all expenditures.

In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and FFRs. However, we did not test the reliability of the financial management system as a whole, nor did we place reliance on computerized data or systems in determining whether the transactions we tested were allowable, supported, and in accordance with applicable laws, regulations, and guidelines. We also performed limited testing of information obtained from OJP's Grants Management System (GMS) and found no discrepancies. We have reasonable confidence in the GMS data for the purposes of our audit. However, the OIG has not performed tests of the GMS system specifically, and we therefore cannot definitively attest to the reliability of GMS data.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>DESCRIPTION</u>	<u>AMOUNT (\$)</u>	<u>PAGE</u>
QUESTIONED COSTS:		
Unallowable Travel Reimbursements	\$1,298	12
Total Unallowable:	\$1,298	
Commingled Salary Expenditures	\$769	6
Commingled Program Income Expenditures	\$84,059	8
Total Commingled:	\$84,828	
TOTAL QUESTIONED COSTS²²	\$86,126	
TOTAL DOLLAR-RELATED FINDINGS	\$86,126	

²² **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.

AUDITEE RESPONSE²³

	<p>COUNTY OF SAN MATEO OFFICE OF THE SHERIFF</p>	<p>GREG MUNKS SHERIFF</p>
		<p>CARLOS G. BOLANOS UNDERSHERIFF</p> <p>TOM GALLAGHER ASSISTANT SHERIFF</p> <p>TRISHA L. SANCHEZ ASSISTANT SHERIFF</p>
<p>400 COUNTY CENTER ■ REDWOOD CITY ■ CALIFORNIA 94063-1662 ■ TELEPHONE (650) 599-1664 ■ www.smcsheriff.com</p>		

ADDRESS ALL COMMUNICATIONS TO THE SHERIFF

August 14, 2014

David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1200 Bayhill Drive, Suite 201
San Bruno, CA 94066

SUBJECT: Draft Audit Report, Audit of the Office of Justice Programs National Institute of Justice
DNA Backlog Reduction Program Awards 2011-DN-BX-K472 & 2012-DN-BX-0082

Dear Mr. Gaschke,

This letter is submitted as the written response of the San Mateo County Sheriff's Office to the above reference draft audit report received via email on August 1, 2014. The audit was conducted on grants awarded by the Office of Justice Programs (OJP), National Institute of Justice (NIJ) as part of OJP's DNA Backlog Reduction Program.

While reviewing the draft audit report, it came to our attention that there are several inaccurate statements and contradictions within the report. The theme of the audit report is based on the fact that the Program Income was not separated from the Forensic Laboratory's general fund and was not properly calculated. While discussing these issues with the auditors, they were unable to provide guidance as to the proper method to calculate the Program Income. Highlighting and correcting each error and/or contradiction contained in the draft audit report would be time consuming and burdensome. Therefore the San Mateo County Sheriff's Office will respond only to the eight recommendations which can be found on page 20 of the draft audit report. The following are the responses by the San Mateo County Sheriff's Office (SMCSO).

Recommendation 1: Ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding; however, SMCSO will implement accounting changes to facilitate ease of review.

The SMCSO does not commingle award related expenditures. The Transaction Details Report for the time period of 10/1/2011 - 3/31/2013 (Attachment #1) and Transaction Details Report for the time period of 10/1/2012 to 3/31/2014 (Attachment #2) demonstrates that all Biology/DNA

²³ Attachments to SMCSO's response were not included in this final report.

related expenditures were separately accounted for as biology specific supplies. Although these expenditures were paid for from the Forensic Laboratory's general fund (Org #30181), no other section of the Laboratory can utilize the supplies purchased from Applied Biosystems / Life Technologies, Millipore, Qiagen, Rainin Instruments, Seriological Research Institute, and National Institute of Standards and Technology (for Human DNA).

Going forward, a separate line item will be assigned to deposit Program Income in each grant award's own fund in the general ledger. At the end of each quarter, the SMCSO will calculate the amount of Program Income to be reported. That amount will be transferred from the Forensic Laboratory's general fund into the Program Income designated line item account associated with the respective grant. The Program Income will be used to further increase the Laboratory's capacity and used to support DNA testing items.

Recommendation 2: Remedy the \$84,828 in program income and expenditures that were commingled.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding; however, SMCSO will implement accounting changes to facilitate ease of review.

For award 2011-DN-BX-K472, the SMCSO reported \$43,415.92 in Program Income. Attachment #1 shows that the SMCSO Laboratory conservatively spent \$63,036.13.

For award 2012-DN-BX-0082, the SMCSO reported a total of \$40,643 in Program Income as of March 2014, however Attachment #2 depicts the Laboratory conservatively spent \$83,872.18.

As previously stated in the response to Recommendation 1, no other Laboratory Section can utilize the supplies purchased from Applied Biosystems / Life Technologies, Millipore, Qiagen, Rainin Instruments, Seriological Research Institute, and National Institute of Standards and Technology (for Human DNA), which were purchased with Program Income.

Going forward, a separate line item will be assigned to deposit Program Income in each grant award's own fund in the general ledger. At the end of each quarter, the SMCSO will calculate the amount of Program Income to be reported. That amount will be transferred from the Forensic Laboratory's general fund into the Program Income designated line item account associated with the respective grant. The Program Income will be used to further increase the Laboratory's capacity and used to support DNA testing items.

Recommendation 3: Ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082, from January 2014 through March 2014.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding.

The Findings and Recommendations on page five of the Draft Audit Report indicate that the "methodology by which the Laboratory calculated its program income was incorrect, resulting in at least a \$12,450 understatement in program income."

On page 8, the auditors state that the "Laboratory incorrectly calculated both the: (1) percentage of total DNA operational budgeted costs covered by the federal awards, and (2) quarterly fees the Laboratory received for its DNA services."

In 2008, when the Laboratory began charging service fees for its Laboratory services, the Laboratory's grant administrator reached out to OJP to ensure reporting compliance when calculating program income. In January 2009, the OJP employee provided guidance on how the SMCSO should calculate its program income (See Attachment #3). The Laboratory has been following this OJP employee's advice since 2009 and until this particular audit, USDOJ never once indicated that our progress reports/FFRs were in violation of grant policies.

The SMCSO explained to the auditors how the Program Income calculations were computed and were fully aware of their over-estimation of program income percentage. By using only Biology/DNA Section Personnel Costs as the Operational Costs the SMCSO was willing to over-compensate for Program Income.

On page 8, the auditors state that the "Laboratory included into its calculations 2008 personnel budgeted costs even though OJP required recipients to use current fiscal or calendar year operational budgeted costs. As a result of these discrepancies, the SMCSO's percentage calculation was incorrect." These 2 statements are factually incorrect and misleading. The SMCSO used current fiscal year operational budgeted costs for Personnel when calculating its program income (See Attachment #4). During the audit/interview phase, Laboratory Personnel informed the auditors that Laboratory examiners had not received salary increases since 2009 and as a result the budgeted costs for Personnel (salaries and fringe benefits) for the 2011 and 2012 grant were the identical and unchanged.

Also, on page 8, the Draft Audit Report states: "The Laboratory was unable to provide us with the information that would allow us to perform this calculation." This statement is also incorrect. The SMCSO provided the Auditors with the San Mateo County Sheriff's Office 2012-13 Personnel Costing Worksheet (Attachment #4) it used when calculating the Laboratory's personnel costs and recommended that the Auditors speak to SMCSO Payroll staff or the County Controller's Office for additional evidence of employee salaries and benefits, if required.

Although the SMCSO disagrees with the Finding of a \$12,450 understatement in program income, the SMCSO provided documentation (Attachments #1 and #2) to support the claim that SMCSO conservatively spent \$63,036.13 (an additional \$19,620.21 than reported for award 2011-DN-BX-K472) and \$83,872.18 (an additional \$40,643.00 than reported for award 2012-DN-BX-0082).

Recommendation 4: Remedy the \$1,298 in unallowable travel reimbursements.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding.

The SMCSO submitted a budget and budget narrative to NIJ as part of the application requesting 2011 DNA Backlog Reduction Program funding. The 2011 DNA Backlog Reduction budget was approved by OJP and the SMCSO was awarded \$213,288. SMCSO spent a portion of the award funding on travel, as was outlined and, subsequently, approved in the SMCSO grant application budget.

According to page 12 of the draft audit report, "Travel costs must be in accordance with federal policy or an organizational approved travel policy. The Guide further states that for domestic travel, award recipients may follow their own travel rates, but OJP Office of the Chief Financial Officer reserves the right to determine the reasonableness of those rates."

For award 2011-DN-BX-K472, travel was conducted using SMCSO travel policy. For award 2012-DN-BX-0082, SMCSO initially submitted a grant application which included a detailed budget using SMCSO travel policy. The application was change requested to rectify the travel rates to comply with the GSA rates. The SMCSO recalculated travel expenses to comply with GSA rates and the budget was resubmitted and approved.

Recommendation 5: Ensure that the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding.

The SMCSO follows the guidelines outlined in the County Travel Policy, Administrative Memorandum B-16 which is intended to establish consistent, efficient, and effective guidelines for County employees and officials when traveling on County business. Advance planning is encouraged whenever possible in order to obtain the lowest possible rates. Government and group rates offered by a provider of lodging services shall be used when available. If such rate is not available, the maximum reimbursement rate shall be limited to the Continental United States (CONUS) current rate as set forth in the Code of Federal Regulations or double the amount of the CONUS current rate for CONUS designated high cost of living metropolitan areas.

When the need to travel on County business arises and in order to defray out-of-pocket expenses, SMCSO employees complete an advance claim for travel and submit it to the Sheriff's Training Unit to process and make the appropriate reservations. If the total advance exceeds \$1,000, the Training Unit staff will draft a memo (see Attachment #5) to the Controller's Office requesting approval to issue an advance claim which exceeds the allowable amount. Therefore proper guidelines are followed and procedures to ensure employees adhere to those requirements are already in place.

Recommendation 6: Ensure that the SMCSO properly maintains accountable property inventory records to include whether property was purchased with federal funding.

The SMCSO agrees with this recommendation.

According to page 13 of the draft audit report, the Auditors selected two items purchased with award funds from the Property Inventory lists provided by the SMCSO for both awards. Auditors found that both items were properly recorded on the San Mateo County property inventory records, but were not identified as federal funded on the instrument themselves.

SMCSO has since remedied the situation by affixing a label directly onto the equipment which states and identifies that it was "Purchased using Federal Grant Funds grant number" (See Attachment #6).

Recommendation 7: Ensure that the SMCSO submit accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits.

The SMCSO disagrees with this recommendation. When the SMCSO disagrees, the SMCSO is not disagreeing that the recommendation cannot be implemented; the SMCSO is disagreeing with the finding.

Five of the six FFRs in which the Auditors identified “discrepancies” were underreported, meaning the amount claimed in the FFR was less than what was recorded to the general ledger for the respective grant award. This was a result of the Grant Manager erring on the side of caution and not claiming expenditures if the proper documentation to justify the expense was not in her possession at the time of reporting. When submitting each FFR, the Grant Manager must certify that the FFR is true, complete, and accurate, to the best of her knowledge. Therefore the FFRs were accurate and the documentation to support the financial information contained within the FFRs was adequate.

Recommendation 8: Ensure that the SMCSO and its Laboratory submits accurate performance measurement data in its Progress Reports and maintains adequate documentation to support the performance measurements.

The SMCSO agrees with this recommendation.

In May 2012, the SMCSO servers crashed and no recent backups were maintained to restore the performance measurement data which had been lost. As a result of this server crash, the SMCSO now prints and maintains hard copies of all statistical data that it uses for its Progress Reports. Additionally, the SMCSO now has automated backups in place supported by audit logs that are reviewed daily.

Thank you for the opportunity to provide this formal written response to the U.S. Department of Justice Office of the Inspector General’s (OIG) audit of the Office of Justice Programs (OJP), National Institute of Justice (NIJ) DNA Backlog Reduction Program awards.

Sincerely,



Greg Munks, Sheriff
San Mateo County Sheriff’s Office

cc: Linda J. Taylor *(copy provided electronically)*
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Audit, Assessment, and Management
Office of Justice Programs

DEPARTMENT OF JUSTICE RESPONSE



U.S. Department of Justice
Office of Justice Programs
Office of Audit, Assessment, and Management

Washington, D.C. 20531

AUG 29 2014

MEMORANDUM TO: David J. Gaschke
Regional Audit Manager
San Francisco Regional Audit Office
Office of the Inspector General

FROM: 
LeToya A. Johnson
Acting Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, National Institute of Justice DNA Backlog Reduction Program Awards to the San Mateo County Sheriff's Office, Redwood City, California*

This memorandum is in reference to your correspondence, dated August 1, 2014, transmitting the above-referenced draft audit report for the San Mateo County Sheriff's Office (SMCSO), Redwood City, California. We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains **eight** recommendations and **\$86,126** in 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 that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records.**

OJP agrees with the recommendation. We will coordinate with SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that it separately accounts for and does not commingle all award-related expenditures, and that it records program income in its accounting records.

- 2. We recommend that OJP remedy the \$84,828 in program income and expenditures that were commingled.**

OJP agrees with the recommendation. We will coordinate with SMCSO to remedy the \$84,828 in program income and expenditures, related to cooperative agreement number 2011-DN-BX-K472 and grant number 2012-DN-BX-0082, that were commingled.

- 3. We recommend that OJP ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for grant number 2012-DN-BX-0082 from January 2014 through March 2014.**

OJP agrees with the recommendation. We will coordinate with SMCSO to obtain a copy of written procedures implemented to ensure that program income is calculated accurately, and a copy of accounting records to support the amount of program income garnered for grant number 2012-DN-BX-0082 from January 2014 through March 2014.

- 4. We recommend that OJP remedy the \$1,298 in unallowable travel reimbursements.**

OJP agrees with the recommendation. We will request that SMCSO return the \$1,298 in unallowable travel reimbursements charged to cooperative agreement number 2011-DN-BX-K472, and revise its Federal Financial Report (FFR) accordingly to remove those costs.

- 5. We recommend that OJP ensure that the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements.**

OJP agrees with this recommendation. We will coordinate with SMCSO to obtain written policies for its employees regarding allowable travel lodging rates and the threshold for travel advances, as well as written procedures to ensure that SMCSO's employees adhere to these policies.

- 6. We recommend that OJP ensure that the SMCSO properly maintains accountable property inventory records, to include whether property was purchased with federal funding.**

OJP agrees with the recommendation. We will coordinate with SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that SMCSO properly maintains accountable property inventory records, which indicate whether property was purchased with Federal funding and, if so, specifies the award used to purchase the property.

7. **We recommend that OJP ensure that the SMCSO submits accurate Federal Financial Reports (FFRs) and maintains adequate documentation to support the financial information contained within the FFRs it submits.**

OJP agrees with the recommendation. We will coordinate with SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that SMCSO submits accurate FFRs and maintains adequate documentation to support the financial information contained in these reports.

8. **We recommend that OJP ensure that the SMCSO and its Laboratory submit accurate performance measurement data in its Progress Reports and maintain adequate documentation to support the performance measurements.**

OJP agrees with the recommendation. We will coordinate with SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that the SMCSO and its Laboratory submit accurate performance measurement data in its Progress Reports and maintain adequate documentation to support the performance measurements.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Jeffery A. Haley, Deputy Director, Audit and Review Division, on (202) 616-2936.

cc: Jeffery A. Haley
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**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft copy of this audit report to the SMCSO and OJP. The SMCSO's and OJP's responses are incorporated in Appendices III and IV of this report, respectively. The OIG analysis of the responses and summary of actions necessary to close the report are detailed below.

Analysis of Auditee's Response

In response to our report, OJP agreed with each of the eight recommendations. As a result, our report is resolved.

The SMCSO agreed with two of the eight recommendations and disagreed with the remaining six recommendations. The SMCSO provided additional information in its response to the draft audit report, as discussed below and in the discussion of each recommendation.

The SMCSO stated there are several inaccurate statements and contradictions within the report. Specifically, the SMCSO stated the theme of the audit report is based on the fact that program income was not separated from the Laboratory's general fund and was not properly calculated. However, the SMCSO does not dispute that it failed to separately account for and therefore commingled award-related program income expenditures and non-award-related expenditures. With regard to SMCSO's statement that the OIG auditors were unable to provide guidance regarding the proper method of calculating program income, we referred the SMCSO to OJP for any assistance pertaining to OJP's methodology for calculating program income. In the program income section of our report we explain in detail OJP's program income requirements and methodology for calculating program income.

While the SMCSO asserts that there were errors and contradictions within our draft report, the SMCSO went on to state that correcting each error or contradiction within the draft report would be time consuming and burdensome. Thus, the SMCSO chose to respond only to the eight recommendations in the draft report. As a matter of practice, the OIG provides auditees with a copy of our draft report so that they have an opportunity to provide us with any information or comments about the factual accuracy of our draft report so that we can carefully consider them before issuing our final report. In this case, without the SMCSO providing specific information about the alleged errors or contradictions in the report, we were unable to address the SMCSO's concerns or provide a detailed explanation that was responsive to those concerns. That being the case, we discuss each of the eight recommendations in detail below.

Recommendation Number:

1. **Ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records.**

Resolved. OJP concurred with our recommendation to ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records. OJP indicated that it would obtain a copy of the SMCSO's policies and procedures that were implemented to ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records. In its response, the SMCSO stated it did not concur with our recommendation; however, the SMCSO did not explain why it disagreed with our recommendation and it stated that it will implement changes to address our recommendation.

Further, the SMCSO stated in its response that Laboratory expenditures, including the 2011 and 2012 DNA Backlog Reduction Program award-related expenditures, were not commingled. The SMCSO provided in its response new information and evidence of the Laboratory's award accounting records for the time period covering October 2011 through March 2014. The SMCSO stated that the award-related expenditures were separately accounted for in the Laboratory's accounting records. Specifically, for program income-related expenditures, the SMCSO identified Laboratory supplies purchased with program income and recorded it in the Laboratory's general ledger. The SMCSO explained that these expenditures were paid for from the Laboratory's general fund; no other section of the SMCSO Crime Laboratory can utilize the supplies purchased except for the DNA Laboratory. As stated in our report, the OJP Financial Guide requires that awardees separately account for each award and not commingle award funds. The SMCSO failed to separately account for and commingled the expenditures related to that program income by recording those expenditures on the Laboratory's general fund instead of in a separate account designated for each of the awards. Even though the supply expenditures purchased may only be utilized in the DNA Laboratory, based on OJP's requirement award-related expenditures must be accounted for separately.

The SMCSO in its response did not discuss the additional commingled award-related expenditures that were identified in our report. In our report, we noted that for award 2011-DN-BX-K472, the Laboratory purchased supplies totaling \$1,817 and spent \$4,205 on salaries that were not recorded on the award ledger. Instead, the expenditures were recorded in the Laboratory's general account. As a result, the SMCSO commingled \$6,022 contrary to OJP requirements. Although the SMCSO has made adjusting entries to correct \$5,253 of \$6,022 commingled amount, the remaining \$769 has not been adjusted for.

In its response, the SMCSO stated it will implement a separate line item to deposit program income in each award's own fund in the general ledger. At the end of each quarter, the SMCSO will calculate the amount of program income to be reported and the amount will be transferred from the Laboratory's general fund into the program income designated line item account associated with the respective award. The SMCSO also stated the program income will be used to further increase the Laboratory's capacity and used to purchase DNA testing items. This recommendation can be closed when we receive evidence that the SMCSO has implemented policies and procedures to ensure that the SMCSO separately accounts for and does not commingle all award-related expenditures and records program income in its accounting records.

2. **Remedy the \$84,828 in program income and expenditures that were commingled.**

Resolved. OJP concurred with our recommendation to remedy the \$84,828 in program income and expenditures that were commingled. OJP stated in its response that it will coordinate with the SMCSO to remedy the questioned costs listed above. In its response, the SMCSO stated it did not concur with our recommendation; however, the SMCSO also stated it will implement changes to address our recommendation.

As stated in our report, and reiterated by the SMCSO in its response, the SMCSO reported \$43,416 in program income-related expenditures on its FFRs for award 2011-DN-BX-K472 and \$40,643 in program income-related expenditures on its FFRs as of March 2014 for award 2012-DN-BX-0082. The SMCSO provided in its response new information and evidence of the Laboratory's accounting records for the time period covering the 2011 and 2012 DNA Backlog Reduction Program awards in which the SMCSO highlighted all the program income-related expenditures on the general ledger. For award 2011-DN-BX-K472, the highlighted program income-related expenditures totaled \$63,036 and for award 2012-DN-BX-0082, the expenditures totaled \$83,872 as stated in the SMCSO response. The SMCSO explained although these expenditures were paid for from the Laboratory's general fund; no other section of the SMCSO Crime Laboratory can utilize the supplies purchased except for the DNA Laboratory. As stated in our report, the OJP Financial Guide requires that awardees separately account for each award and not commingle award funds with funds from other sources. The SMCSO failed to separately account for and commingled the expenditures related to that program income by recording those expenditures in the Laboratory's general fund instead of in separate accounts designated for each of the awards. Even though the purchases may only be utilized in the DNA Laboratory, based on OJP's requirement award-related expenditures must be accounted for separately. In addition, the OJP Financial Guide requires program income and the expenditure of program income to be tracked and reported on the FFRs. As discussed in our report, the SMCSO incorrectly calculated program income

for both awards and reported incorrect program income amounts on the FFRs we reviewed.

Further, the SMCSO in its response did not discuss the additional commingled award-related expenditures that were found in our report. In our report, we identified for award 2011-DN-BX-K472, the Laboratory purchased \$1,817 worth of supplies and spent \$4,205 on salaries that were not recorded in the award accounting records. Instead, the expenditures were recorded in the Laboratory's general fund. As a result, the SMCSO commingled \$6,022 contrary to OJP requirements. The SMCSO made adjusting entries to correct \$5,253 of the amount that was commingled. For the remaining \$769 spent on salaries, the SMCSO has yet to make any adjustments. Therefore, we questioned \$769 spent on salaries and \$84,059 spent on program income-related expenditures that were commingled.

In its response, the SMCSO stated it will implement a separate line item to deposit program income in each award's own fund in the general ledger. At the end of each quarter, the SMCSO will calculate the amount of program income to be reported and that amount will be transferred from the Laboratory's general fund into the program income designated line item account associated with the respective award. The SMCSO also stated the program income will be used to further increase the Laboratory's capacity and used to purchase DNA testing items. This recommendation can be closed when we receive evidence that the SMCSO has remedied the \$84,828 in program income and expenditures that were commingled.

3. **Ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082, from January 2014 through March 2014.**

Resolved. OJP concurred with our recommendation to ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082 from January 2014 through March 2014. OJP also stated in its response that it will coordinate with the SMCSO to obtain copies of written procedures implemented to ensure that program income is calculated accurately and that SMCSO's accounting records support the amount of program income garnered for award number 2012-DN-BX-0082 from January 2014 until March 2014.

In its response, the SMCSO stated that in 2008 when the Laboratory began charging fees for its services, the Laboratory's Grant Administrator received guidance from OJP to ensure reporting compliance when calculating program income. The SMCSO provided to us new information pertaining to OJP's guidance that was not provided to us during our audit. We reviewed the guidance provided to the SMCSO and determined that the SMCSO was instructed to use the DNA award amount and the total annual DNA budget in its program income calculation. Although the SMCSO stated in its response that it had followed OJP's guidance regarding program income since 2009, it does not appear to have done so because, as it states in its response, it used

operational budgeted costs for personnel instead of the total annual DNA budget to calculate program income.

Because the scope of our audit covered activities that occurred between the project start date of award 2011-DN-BX-K472, in October 2011, through the start of our audit fieldwork in August 2013, we did not review documentation or determine the accuracy of the SMCSO reported program income pertaining to any DNA Backlog Reduction Program awards prior to the 2011 award.

However, for both the 2011 and 2012 DNA Backlog Reduction Program awards, the SMCSO stated in its response, that it explained to the OIG auditors how the Laboratory computed program income and stated it was fully aware by using only the DNA Laboratory personnel costs as the total DNA operational budgeted costs for the DNA Laboratory it was over compensating for program income. However, over-estimated program income results in inaccurate reporting and award records, and undermines granting agency ability to appropriately oversee the award. As a result, the SMCSO and its Laboratory should have accurately computed program income instead of over-estimating.

The SMCSO stated that the following two sentences in our draft report were factually incorrect and misleading, "The Laboratory included in its calculations 2008 personnel budgeted costs even though OJP required recipients to use current fiscal or calendar year operational budgeted costs. As a result of these discrepancies, the SMCSO's percentage calculation was incorrect." Specifically, the SMCSO stated in its response that it used current fiscal year operational budgeted costs for personnel – we clarified in the report that those costs were restricted to operational budgets for personnel. However, the method stated by the SMCSO in its response is inaccurate according to OJP requirements, which states that the current fiscal or calendar year total DNA operational budget costs (including personnel, supplies, equipment, and training) should have been used in the calculation to determine an accurate amount of program income.

The SMCSO also disagreed with our statement in the report that the Laboratory was unable to provide us with the information that would allow us to perform this calculation and determine the correct amount of program income to be reported. The SMCSO stated that it provided OIG auditors with the 2012-2013 personnel costing worksheet it used when calculating the Laboratory's personnel costs and recommended that the auditors speak to the SMCSO Payroll Staff from the County's Controller Office for additional evidence of employee salaries and benefits. In our draft report, we state that when it calculated its DNA laboratory's operating budget, the SMCSO did not include all budgeted operating costs (personnel, supplies, equipment, and training) related to the DNA forensic part of the Laboratory. Rather, the SMCSO only included the budgeted personnel costs for the DNA Laboratory and no other expenditures. The OIG auditors made multiple attempts to gather the information needed to determine the correct amount of program income to be reported for each award, but were informed by a Supervisor at the Laboratory

that this information was not available. Without the SMCSO providing accurate information, we were unable to determine the correct amount of program income that should have been reported.

Finally, the SMCSO in its response stated that the SMCSO conservatively spent \$63,036 (an additional \$19,620 than reported for award 2011-DN-BX-K472) and \$83,872 (an additional \$40,643 than reported for award 2012-DN-BX-0082). The SMCSO did not provide documentation to support the new information that it provided. This recommendation can be closed when we receive evidence that the SMCSO has implemented policies and procedures to ensure that the SMCSO and its Laboratory accurately calculate program income, including the amount that has yet to be determined for award 2012-DN-BX-0082 from January 2014 through March 2014.

4. **Remedy the \$1,298 in unallowable travel reimbursements.**

Resolved. OJP concurred with our recommendation to remedy the \$1,298 in unallowable travel reimbursements. OJP stated in its response that it will coordinate with the SMCSO to return the questioned costs listed above and revise its FFRs accordingly to remove those costs. In its response, the SMCSO stated that it did not concur with our recommendation and that it had submitted a budget and budget narrative to NIJ as part of the application requesting 2011 DNA Backlog Reduction Program funding.

The SMCSO explained that a portion of the award funding was spent on travel, as outlined in its award application budget, approved by OJP. However, the SMCSO failed to mention in its response that it had submitted a grant adjustment notice for award 2011-DN-BX-K472 on December 14, 2012, and received OJP approval on January 3, 2013. Furthermore, OJP's approval was based on a revised budget submitted by the SMCSO that included travel adjustments and the budget stated that two SMCSO employees would travel to Nashville at the GSA per diem rate of \$107 a night and that two SMCSO employees would travel to Atlanta at the GSA per diem rate of \$133 a night. However, as stated in the report, we determined that, for award 2011-DN-BX-K472, two SMCSO employees traveled to Nashville at the rate of \$234 per night, \$127 more per night than what OJP approved. Additionally, two SMCSO employees traveled to Atlanta at a rate of \$161 a night, \$28 more per night than what had been approved by OJP in the grant adjustment notice. Therefore, in our report we question the total unallowable travel reimbursement amount of \$1,298.

The SMCSO also stated in its response that according to page 12 of the draft report travel costs must be in accordance with federal policy or an organizationally approved travel policy and that for domestic travel, award recipients may follow their own travel rates, but the OJP Office of the Chief Financial Officer reserves the right to determine the reasonableness of those rates. The SMCSO stated for award 2011-DN-BX-K472, travel was conducted in accordance with the SMCSO travel policy. In our report, we refer to the SMCSO travel policy which states that SMCSO employees were required to

request a reduced government rate within defined spending limits. However, the SMCSO provided no evidence that the reduced government rates were requested as required by its own policy. Further, for award 2011-DN-BX-K472, all four of the travel lodging expenditures we reviewed exceeded federal government per diem rates.

In its response, the SMCSO also stated for award 2012-DN-BX-0082, the SMCSO initially submitted an award application which included a detailed budget using the SMCSO travel policy. The application was later changed to adjust travel rates to comply with GSA rates. The SMCSO recalculated travel expenses to comply with the federal government per diem rates and the resubmitted budget was approved by OJP. In our report, we identified for award 2012-DN-BX-0082 that both of the travel lodging expenditures we reviewed matched the GSA per diem rates for lodging and were properly approved.

This recommendation can be closed when we receive evidence the SMCSO has remedied the \$1,298 in unallowable costs associated with these issues.

5. **Ensure that the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements.**

Resolved. OJP concurred with our recommendation to ensure that the SMCSO provides guidance to its employees regarding allowable travel lodging rates and advances and develops procedures to ensure employees adhere to those requirements. OJP stated in its response that it will coordinate with the SMCSO to obtain a copy of written policies for its employees regarding allowable travel lodging rates and the threshold for travel advances, as well as written procedures to ensure that the SMCSO's employees adhere to these policies.

In its response, the SMCSO stated that it did not concur with our recommendation and stated that the SMCSO follows the guidelines outlined in the County Travel Policy, Administrative Memorandum B-16. The SMCSO reiterated that the County Travel Policy which states that an advance claim may be submitted if an employee needs money to defray out-of-pocket expenses up to a maximum of \$1,000. The SMCSO also explained in its response that after a SMCSO employee completes an advance claim for travel and submits it to the Sheriff's Training Unit for processing, appropriate reservations are made, and that employees must retain receipts to support the use of such advances and account for the travel expenditures on an employee reimbursement form. Additionally, the SMCSO also provided new information indicating that if the total advance exceeds \$1,000 the Training Unit staff would draft a memorandum to the Controller's Office requesting approval to issue an advance claim which exceeds the allowable amount. The SMCSO also provided an example of the memorandum from the Training Unit to the Controller's Office requesting approval to issue an advanced claim which

exceeds the allowable amount. However, the new information provided is not documented in the County Travel Policy, Administrative Memorandum B-16.

In our report, we determined that for award 2011-DN-BX-K472 and all four travel advances that we reviewed, the SMCSO had advanced more than \$1,000 per trip. Additionally, for award 2012-DN-BX-0082, the SMCSO advanced more than \$1,000 for both of the travel advances we reviewed.

This recommendation can be closed when the SMCSO provides evidence of the approved memorandum for each of the six travel advances we reviewed where the SMCSO had advanced more than \$1,000 per trip and that the SMCSO has formally provided guidance to its employees to ensure employees adhere to allowable SMCSO travel lodging rates and travel advance requirements.

6. **Ensure that the SMCSO properly maintains accountable property inventory records to include whether property was purchased with federal funding.**

Closed. OJP and the SMCSO concurred with our recommendation that the SMCSO properly maintain accountable property inventory records to include whether property was purchased with federal funding. OJP stated in its response it will coordinate with the SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that the SMCSO properly maintains accountable property inventory records, which indicate whether property was purchased with federal funding, and specifies the award used to purchase the property.

The SMCSO stated in its response that the Laboratory has affixed labels onto all equipment purchased with the 2011 and 2012 DNA Backlog Reduction Program award funds which state, "Purchased using Federal Grant Funds...", followed by the award number. The Laboratory provided photos of each piece of equipment purchased with the 2011 and 2012 DNA Backlog Reduction Program award funds, identifying the equipment with the appropriate federal award number on each affixed label.

The SMCSO also provided documentation of the SMCSO Forensic Laboratory Equipment Inventory Form for each piece of equipment purchased with the 2011 and 2012 DNA Backlog Reduction Program award funds. The inventory form provided by the SMCSO documents the: (1) description of the item, (2) manufacturer, (3) model number, (4) serial number, (5) county property number, (6) date of purchase, (7) unit that houses the equipment, and (8) a note section to identify federally funded purchases. We reviewed the evidence provided by the SMCSO and determined that its actions adequately address our recommendation, therefore, this recommendation is closed.

7. **Ensure that the SMCSO submit accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits.**

Resolved. OJP concurred with our recommendation to ensure that the SMCSO submit accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits. In addition, OJP stated that it will coordinate with the SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that the SMCSO submits accurate FFRs and maintains adequate documentation to support the financial information contained in these reports.

In its response, the SMCSO stated that it did not concur with our recommendation. The SMCSO stated that five of the six FFRs reported with discrepancies were underreported and the amount claimed in each of the FFRs was less than what was recorded in the general ledger for the respective award. In our report, we identified discrepancies between the expenditures on the FFRs and the award ledgers for six of the eight FFRs we reviewed. Specifically, for the six FFRs that we found to have discrepancies, we explain in the report the cumulative difference for each award.

For award 2011-DN-BX-K472, the cumulative difference of \$6,149 was primarily the result of charges reported on the FFRs but not recorded on the award ledger. For award 2012-DN-BX-0082, the cumulative difference of \$11,566 was primarily the result of supply purchases and accrued payroll costs that were recorded on the award ledger but not reported on the FFRs. According to the OJP Financial Guide, FFRs are required to contain the actual expenditures and unliquidated obligations incurred during the reporting period as well as the cumulative amount for each award. The SMCSO stated in its response that five of the FFRs were underreported because the Grant Manager had erred on the side of caution and not claimed expenditures if the proper documentation to justify the expense was not in her possession at the time of reporting. The sixth FFR that the SMCSO referred to in its response but did not address was the result of charges reported on the FFRs but not recorded on the award ledger. Therefore, we concluded in our report that six of the eight FFRs we reviewed contained discrepancies between the expenditures on the FFRs and the award ledgers.

Additionally, the OJP Financial Guide requires program income and the expenditure of program income to be tracked and reported on the FFRs. As discussed in our report, the SMCSO incorrectly calculated program income for both awards and reported incorrect program income amounts on the FFRs we reviewed.

This recommendation can be closed when we receive evidence that the SMCSO has implemented practices to ensure that the SMCSO submits accurate FFRs and maintain adequate documentation to support the financial information contained within the FFRs it submits.

8. **Ensure that the SMCSO and its Laboratory submits accurate performance measurement data in its Progress Reports and maintains adequate documentation to support the performance measurements.**

Resolved. OJP and the SMCSO concurred with our recommendation to ensure that the SMCSO and its Laboratory submit accurate performance measurement data in its Progress Reports and maintain adequate documentation to support the performance measurements.

OJP stated in its response that it would coordinate with the SMCSO to obtain a copy of policies and procedures developed and implemented to ensure that the SMCSO and its Laboratory submit accurate performance measurement data in its Progress Reports and maintain adequate documentation to support the performance measurements. The SMCSO stated in its response that the inaccurate performance measurement data reported in its Progress Reports was due to a SMCSO server crash. As a result of that crash, the SMCSO stated that it now prints and maintains hard copies of all statistical data that it uses for its Progress Reports. Additionally, the SMCSO stated it has implemented automated backups of its servers which are supported by audit logs that are being reviewed daily.

This recommendation can be closed when we receive evidence that the SMCSO has implemented practices to ensure that the SMCSO submits accurate performance measurement data in its Progress Reports and maintains adequate documentation to support the performance measurements.