



**BUREAU OF JUSTICE ASSISTANCE  
DEMOCRATIC NATIONAL CONVENTION  
SECURITY GRANT TO  
THE CITY OF BOSTON, MASSACHUSETTS**

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**BUREAU OF JUSTICE ASSISTANCE  
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TO THE CITY OF BOSTON, MASSACHUSETTS  
EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the Democratic National Convention Security grant 2004-DD-B5-1136.<sup>1</sup> The DOJ, Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), awarded the City of Boston this grant to provide security to delegates, visitors, and residents during the 2004 Democratic National Convention (DNC). In total, the BJA awarded Boston \$33,738,790 for planning and implementing security measures. As of January 2006, Boston had made \$26,240,056 in grant-related expenditures.

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

We determined that Boston generally complied with grant requirements in the areas we tested. However, Boston did not provide justification or obtain approval for \$56,506 in excessive consultant expenses, or provide adequate support for \$18,459 in personnel overtime charged to the grant. As a result of the deficiencies, we question \$74,965 in expenditures.<sup>2</sup>

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

We discussed the results of our audit with Boston officials and have included their comments in the report, as applicable. In addition, we requested a response to our draft audit report from Boston and the BJA, and their responses are appended to this audit report.

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<sup>1</sup> The OIG will initiate in the near future an audit of a similar grant to the City of New York to provide security for the 2004 Republican National Convention.

<sup>2</sup> The Inspector General Act of 1978, as amended, contains our reporting requirements for questioned costs. However, not all findings are dollar-related. See Appendix II for a breakdown of our dollar-related findings and for definitions of questioned costs.

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## INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the Democratic National Convention Security grant 2004-DD-B5-1136. The DOJ, Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), awarded the City of Boston this grant to provide security to delegates, visitors, and residents during the 2004 Democratic National Convention (DNC). In total, the BJA awarded Boston \$33,738,790 for planning and implementing security measures. As of January 2006, Boston had made \$26,240,056 in grant related expenditures.

Prior to both the Democratic and Republican National Conventions in 2004, Congress recognized that the host cities would require assistance to pay for security-related expenses. As part of the Consolidated Appropriations Act of 2004, Congress directed the BJA to provide the host cities of Boston and New York \$25,000,000 each to defray security costs, including overtime for law enforcement officers.<sup>3</sup>

After the DNC occurred, but prior to the start of the Republican National Convention, Congress passed the Fiscal Year 2005 Department of Defense Appropriations Act on August 5, 2004. The Act directed the BJA to make an additional \$25,000,000 available for each host city. Some members of Congress cited several factors to support the increased funding, such as terrorist bombings in Europe and a warning from the Attorney General and Director of the Federal Bureau of Investigation that al Qaeda intended to "hit the United States hard" during the months the conventions were held.

From the initial appropriation, Boston submitted a budget for \$24,852,500 and received the grant funding on May 19, 2004. Boston budgeted all security expenses around the original \$25,000,000 appropriation and had not anticipated additional grant funding would be made available after the convention ended. When the supplemental \$25,000,000 was made available in September 2004, Boston had already incurred most of budgeted expenses related to the DNC. However, Boston submitted a budget for, and received, an additional \$8,886,290 out of the possible \$25,000,000 in supplemental grant funds. Boston's supplemental budget consisted primarily of

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<sup>3</sup> The OIG will perform in the near future an audit of the BJA grant awarded to the City of New York for security expenses associated with the 2004 Republican National Convention.

overhead costs, fringe benefits, and additional expenses incurred by contractors who assisted with security aspects of the DNC.

The BJA approved the grant through January 31, 2006. In the last month of the grant period, Boston had not requested reimbursement for all its grant-related expenses and requested a 2-month extension of the grant period. The BJA granted the extension, and as of January 2006, Boston had made a total of \$26,240,056 in grant related expenditures. Boston told us it anticipates there will be approximately \$2,000,000 more in expenditures by March 31, 2006. The majority of the remaining charges include indirect charges that equal five percent of all grant expenditures. Since Boston does not anticipate spending all of the budgeted funds, the remaining available funds of approximately \$5,700,000 will be retained by the BJA.

The largest category of expenditures was overtime for police, fire, and support personnel from Boston and nearby state and local agencies involved in security efforts during the DNC. As discussed in the expenditure section of this report, charges to the grant also included: pre-event training; supplies; and equipment such as radios, riot gear, and closed circuit security camera systems.

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

OJP administered this grant through the BJA Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program. Eligible beneficiaries of this program include state and local governments, public and private organizations, and tribal governments. The objectives of this program are to provide leadership and direction in controlling the use and availability of illegal drugs and to improve the functioning of the criminal justice system.

## **Office of Justice Programs**

OJP within the U.S. Department of Justice provides the primary management and oversight of the grant we audited. Through the programs developed and funded by its bureaus and offices, OJP works to form partnerships among federal, state, and local government officials in an effort to improve criminal justice systems, increase knowledge about crime, assist crime victims, and to improve the administration of justice in America.

## **Bureau of Justice Assistance**

The BJA is one of five OJP bureaus and is the agency that awarded the DNC security grant. The BJA's stated mission is to support local, state, and tribal justice strategies to achieve safer communities through leadership and services in grant administration and criminal justice policy development. The BJA's goals are to improve the functioning of the criminal justice system and to reduce and prevent crime, violence, and drug abuse.

## **City of Boston**

The City of Boston is the state capital and largest city in Massachusetts. Boston is the 24<sup>th</sup> largest city in the United States, with nearly 600,000 residents. Located on the eastern coast of the state, Boston is geographically compact with an area of only 48 square miles. The population of the city nearly doubles during the day with workers, students, and tourists presenting a vulnerable densely populated area.

In November 2002, Boston won the bid to host the 2004 Democratic National Convention to take place July 26-29, 2004. At the convention, Democratic Party members gather to nominate their presidential candidate. Boston had not previously hosted a national political convention. Through private fundraising, Boston promised a \$49,500,000 financial package to support the convention.

## **Our Audit Approach**

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, we applied the OJP Financial Guide as our primary criteria in auditing this grant. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to

safeguard awarded funds and ensure funds are used appropriately. We tested Boston's:

- **Reporting** to determine whether the required Financial Status Reports and progress reports were submitted on time and accurately reflect grant activity.
- **Budget Management and Control** to determine whether the grantee adhered to the OJP-approved budget for expenditures of grant funds.
- **Grant Expenditures** to determine whether the costs charged to the grant are allowable and supported.
- **Requests for Grant Funding** to determine whether the requests were adequately supported and if the grantee managed grant receipts in accordance with federal requirements.
- **Program Performance** to determine whether Boston achieved grant objectives and to assess performance and grant accomplishments.

When applicable, we also test for compliance in the areas of program income, matching funds, and monitoring of subgrantees. For this grant, we determined that Boston generated no program income, matching funds were not required, and there were no subgrantees.

## FINDINGS AND RECOMMENDATIONS

### COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We determined that Boston generally complied with grant requirements in the areas we tested. However, Boston did not provide justification and obtain approval for \$56,506 in excessive consultant expenses, and did not have adequate support for \$18,459 in personnel overtime charged to the grant. As a result of these deficiencies, we question \$74,965 in expenditures.

#### Reporting

##### *Financial Status Reports*

Financial Status Reports (FSR) provide the BJA with a snapshot of Boston's grant-related expenditures and obligations for each calendar quarter throughout the life of the grant. Boston was required to submit eight quarterly FSRs between February 2004 and January 2006. As part of the audit, we reviewed these reports for accuracy and timeliness. The following table presents the dates and amounts of each FSR.

#### **FSRs Submitted to OJP as of January 2006**

<b>FSR Quarter Ending Date</b>	<b>Expenditure Amount</b>
March 31, 2004	\$0
June 30, 2004	\$1,907,642
September 30, 2004	\$1,151,299
December 31, 2004	\$11,656,601
March 31, 2005	\$1,762,939
June 30, 2005	\$7,435,555
September 30, 2005	\$1,562,465
December 31, 2005	\$593,946
<b>Total Expenditures Reported</b>	<b>\$26,070,447</b>

Source: BJA grant files

Boston officials told us that expenditure data reported on the FSRs is retrieved from the city's computerized accounting system. All grant-related expenditures are entered into the system under a specific code that identifies the expenditure as DNC-related and grant reimbursable. At the end of each quarter, the city runs a query from the accounting system that totals all grant expenditures and

obligations incurred during the quarter. We were able to match the information contained in each FSR to the expenditure data provided from the accounting system and determined that the FSRs accurately reported grant expenditures and obligations.

To determine if the FSRs were submitted to OJP within 45 days of the end of each quarter as required by the OJP Financial Guide, we reviewed the submission date on each FSR. We determined that the first FSR was late by 53 days, and 3 other FSRs were 2 to 3 days late. Boston officials told us the first report was late because the grant was awarded with a retroactive start date and after the first quarter report would have been due, so they were not aware that a report was required.

Because only the first report was significantly late, and 7 reports were subsequently submitted on time or within 2 to 3 days of the due date, we are satisfied Boston is providing OJP with timely FSRs. Overall, we found that Boston has submitted accurate FSRs in a timely manner.

### *Progress Reports*

Grant recipients are required to submit progress reports to OJP that describe the performance of grant activities and accomplishments of the objectives set forth in the approved award application. We reviewed the four progress reports Boston submitted to OJP to determine if the reports were submitted on time and accurately reported grant activity.

We found that each report consisted of a single-page narrative describing in broad terms the activities associated with the grant during the 6-month period. We reviewed grant-related documents and interviewed city officials to determine if the information contained in the reports was accurate. We determined that the progress reports provided an accurate description of grant activities for each period.

To determine if progress reports were submitted to the BJA within 30 days of the end of each semiannual reporting period as required by the OJP Financial Guide, we reviewed the submission date on the reports. We found that two of the four reports were submitted after the deadline. Boston was 22 days late submitting the second report for the quarter ending December 31, 2004, and it was 4 days late submitting the third report for the quarter ending June 30, 2005.

Because only one progress report was submitted significantly late, we are satisfied that Boston has provided grant progress information to the BJA in a timely manner.

### **Budget Management and Control**

Upon grant award approval, OJP provides a Financial Clearance Memorandum to the grant recipient that states the approved itemized budget for the grant. We reviewed Boston's Financial Clearance Memorandum and a Grant Adjustment Notice to determine the approved budget for the grant.

City officials showed us that the grant budget is established in the computerized accounting system. As coded expenditures are entered into the system, the computer creates a real-time budget monitoring summary. In addition, a Boston official maintains a separate spreadsheet which further summarizes the coded entries into the budget categories as presented on the Financial Clearance Memorandum. This additional spreadsheet provides a quick snapshot of grant spending relative to the approved budget.

The OJP Financial Guide states that grant expenditures must be justified by the approved budget, and movement of dollars between approved budget categories in excess of 10 percent of the total award must be approved in advance. To determine if Boston adhered to the budget, we compared the grant expenditures recorded in the city's computerized accounting system to the budget approved in the Financial Clearance Memo.

From the original budget, it appeared that Boston made a large transfer between the personnel and contract categories, as expenditures exceeded the contract category by \$7,429,322, and expenditures in personnel were \$13,043,906 less than the budget amount. The other budget categories had immaterial transfers. During our fieldwork, near the end of the grant period, Boston requested and received a revised budget from OJP through a Grant Adjustment Notice that more closely matched actual expenditures as follows.

## Expenditure to Budget Comparison as of January 2006

Budget Category	Approved Budget as of January 2006	Actual Grant Expenditures	Difference
Personnel	\$11,884,925	\$7,767,963	(\$4,116,962)
Fringe Benefits	\$999,170	\$0	(\$999,170)
Travel	\$10,250	\$10,250	\$0
Equipment	\$939,888	\$888,537	(\$51,351)
Supplies	\$703,179	\$681,499	(\$21,680)
Consultants	\$17,594,888	\$16,891,807	(\$703,081)
Indirect Charges	\$1,606,490	\$0	(\$1,606,490)
<b>Total</b>	<b>\$33,738,790</b>	<b>\$26,240,056</b>	<b>\$(7,498,734)</b>

Source: Boston's expenditure records and Grant Adjustment Notice #4

Grant expenditures did not exceed the budgeted amount in any category with the revised budget. Boston officials told us the revision to the original budget was necessary because of a misunderstanding of category definitions between Boston and OJP. For the first award, Boston included all budgeted costs for state and other municipal agency overtime in the personnel category along with Boston payroll charges. OJP approved the detailed budget with all agency personnel combined. When the supplemental award budget was submitted in the same manner, OJP asked Boston to separate all payments to other agencies as contract payments and not include them in the personnel category. As a result of this communication, Boston recorded all grant charges in this manner considering all personnel paid to outside agencies as contract expenditures rather than personnel expenditures. This resulted in an apparent overspending in the contract area and underspending in the personnel category.

Instead of waiting until the end of the grant period, we determined that Boston should have requested a budget modification when category definitions changed in response to the supplemental budget in December 2004. We reviewed the detail to the original budget and determined that if Boston had recorded expenditures in the manner submitted on the budget, with contractors included in personnel, there would be no material transfers between budget categories. Because the revised budget reflects the categories of actual expenditures, we do not make a recommendation in this area.

## Expenditures

As stated previously, the grant period was extended from January 31, 2006, to March 31, 2006. For this report, we included only grant expenditures recorded up to January 31, 2006, which totaled \$26,240,056. Boston officials told us that before the grant period is over, the city anticipates spending approximately \$2,000,000 more and returning the unused funds, or about \$5,700,000, to the BJA. We reviewed a sample of Boston's grant expenditures to determine if the expenditures were allowable and supported.

To determine if expenditures were allowable, we reviewed them to determine if the expenditures were in accordance with the grant budget and the permissible uses of grant funds outlined in the OJP Financial Guide. To determine if expenditures were supported, we reviewed invoices, purchase orders, and reimbursement requests. The total expenditures are spread across five categories as follows.

### Expenditures by Category as of January 2006

<b>Expenditure Category</b>	<b>Amount</b>
Contracts	\$16,891,807
City Personnel	\$7,767,963
Equipment	\$888,537
Supplies	\$681,499
Travel	\$10,250
<b>Total</b>	<b>\$26,240,056</b>

Source: Boston's expenditure records

In the remainder of this section, we explain how we tested expenditures to determine whether they were allowable and supported. Overall, we tested \$3,390,866 in grant expenditures.

#### *Contract Expenditures*

Contracts is the largest expenditure category, accounting for over half of Boston's grant expenditures. Contract expenditures consist of reimbursements to other agencies and companies that provided services to Boston during the DNC. Contractors included state police, local municipal police and sheriff departments, the local transit authority, the turnpike commission, hospitals, private companies, and many other entities. These contracts provided additional personnel and essential services throughout the DNC that

added to the overall staging and security of Boston during the convention. A total of \$16,891,807 in contract expenditures was paid to over 100 contractors.

Contractors were necessary because Boston did not have enough resources and personnel to carry out the comprehensive security plans for the DNC. Boston partnered with neighboring states and municipalities to obtain the additional manpower and resources required. In addition, several of these surrounding communities were affected by temporary highway and train station closures that resulted in additional expenses. A summary of contract expenditures by category follows.

**Contract Expenditures by Category as of January 2006**

<b>Contractor</b>	<b>Amount</b>
State agencies	\$6,002,529
MA Bay Transportation Authority	\$4,179,390
Local municipalities	\$2,131,223
Other reimbursement contracts	\$2,826,563
Service contracts	\$1,752,102
<b>Total</b>	<b>\$16,891,807</b>

Source: Boston’s expenditure records

State Agencies. State agency contracts included services from state police departments in Massachusetts, Vermont, New Hampshire, Maine, Connecticut, and Rhode Island. In addition to police services, reimbursements to other Commonwealth departments such as Corrections, Highways, and Fire Services, and to various county sheriff departments were included in this expenditure category. Overall, there were \$6,002,529 in state agency contract reimbursements.

The largest expenditure in the state agencies category was for the Massachusetts State Police. The Massachusetts State Police provided over 1,600 officers to assist during the DNC, resulting in the reimbursement of \$3,319,025 in overtime expenses. We tested a judgmental sample of 20 employees’ overtime charges totaling \$51,057 from the State Police reimbursement request. We reviewed electronic payroll data to determine if charges were recorded accurately, officers worked regular time before charging overtime, and pay rates matched the reimbursed amount. We determined that the overtime expenses were allowed, supported, and properly charged to the grant.

Massachusetts Bay Transportation Authority (MBTA). The MBTA was the contractor with the most grant expenditures, totaling \$4,179,390. The MBTA manages the public transportation systems in metropolitan Boston. The MBTA incurred many expenses related to the DNC because transit systems were considered vulnerable terrorist targets after the train bombing in Spain that occurred just months prior to the convention.

MBTA expenses included transit police overtime, track and station safety inspections, campaigns to notify the public of service changes, and various supplies and equipment used during the DNC. MBTA expenses also included payments the MBTA made to the Massachusetts Bay Commuter Railroad Company (MBCR) under a contract between the two agencies that covered planning, inspections, and equipment expenses the MBCR incurred as a result of the DNC. Throughout the year, the MBCR is contracted to operate commuter rail service and maintain MBTA-owned rolling stock and rights of way. The MBCR was heavily affected by the closure of a train station that was situated adjacent to the DNC venue.

We tested a total of \$1,085,553 in expenditures from the MBTA, including \$560,167 from the MBCR. Included in the expenditures were payments to consultants for track inspections, planning, and logistical issues. The OJP Financial Guide requires prior BJA approval for consultant rates in excess of \$450 a day based on an 8-hour work day. We found 1 consultant hired by MTBA was paid rates of \$90 and \$250 an hour, and 1 consultant hired by MBCR was paid \$95 an hour, which exceeded the \$450 a day threshold. Boston officials told us they had not sought OJP's approval for these consultants' rates. Because Boston did not obtain prior approval, we question \$56,506 in unallowable grant charges for consultant rates in excess of \$450 a day. City officials told us they were not aware of this requirement, but they feel the rates were justified. In our opinion, when justification and approval for excessive consultant rates are not approved in advance, the risk that grant funds could be misspent increases. We determined the remaining \$1,029,047 in expenditures we tested were allowable, supported, and accurately recorded.

Local Municipalities. Local municipality contracts included services from nearly 100 surrounding municipal police departments for a total of \$2,131,223 in grant expenditures. About 80 percent of these municipalities were members of the North Eastern

Massachusetts Law Enforcement Council (NEMLEC), or the Metropolitan Law Enforcement Council (METROLEC). Municipalities belonging to the NEMLEC and the METROLEC were eligible for reimbursement through a Memorandum of Understanding (MOU) developed for the convention between Boston and the organizations. The remaining 20 percent of municipalities were mainly reimbursed with the supplementary award and did not enter into formal MOUs before the DNC commenced.

We tested 5 local municipality reimbursements for a total of \$30,446 in expenditures. Charges to the grant mainly consisted of police overtime and backfill, although some municipalities also purchased supplies for use during the DNC. Backfill refers to payroll for an employee to cover a shift at the home station for another employee who was assigned to work at the DNC. We reviewed the reimbursement requests for the municipalities in our sample to determine if the expenses were reasonable, allowable, and supported. We found the costs were reasonable and allowable in accordance with the grant budget. We also found that payroll charges were adequately supported with timesheets, and supply purchases were supported with invoices.

Other Reimbursement Contracts. These charges consist of reimbursements paid to other agencies not mentioned above and include the Massachusetts Port Authority, Massachusetts Turnpike Authority, county sheriff offices, and several area hospitals. The reimbursements to other agencies totaled \$2,826,563.

We tested a total of \$1,217,431, including the largest payment of \$892,822 to the Massachusetts Turnpike, and payments to a county sheriff's office and to two local hospitals. The Massachusetts Turnpike expenditures consisted of leveling and grading construction areas controlled by the Turnpike for staging use during the DNC. The sheriff office charges were for preparing jail space in the event additional holding facilities were required. The hospitals incurred expenses during the DNC to have additional staff on call in the event of a large-spread medical threat. We reviewed the reimbursement requests and supporting documentation and determined the expenditures were allowable, supported, and properly charged to the grant.

Service Contracts. Contracts were signed with several private companies to provide services for the DNC. Among other services, the contracts included design and installation of security equipment,

equipment rental, and transportation rental for moving personnel to key locations.

We tested a total of \$616,740 in service contracts. We tested \$298,498 for the design and installation of security cameras, and \$279,464 in rental contracts for barriers, lighting, tents, containers, trailers, restrooms, and underwriting of property insurance. In reviewing the expenditures, we determined the contracts adhered to Boston's procurement procedures. We physically verified the cameras that were installed as part of the largest contract and determined they were in the city's inventory. We found the rental contracts were reasonable, supported, and in the grant budget. Overall, we determined the expenditures were allowable, supported, and properly charged to the grant.

In total, we tested \$3,001,227 in contract expenditures. We found \$56,506 in unallowable charges for excessive consultant rates not approved in advance by OJP. Overall, we determined the contract expenditures were allowable and properly supported. We also reviewed Boston's procedures for processing contractor payments to evaluate how well the city monitored contractor performance and expenditures.

Our evaluation of contractor monitoring included reviewing Boston's contractor agreements, procedures for monitoring contractor activity, and controls related to reimbursing contractors' expenditures.

The relationships between Boston and the Massachusetts State Police, MBTA, NEMLEC, METROLEC, and the Massachusetts Sheriff's Association were formalized in MOUs made with each agency specifically for this grant. The MOU terms were clearly stated and outlined the purpose, duration, conditions of operations, commitment of personnel, fiscal administration, obligations, and procedures for modifying the agreement. We determined the MOUs were complete and adequately outlined eligible costs, a total reimbursement limit, and procedures for requesting reimbursement.

We found that Boston did not enter into a prior MOU or a contract with every contractor that was reimbursed with grant funding. We determined that there were about 30 contractors who were reimbursed without formal arrangements being made before the DNC began. Additionally, there were expenses from contractors that were outside of the scope of their MOUs and reimbursed after the MOU expired.

The amount of contractor expenditures not reimbursed under MOUs totaled \$8,862,336, or more than half of all contractor expenditures.

We reviewed \$1,999,975 of the expenditures paid without a prior MOU, and with the exception of the questioned costs above for consultant rates, we found the expenditures were adequately documented, included in the approved grant budget, and submitted in accordance with Boston's reimbursement request guidelines. We asked Boston officials why there was not a prior MOU or formal arrangement made for these contractors and the officials told us because these expenses were reimbursed with funds from the supplementary award received after the DNC, the expenses were already incurred, and it was not possible to make a pre-arrangement.

### Contractor Monitoring

To determine how well the contractors performed, we interviewed city and Boston Police Department officials and reviewed documents, including an After-action Report. With all expenditure reimbursement requests, Boston required contractors to submit narratives describing the contractor's work performed and how the work was critical to DNC security.

The Boston Police Department and the U.S. Secret Service led the DNC planning group's steering committee, which was comprised of the heads of federal, state, and local entities with convention responsibilities. The steering committee was responsible for planning and implementing the DNC Operational Plan. The Operational Plan outlined the roles of each entity. Throughout the convention, the Boston Police Department was responsible for ensuring police contractors performed their duties as required.

Through our review of documents and interviews with Boston officials, we did not find any instances where contractors failed to perform as directed by the city. Overall, we determined the contractors performed as expected and contributed to the overall success of carrying out the Operational Plan.

Finally, we reviewed procedures Boston followed when processing contractor expenditure reimbursement requests. Boston required that cost reimbursement requests be submitted electronically and be adequately supported. The majority of contractor costs were personnel-related, and contractors were required to submit proof of

approved overtime rate, labor union contracts, fringe benefit calculations, and timesheets or payroll system data supporting the overtime charged and the regular hours worked for each employee. Cost reimbursement requests for equipment or supplies were supported by invoices and a description of why the item was needed and could not be leased, if applicable.

Boston officials explained to us the procedures they followed for reviewing and reimbursing contractor costs. For personnel costs, the city tested charges by recalculating the expenses claimed, reviewing timesheets for evidence of regular hours worked, and matching labor union contracts and approved salaries to overtime rates charged. For non-personnel costs, the city reviewed the expense to determine if the purchased items were security-related, supplemental, reasonable, necessary, and not for general purpose on-going use.

Overall, we found that Boston applied the established internal controls over reimbursing contractor expenses, and the controls were adequate. As a result of these controls, Boston officials told us they denied approximately \$1,000,000 of contractor expenses for reasons such as inadequate supporting documentation, unreasonable price, not directly related to the purpose of the grant, and equipment purchases instead of leasing. Throughout our review of reimbursement requests, we found evidence of Boston implementing its internal controls and following up on requests made to contractors to justify the costs claimed.

From our review of Boston's monitoring of its contractors in connection with this grant, we have concluded that the city's monitoring was reasonable to safeguard grant funds and ensure contractor performance.

#### *City Personnel*

Boston utilized over 3,600 of its employees for planning and carrying out support services for the DNC. The Boston Police Department had the largest role in security efforts during the convention, while the Boston Fire Department also made significant contributions to the planning and safety aspects of the convention. Several other city departments were utilized for expertise in traffic diversion, sanitation, information technology services, inspections, and

maintenance services. The expenditures by department are as follows.

**Boston Personnel Expenditures as of January 2006**

<b>City Agency</b>	<b>Total</b>
Police Department	\$5,240,708
Fire Department	\$1,926,937
Property Management	\$197,464
Public Works Department	\$160,215
Parks and Recreation	\$76,013
School Police	\$64,915
Transportation	\$42,324
Inspection Services Division	\$30,771
Management & Information Services	\$28,617
<b>Total</b>	<b>\$7,767,963</b>

Source: Boston's expenditure records

Most of the overtime charges were for the pay period during the convention, however \$533,966 was charged prior to the convention for training and planning. We tested a judgmental sample of 30 employee overtime charges for 1 pay period each – for a total sample of 1,390 hours and grant expenditures of \$62,971 – to determine if the charges were allowable and supported.

To determine if the overtime charges were allowable, we reviewed budget documents, union contracts, and city personnel policies. To determine if the charges were supported, we reviewed the timesheets and overtime cards for each of the employee's selected pay periods.

Generally, with the exception of the unsupported Fire Department expenditures of \$18,459, the personnel charges to the grant that we tested were allowable and adequately supported. We reviewed the grant budget, labor union contracts, position pay scales, timesheets, and overtime cards signed by each employee's supervisor for overtime and regular time worked. The specifics of our testing are discussed below.

Police Department. The Boston Police Department was the lead local law enforcement agency tasked with maintaining order, preserving public safety, protecting of life and property, and delivering services to the residents and visitors of the city. The Operations Plan

directed all sworn personnel to work 12-hour shifts and stated that discretionary or vacation days off would not be approved for the week of the DNC. Approximately 2,200 Police Department employees charged a total of \$5,240,708 in overtime related to the DNC. About \$93,600 in Police Department overtime was charged prior to the convention planning and training.

We tested a sample of 15 Police Department employees who had overtime charges to the grant, totaling \$26,538. Our sample consisted of 14 charges for the pay period encompassing the entire DNC, 1 pay period prior to the DNC, and 1 pay period after the DNC. We determined that the Police Department overtime was accurately recorded, adequately supported, and allowable.

Fire Department. The Fire Department was responsible for fire safety in buildings and event areas, crowd control, and overseeing hazardous materials concerns. Approximately 1,050 Fire Department employees charged a total of \$1,926,936 in overtime related to the DNC. Approximately \$431,339 of the Fire Department overtime amount was charged to the grant before the DNC for planning and training.

We tested a sample of 11 Fire Department employees who charged overtime to the grant totaling \$16,980. Our sample consisted of 10 employees' charges for the pay period encompassing the DNC, and 1 pay period prior to the DNC. City officials could not produce a timesheet or adequate support for 14 hours of overtime, totaling \$573, for one of the employees in our sample. After our testing and questioning why the hours were charged to the grant without adequate support, Boston officials processed a credit adjustment to the grant within the city's accounting system to remove the \$573 in overtime charges, along with \$17,886 of other Fire Department overtime charged to the grant in error. Although the error has been discovered and corrected within Boston's accounting system, we question \$18,459 in overtime that was charged without support to ensure that the charges are deducted on Boston's next grant drawdown request to the BJA. City officials told us that our audit prompted the discovery of the \$18,459 reimbursed to the grant, and the adjustment will be made on the next drawdown. We determined all of the other Fire Department personnel charges were allowable, supported, and accurately charged to the grant.

Other Boston Departments. The other Boston departments involved in the DNC were Property Management, Public Works, Inspections, Parks and Recreation, School Police, Transportation, and Management and Information Services. The total charges from all of these departments accounted for \$600,319 of the total Boston personnel charges.

Each of these departments contributed to the overall success of carrying out the DNC Operational Plan. Among other support, the After-action Report credits the departments for providing food and water, transportation, logistical support, and technical support. The personnel also assisted with moving fencing, ensuring uninterrupted communications, analyzing and converting data to actionable information, and processing financial information to ensure personnel were paid in a timely manner.

We tested a sample of 4 employees' overtime charges from these other departments, totaling \$9,499. Our sample of overtime charges consisted of two Parks and Recreation employees, one Property Management employee, and one Transportation Department employee. We determined that the other city department overtime was accurately recorded, adequately supported, and allowable.

### *Equipment*

Equipment is tangible, non-expendable personal property that has a useful life of more than 1 year. Boston made \$888,537 in equipment expenditures. Equipment purchases consisted of items such as security cameras, communications equipment, and hazardous material detectors. Several contractors also purchased equipment for use during the DNC; however, those expenses are reported under the contract category, along with rented equipment expenses.

We tested a sample of \$268,755 in equipment expenditures. We determined that the equipment purchases were allowable, supported, and purchased in accordance with Boston's procurement procedures. In addition, we judgmentally selected from our sample 10 high-dollar equipment items to physically verify as follows.

## Equipment Selected for Physical Verification

	<b>Total Cost</b>
Telecommunication System	\$70,439
Chemical Analyzers	\$55,740
Communication Equipment	\$26,500
Hazardous Materials Screener	\$22,286
Telecommunications Bridge	\$19,918
Communication Equipment	\$10,965
Custom Trailer for Hauling Barriers	\$10,781
Communication Station	\$7,419
Telecommunications Platform	\$7,115
Hazardous Materials Analyzer	\$4,680
<b>Total</b>	<b>\$235,843</b>

Source: Boston's inventory records

We found that the chemical analyzers on our sample that cost \$55,740 were found to be defective and was returned to the manufacturer. Boston told us it received a refund from the company for this purchase and credited the grant for this purchase. We verified the remaining nine items and determined the items were located in Boston and included in inventory records. Further, city officials verified that the items were used during the DNC. Boston officials told us the city currently uses these items for security during large events held throughout the year.

Boston officials told us that whenever possible, equipment was leased instead of purchased, since the duration of the convention was less than a week. We reviewed equipment purchases for reasonableness and determined that the items purchased most likely would not be available for lease due to the custom nature and large quantity needed. We concluded that the equipment purchases were within the budget and were reasonable for use during the convention.

### *Supplies*

Supplies are items that are expected to be used once or that do not have a useful life longer than 1 year. Boston made \$681,499 in supply expenditures. Supplies included munitions, food and beverages for employees on duty, medical and first aid supplies, riot control agents, and items that Boston did not have immediately available for the convention. Some of the supplies were purchased in advance as a

precaution and not needed during the convention. Boston will keep these items on hand for future events.

We tested a total of \$56,983 in supply expenditures. We determined the supplies were purchased before or during the DNC, and some items such as food and ice were consumed, while other items such as medical equipment and munitions were not used during the DNC but needed to be available. Overall, we found supply expenditures were accurately recorded, adequately supported, and allowable

### *Travel*

Travel was not initially an approved budget category, but Boston requested a revised grant budget, and travel was approved in a January 2006 budget revision. Boston charged \$10,250 in travel expenditures to send members of the security planning committee to New York City to assist officials there with security for the Republican National Convention.

We tested 1 employee's travel reimbursement totaling \$931. Boston officials told us travel charges were made in accordance with the city's travel policy. We reviewed the travel policy, which has procedures to authorize official travel and outlines allowable expenses. We reviewed the travel expenditure and determined the costs were reasonable, supported, and reimbursed to the employee in accordance with Boston's travel policy.

### **Drawdowns**

Drawdown is a term used by OJP to describe when a recipient requests grant funding from the total award amount for expenditures associated with the grant program. A Boston official explained that the city draws down money when either the city Audit Department records a large expense, or periodically as total expenditures are reviewed. Boston made eight drawdowns as of January 2006. The drawdown schedule is as follows.

## Grant Drawdowns as of January 2006

Drawdown Date	Drawdown Amount
8/8/2004	\$1,907,642
8/31/2004	\$625,349
10/22/2004	\$6,608,465
11/5/2004	\$4,070,982
1/12/2005	\$428,403
3/24/2005	\$1,883,687
6/1/2005	\$3,510,869
7/15/2005	\$4,730,036
<b>Total</b>	<b>\$23,765,433</b>

Source: OJP Drawdown Records

The OJP Financial Guide states that grant recipients are to minimize the time elapsing between the transfer and disbursement of grant funds. To determine if Boston's drawdown requests were supported, we reviewed the expenditures recorded in the city's accounting system as of each drawdown date. We found that all drawdowns were supported, with an equal amount of grant expenditures. We determined that Boston only requested grant funding after using its own funds to make grant-related expenditures. This practice eliminates the potential that Boston would request grant funding long before the money is needed.

### Program Performance

As part of this audit, we sought to measure Boston's success in meeting the objectives. To accomplish this, we interviewed city officials and reviewed the DNC Operations Plan, After-action Report, crime statistics, personal injury reports, and property damage reports.

Specific objectives are not listed in the grant award or other documentation. According to the After-action Report, the Boston Police Department's role during the convention, and what we consider to be the objectives of this grant, was to maintain order, preserve public safety, protect life and property, and deliver services to residents and visitors to the city.

The DNC was the first national convention after the terrorist attacks on the World Trade Center on September 11, 2001, and was designated as a National Special Security Event (NSSE) by the U.S. Secret Service. When an event is so designated, the Secret Service assumes its mandated role as the lead agency for the design

and implementation of the operational security plan. The NSSE designation is used to delineate the roles of federal agencies to eliminate the duplication of efforts and resources.

The DNC planning group was comprised of the heads of federal, state, and local agencies, and was led by the Secret Service and the Boston Police Department. The group was responsible for developing the security Operations Plan that detailed the scope, level, type, and manner of services provided to the DNC. Under the Operations Plan, the Boston Police Department was designated the lead local law enforcement agency to carrying out the objectives stated above. The three issues of concern and critical to planning were training, personnel, and financial and material resources. According to the After-action Report, the grant provided the sole funding for the DNC, and the planning group recognized the importance of not exceeding the grant budget to avoid the necessity of tapping the city's operating funds to support the convention.

The planning group encountered two difficulties: budgetary limits and unresolved labor issues. Boston officials told us the timing of the grant awards greatly affected the operations plan. Planning began in December 2002, but the initial grant was not awarded until over a year later, in February 2004. All of the planning prior to the award was funded by the city. The supplementary grant was not awarded until after the convention ended, and Boston could not take advantage of most this available funding since the convention-related expenses were already incurred. The budgetary limits resulted in less-than-desired amounts of personnel, supplies, and equipment – especially surveillance equipment. The labor issue caused a lack sufficient relief for officers on certain posts.

According to Boston officials, an estimated 35,000 people attended the convention. Police officials told us there were only six arrests for theft, disorderly conduct, and assault and battery, related to the convention and that personal injuries and property damage was unexpectedly light considering the nature of the event and the large number of people attending the convention. Because of the small number of crimes, injuries, and damage related to the convention, Boston officials told us they achieved the objectives of this grant. We agree. Additionally, the officials said command and control systems improved and standardization in training and resource tracking also improved as a result of the event. Overall, the DNC After-action Report attributes the success of the DNC to the advance planning and

effective implementation of the plans. Boston officials also credited as contributing to the success in meeting the grant objectives the training, personnel, and services offered at no cost from several federal agencies, such as the Federal Emergency Management, Transportation Security Administration, Federal Bureau of Investigation, Secret Service, and U.S. Coast Guard.

## **Conclusions**

We determined that Boston complied with most grant requirements in the areas we tested and also achieved the objectives of the grant. However, Boston did not provide justification or obtain approval for \$56,506 in excessive consultant expenses and did not provide support for \$18,459 in personnel overtime charged to the grant. As a result of these deficiencies, we question \$74,965 in expenditures.

## **Recommendations**

We recommend that the BJA:

1. Remedy \$56,506 in excessive consultant rates charged at more than \$450 a day, based on an 8-hour day, without the BJA's prior approval.
2. Ensure \$18,459 in unsupported expenditures is deducted from the next drawdown request.

## APPENDIX I

### OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of the audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

We conducted our audit in accordance with Government Auditing Standards and included tests considered necessary to accomplish our objectives. Our audit concentrated on, but was not limited to, the inception of the grant through January 31, 2006. We audited grant 2004-DD-B5-1136 and its supplement, which provided to Boston \$33,738,790 for security during the Democratic National Convention in Boston from July 26-29, 2004.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, we applied the 2002 Office of Justice Programs (OJP) Financial Guide as our primary criteria in auditing this grant. The OJP Financial Guide serves as a reference manual assisting award recipients in their fiduciary responsibility to safeguard awarded funds and ensure funds are used appropriately. We used the 2002 version of the OJP Financial Guide which was applicable during the life of the grant.

In conducting our audit, we performed testing in each of the following areas.

We tested reporting to determine if the required Financial Status Reports (FSRs) were submitted on time and accurately reflect grant activity. We reviewed each of Boston's FSRs for accuracy by comparing grant expenditures reported on the FSR to the actual grant expenditures recorded in Boston's automated accounting system. We also reviewed each of Boston's FSRs for timeliness by comparing the submission date on each report to the quarter end date. Using the OJP Financial Guide for our criteria, we determined FSRs to be late if they were submitted more than 45 days after the end of the quarter reporting period, and a final FSR to be late if submitted more than 120 days after the end date of the award.

To determine if the required progress reports were submitted on time and accurately reflect grant activity, we reviewed Boston's

progress report for grant 2004-DD-B5-1136 for accuracy by comparing grant activity shown in grant documentation that was supplied to us by OJP and Boston to activity that was reported in the progress report. We also reviewed the progress report for timeliness by comparing the submission date on the report to the semiannual reporting period end date. Using the OJP Financial Guide as criteria, we determined progress reports to be late if they were submitted more than 30 days past the end of the reporting periods of June 30 and December 31.

We tested drawdowns to determine whether requests for grant funding were adequately supported and whether Boston minimized the amount of time between receiving and disbursing funds. We compared Boston's expenditure records, FSRs, and other documentation to the drawdowns reported by OJP.

We tested budget management and control to determine whether the grantee adhered to the OJP approved budget for expenditures of grant funds. We compared the OJP-approved Financial Clearance Memorandum and grant application to Boston's expenditures records and documentation. The OJP Financial Guide states that the cumulative transfer amount between approved budget categories cannot exceed 10 percent of the total budget.

We tested grant expenditures to determine if costs charged to the grant were accurate and allowable. We reviewed personnel, contractor, equipment, supply, and travel expenditures.

We judgmentally selected for testing a sample of expenditures from each category. We compared the amounts charged to the grant to source documents, such as contracts, invoices, reimbursement requests, and purchase orders, to determine whether the equipment expenditures were properly supported. We also compared the expenditures to the approved grant budget to determine whether the expenditures were allowable.

To determine if equipment was being used for grant purposes, we conducted accountable property verification testing on a judgmental sample of expenditures.

We tested program performance to determine if grant objectives are being met. Specific objectives were not listed in the grant award. According to the After-action Report, the Boston Police Department's role during the convention, and what we consider to be the objectives

of this grant, was to maintain order, preserve public safety, protect life and property, and deliver services to residents and visitors to the city. To determine if the objectives were met, we interviewed city officials and reviewed the DNC Operations Plan, After-action Report, crime statistics, personal injury reports, and property damage reports.

Test for program income, matching costs, and subgrantee monitoring. When applicable, we also test for compliance in the areas of program income, matching funds, and monitoring of subgrantees. For this grant, we reviewed grant documentation, interviewed responsible officials, reviewed grant expenditures, and determined Boston generated no program income, matching funds were not required, and there were no subgrantees.

We did not test internal controls for Boston as a whole or specifically for the BJA grant administered by Boston. Boston had an audit conducted by an independent Certified Public Accountant, the results of which were reported in the Single Audit Report that accompanied the Comprehensive Annual Financial Report for the year ended June 30, 2004. The Single Audit Report was prepared under the provisions of Office of Management and Budget Circular A-133. We reviewed the independent auditor's assessment and determined that no control weaknesses or significant noncompliance issues were found that related to Boston or its federal programs. In addition, we performed limited testing of source documents to assess the accuracy of reimbursement requests and financial status reports; however, we did not test the reliability of the financial management system as a whole.

**APPENDIX II**

**SCHEDULE OF DOLLAR-RELATED FINDINGS**

<b>QUESTIONED COSTS:</b>	<b>AMOUNT</b>	<b>PAGE</b>
Unallowable Expenditures	\$56,506	11
Unsupported Expenditures	\$18,459	18
<b>TOTAL QUESTIONED COSTS:</b>	<b>\$74,965</b>	
<b>TOTAL DOLLAR-RELATED FINDINGS:</b>	<b>\$74,965</b>	

*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.

CITY OF BOSTON'S RESPONSE TO THE DRAFT REPORT



City of Boston  
Auditing Department

Boston City Hall  
One City Hall Plaza • Room M-4  
Boston • Massachusetts 02201  
(617) 635-4671 • Fax: 635-4339

April 20, 2006

Richard A. McGeary  
Regional Audit Manager  
Office of Inspector General  
Philadelphia Regional Audit Office  
701 Market Street, Suite 201  
Philadelphia, Pennsylvania 29106

Dear Mr. McGeary,

Below please find the City of Boston's response to the recommendations for the audit report dated March 31, 2006 for Bureau of Justice Assistance (BJA) Democratic National Convention Security grant number 2004-DD-B5-1136.

1. *Remedy \$56,606 in excessive consultant rates charged at more than \$450 a day, based on an 8 hour day, without the BJA's prior approval.*

Documentation and justification for consultant rates exceeding \$450 a day, based on an 8 hour day, was submitted to the BJA for approval. On April 17, 2006, the City received retroactive approval from the BJA to exceed the \$450/day consultant rate limit.

2. *Ensure \$18,459 in unsupported expenditures is deducted from next drawdown request.*  
Full documentation has been sent to BJA to support that \$18,459 in unsupported expenditures were deducted from grant expenditures on March 21, 2006.

In addition, the City offers the following comments on the discussion portion of the audit:

- ✓ Page 14 of the report states that Boston did not enter into an MOU or a contract with every contractor that was reimbursed with grant funding. In fact, the City had formal contracts with every outside agency. If you are specifically referring to a formal *pre-arranged* contract laying out terms and conditions prior to the event, as noted in the report, such an arrangement was impossible due to grant approval occurring long after the event took place.
- ✓ Page 14 of the report, states that "there were expenses from contractors that were outside of the scope of their MOU's and reimbursed after the MOU expired." The City disputes this comment in that a contract amendment was put in place on August 22, 2005, providing an extension of terms including both timeframe and types of costs (a copy of that amendment is attached).

- ✓ Page 19 of the report, incorrectly identifies a telecommunications system as being found defective. For clarification the items found to be defective were chemical analyzers. However, the point made is correct, the item was returned, and reimbursement made to the grant. The item was then re-purchased, with permission from BJA.

Should you or your office have any further comments or if you require clarification, please contact me at 617-635-4671.

Sincerely,



Sally D. Glora  
City Auditor

OFFICE OF JUSTICE PROGRAMS RESPONSE  
TO THE DRAFT REPORT



U.S. Department of Justice

Office of Justice Programs

Office of the Comptroller

APR 28 2006

Washington, D.C. 20531

MEMORANDUM TO: Richard A. McGeary  
Regional Audit Manager  
Philadelphia Regional Audit Office  
Office of the Inspector General

FROM:  Marcia K. Paull  
Acting Comptroller

SUBJECT: Response to the Draft Audit Report of the Office of Justice  
Programs – Bureau of Justice Assistance Grant to the City of  
Boston, Grant Number 2004-DD-B5-1136

This memorandum is in reference to your correspondence dated March 31, 2006, transmitting the above-referenced draft audit report for the City of Boston. We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **two** recommendations and **\$74,965** in questioned costs. The following is our analysis of the audit recommendations.

1. **Remedy \$56,506 in excessive consultant rates charged at more than \$450 a day, based on an 8-hour day, without the BJA's prior approval.**

We agree with the recommendation. The Bureau of Justice Assistance retroactively approved the City of Boston's request to exceed the \$450 a day consultant rates. Therefore, we request closure of the recommendation and the \$56,506 in associated questioned costs.

2. **Ensure \$18,459 in unsupported expenditures is deducted from the next drawdown request.**

We agree with the recommendation. We will coordinate with the City of Boston to ensure that the \$18,459 in unsupported expenditures are reduced from its next drawdown request.

We appreciate the opportunity to review and comment on the draft report. We will continue to work with the grantee to address the recommendations. If you have any questions or require additional information, please contact Alisha Holman of my staff at (202) 616-2926.

cc: Richard P. Theis  
Acting Director  
DOJ Audit Liaison Office

Maria Pressley  
Audit Liaison  
Bureau of Justice Assistance

Matthew Hanson  
Acting Associate Deputy Director of Programs  
Bureau of Justice Assistance

Darius Locicero  
Program Manager  
Bureau of Justice Assistance

OJP Executive Secretariat  
Control Number 20060518

Official Grant File  
Grant Number 2004-DD-B5-1136

## APPENDIX V

### OIG, AUDIT DIVISION, ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT

We provided the draft report to both Boston and OJP for review and comment. In its response, Boston said that it requested retroactive approval for unallowable consultant expenditures, and unsupported overtime expenditures would be deducted from its next drawdown funding request. OJP agreed with both of our recommendations. We consider the first recommendation closed, and the second recommendation resolved. We included Boston's response as Appendix III to this report, and OJP's response as Appendix IV. The status of the individual recommendations and the action necessary to close the second recommendation is provided below.

1. **Closed.** Remedy \$56,506 in excessive consultant rates charged at more than \$450 a day, based on an 8-hour day, without the BJA's prior approval.

This recommendation is closed based on the BJA's retroactive approval of consultant expenditures exceeding the \$450 limit.

2. **Resolved.** Ensure \$18,459 in unsupported expenditures is deducted from the next drawdown request.

This recommendation is resolved based on Boston deducting the unsupported expenditures on March 21, 2006, from the calculation for its next grant reimbursement request, and on BJA's agreement to coordinate with Boston to ensure that unsupported expenditures are deducted from Boston's next drawdown funding request. This recommendation can be closed when we receive documentation that \$18,459 was reduced from the drawdown funding request.