



**BUREAU OF JUSTICE ASSISTANCE
REPUBLICAN NATIONAL CONVENTION GRANT TO
THE CITY OF NEW YORK POLICE DEPARTMENT, NEW YORK**

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

Audit Report GR-70-07-001
October 2006

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TO THE CITY OF NEW YORK POLICE DEPARTMENT, NEW YORK
EXECUTIVE SUMMARY**

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the Republican National Convention grant 2004-DD-B5-1191.¹ The DOJ, Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), awarded the City of New York Police Department (NYPD) this grant to provide traffic control, counterterrorism intelligence, and physical security to delegates, visitors, and venues during the 2004 Republican National Convention (RNC). In total, the BJA awarded the NYPD \$49,852,500 for police department overtime and fringe benefits.

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 the NYPD's program performance in meeting grant objectives and overall accomplishments.

We determined that the NYPD generally complied with grant requirements in the areas we tested. However, the NYPD did not report the financial and program performance of the grant to BJA in an accurate and timely manner. Additionally, the NYPD did not maintain adequate documentation for all grant expenditures, and made errors in calculating some expenditures. As a result of these deficiencies, we question a total of \$49,699 in expenditures: \$47,307 in unsupported expenditures and \$2,392 in unallowable expenditures.²

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 NYPD officials and have included their comments in the report, as applicable. In addition,

¹ The OIG also completed an audit of a similar grant to the City of Boston to provide security for the 2004 Democratic National Convention.

² 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.

we requested a response to our draft audit report from the NYPD and the BJA, and their responses will be appended to the final audit report.

TABLE OF CONTENTS

INTRODUCTION.....	1
Office of Justice Programs	2
Bureau of Justice Assistance	2
City of New York Police Department.....	2
Our Audit Approach.....	3
FINDINGS AND RECOMMENDATIONS	5
Compliance With Essential Grant Requirements	5
Reporting	5
Financial Status Reports	5
Progress Reports	6
Budget Management and Control	7
Expenditures	8
Drawdowns.....	11
Program Performance.....	12
Other Reportable Matters	14
Conclusions.....	14
Recommendations.....	15
APPENDIX I - OBJECTIVES, SCOPE, AND METHODOLOGY	16
APPENDIX II - SCHEDULE OF DOLLAR-RELATED FINDINGS....	19
APPENDIX III - CITY OF NEW YORK POLICE DEPARTMENT'S RESPONSE TO THE DRAFT REPORT	20
APPENDIX IV - OFFICE OF JUSTICE PROGRAMS' RESPONSE TO THE DRAFT REPORT.....	22
APPENDIX V - OIG, AUDIT DIVISION, ANALYSIS AND SUMMARY OF ACTIONS NECESSARY TO CLOSE THE REPORT	24

INTRODUCTION

The U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Audit Division, has completed an audit of the Republican National Convention grant 2004-DD-B5-1191. The DOJ, Office of Justice Programs (OJP), Bureau of Justice Assistance (BJA), awarded the City of New York Police Department (NYPD) this grant to provide traffic control, counterterrorism intelligence, and physical security to delegates, visitors, and venues during the 2004 Republican National Convention (RNC). In total, the BJA awarded the NYPD \$49,852,500 for police department overtime and fringe benefits.

Prior to both the Republican and Democratic 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 New York and Boston \$25,000,000 each to defray security costs, including overtime for law enforcement officers.³

Just 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, the NYPD submitted a budget for \$24,852,500 in personnel expenses and received the grant funding on June 22, 2004. On March 21, 2005, after the convention had ended, the NYPD received an additional award of \$25,000,000 for personnel and fringe costs incurred above the initial appropriation. The NYPD received a total of \$49,852,500 in grant funding. The majority of the grant, \$49,746,770, was spent on overtime for police personnel. The remaining \$105,730 was spent on fringe benefit expenses related to the overtime charged. In addition to grant-funded expenses, the NYPD estimates the City of New York expended an additional \$17,500,000 in local funds for other expenses related to RNC security.

³ The OIG has also completed an audit of the BJA grant awarded to the City of Boston for security expenses associated with the 2004 Democratic National Convention.

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 the NYPD's performance in meeting grant objectives and its overall accomplishments with the grant funds.

The 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. One of the objectives of the Byrne program is to improve the functioning of the criminal justice system.

Office of Justice Programs

The 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, the 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 RNC 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 New York Police Department

The NYPD is the largest police department in the country, employing over 36,000 sworn personnel and more than an additional 10,000 civilian employees. The NYPD's stated mission is to enhance the quality of life in the city by working in partnership with the community to enforce the laws, preserve peace, reduce fear, and provide for a safe environment.

In January 2003, New York City won the bid to host the 2004 Republican National Convention to take place August 30 to September 2, 2004. At the convention, Republican Party members gathered to nominate their presidential candidate. New York City had not previously hosted a Republican national convention; however, the City has hosted several Democratic national conventions, the most recent in 1992. The NYPD, working with other federal, state, and local law enforcement agencies, was responsible for ensuring safety during 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 the NYPD'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 the NYPD 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 the NYPD 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 the NYPD generally complied with grant requirements in the areas we tested. However, the NYPD did not report the financial and program performance of the grant to the BJA in an accurate and timely manner. Additionally, the NYPD did not maintain adequate documentation for all grant expenditures, and made errors in calculating some expenditures. As a result of these deficiencies, we question \$49,699 in expenditures: \$47,307 in unsupported expenditures and \$2,392 in unallowable expenditures.

Reporting

Financial Status Reports

Financial Status Reports (FSR) provide BJA with a snapshot of the NYPD's grant-related expenditures and obligations for each calendar quarter throughout the life of the grant. According to the OJP Financial Guide, an FSR should be submitted within 45 days of the end of the most recently past quarterly reporting period or within 120 days of the end of the grant. Even when there have been no outlays, a report containing zeroes must be submitted. Funds or future awards may be withheld if reports are not submitted or are excessively late.

During the approved grant period, February 2004 to January 2006, the NYPD was required to submit nine FSRs. We found the NYPD only submitted three of the nine required reports. We reviewed the submitted FSRs for accuracy and timeliness. The following table presents the dates and amounts of each report.

FSRs Submitted

FSR Quarter Ending Date	Expenditure Amount
June 30, 2004	\$34,944
September 30, 2004	\$0
March 31, 2005	\$49,817,556
Total Expenditures Reported:	\$49,852,500

Source: BJA grant files

NYPD officials told us that expenditure data reported on each FSR is retrieved from the city's Payroll Management System (PMS). All grant-related expenditures are entered into the system under a specific code that identifies the expenditure as RNC-related and grant reimbursable. We compared the expenditures reported on the quarterly FSRs to the expenditures reported in the PMS. From our review of PMS data, we determined that the FSR for September 30, 2004, reported zero expenditures, when it should have reported that the entire original award of \$24,852,500 had been expended. These expenses were included on the FSR for March 31, 2005, along with the expenditures from the supplemental award.

To determine if the FSRs were submitted timely to the BJA, we reviewed the submission date on the three FSRs filed by the NYPD. The NYPD submitted the first FSR 17 days late and the second FSR 78 days late. The third FSR was submitted on time.

Progress Reports

The NYPD is required to submit progress reports to OJP that describe the performance of grant activities and accomplishments of the objectives of the award. According to the OJP Financial Guide, grant recipients are required to submit progress reports within 30 days of the end of each reporting period, which are June 30 and December 31, for the life of the award. The final progress report is due within 120 days of the end of the grant.

During the life of the grant, the NYPD would have been required to submit five progress reports unless advised otherwise by the BJA. When the grant period ended in January 2006, we determined the NYPD had not submitted any progress reports to OJP. In April 2006, just before the start of our audit, the NYPD submitted two progress reports for the periods ending December 2004 and June 2005. The report for period ending June 2005 was marked as final because all of the grant funds had been expended and the program had ended. With this report considered final, the NYPD still failed to submit the period ending June 2004 report.

We reviewed the two progress reports submitted to OJP for accuracy. We found the first report consisted of a 1-page summary of grant activities in general terms. The second report was a 1-paragraph explanation that the grant program had ended and all funds were expended. We reviewed grant documentation and concluded the progress reports were generally accurate, but did not

have sufficient detail to determine if the grant objectives were fully accomplished. Because the reports were not submitted until after the award period had ended, we determined both reports were submitted significantly late, by 174 and 445 days, respectively.

In conclusion, the NYPD has not adequately provided OJP with the required FSRs and progress reports. Specifically, the NYPD did not accurately report grant expenditures on one FSR, submitted two FSRs and two progress reports late, and failed to submit three FSRs and three progress reports. We believe timely and accurate reports are important tools for monitoring grant activity and reducing the risk that grant funds might be used for unallowable purposes. Additionally, during the life of the grant and for future awards, OJP may withhold funding if reports are not on time and accurate. An NYPD official told us they were not aware there was a problem with the timeliness or completeness of FSRs and progress reports because OJP did not notify them that reports were late or that additional reports were due.

Budget Management and Control

Upon award approval, OJP provides a Financial Clearance Memorandum to the grant recipient with the approved itemized budget for the grant. From the NYPD’s Financial Clearance Memorandums, we determined the approved budget for the original and supplemental awards is as follows.

Approved Grant Budget

Budget Category	Original Award	Supplemental	Total Budget
Personnel	\$24,852,500	\$24,706,099	\$49,558,599
Fringe Benefits	\$0	\$293,901	\$293,901
Total	\$25,852,500	\$25,000,000	\$49,852,500

Source: Financial Clearance Memorandums

The NYPD calculated the budget of \$24,852,500 for the original award by estimating the number of officers and hours of coverage needed to secure the convention, multiplied by an average overtime rate by rank. The estimated hours included pre-event training, overtime for details during the convention, and command backfill. Backfill is overtime paid to an employee working at their home command to cover the shift of another employee assigned to work at the RNC.

The original grant did not provide enough funds to pay for all of the anticipated security costs of the convention. New York requested additional funding, and the supplemental award was approved by Congress just a few weeks before the start of the RNC. The NYPD calculated the personnel budget for the supplemental award again by estimating the number of officers and hours of coverage needed, multiplied by an average overtime rate. In addition to personnel, the NYPD budgeted \$1,890,017 in fringe benefit costs. The fringe benefits consisted solely of the NYPD's share of Federal Insurance Contributions Act (FICA) taxes due on the overtime wages and calculated by multiplying the FICA rate of 7.65 percent times the budgeted personnel expenses. In taking this approach, the total budget submitted by the NYPD was \$1,596,115 more than the \$25,000,000 award appropriation. Because the BJA could not approve the entire NYPD budget, the excess amount was listed on the Financial Clearance Memorandum as a non-federal share, and only \$293,901 was approved for fringe expenses. The BJA said the non-federal amount was not a required match, but was a necessary obligation for the success of the grant program.

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 the NYPD adhered to the budget, we compared the grant expenditures recorded in the PMS system to the budget approved in the Financial Clearance Memo. We determined that the NYPD effectively managed the budget and made a minimal transfer of less than one percent of funds between approved budget categories.

Expenditures

The NYPD expended all of the grant funds on payroll for security of the convention. The NYPD spent the majority of the award — \$49,746,770 — on personnel expenditures, including training, detail overtime, and backfill. The remaining \$105,730 was spent on fringe benefits to cover a portion of the NYPD's obligation of FICA taxes on the overtime wages.

The NYPD provided us with a listing from the PMS of all personnel expenditures that were coded as RNC-related and charged to the grant. The data had employee information, including the date worked, assigned command, and salary information. We reviewed the expenditures to determine if they 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 supporting documentation that included timesheets and approved overtime cards.

Personnel

The majority of grant expenditures were for personnel. An NYPD official told us the most important part of the security plan during the RNC was to have enough personnel to carry out the patrol plans and be available to react to emergencies. The personnel charges to the grant included overtime and compensatory time payments to over 29,000 uniformed law enforcement personnel. About 86 percent of the funds were spent directly on overtime for police details during the convention, while 4 percent was spent on training prior to the event, and the remaining 10 percent was spent on other planning, such as intelligence and inspections, before and after the convention.

The amount of overtime needed was calculated by the RNC planning committee and handed down to command locations for assignment. Employees reported to RNC details from over 400 commands across the city. The commands closest to the events and those that were not critical to everyday city safety, such as the training unit, were utilized heavily for security during the convention.

The NYPD followed standard procedures for recording overtime charged to the grant. For each overtime tour worked, the employee had to complete a standard overtime report that indicates their scheduled shift, actual hours worked, and the reason for the overtime. These reports are signed by the employee and authorized by a supervisor to attest that the hours worked. The timekeepers in each command then record these overtime hours onto a carbon copy Employee Time Record (ETR) that is preprinted with the employee's payroll information. The timekeeper codes the overtime charges for event and reason codes used in the PMS system. The timekeeper signs the overtime report after coding, and the commanding officer also signs the report verifying the codes. At the end of each week, the timekeeper reviews the ETR, signs that it is complete, and sends a carbon copy to the payroll department in headquarters. The payroll department then feeds the carbon ETRs into a computer that optically reads the information and enters it into the PMS system. These procedures include a number of controls to ensure overtime is properly authorized and complete.

Due to the large number of employees and the numerous commands located across the city, we developed a pre-test of charges to identify areas with a higher audit risk to better plan our expenditure testing sample. We selected a pre-test sample of 11 employees at 3 command locations that had a large amount of overtime charges for the convention. At each location we visited for the pre-test, we were able to view the employee's paper ETR and overtime card supporting time worked. There were no exceptions in our pre-test sample and we determined that those commands were following the proper procedures as outlined above.

Following the pre-test and determining that the NYPD's payroll procedures were in place, we selected a statistical sample of personnel expenditures to determine if the charges were allowable and adequately supported. The sample was selected by a cluster method that included locations in all five of the city's boroughs. Our sample included 408 employees' payroll charges from 34 commands totaling \$714,000.

From our sample above, the NYPD was able to provide sufficient documentation for 378 employees' charges to the grant. The NYPD could not provide documentation for the remaining 30 employees at the time of our audit. As a result, we question \$47,307 as unsupported personnel expenditures.

We reviewed the available records for accuracy and allowability. Generally, the expenditure records were accurate and allowable, except for \$2,392 in expenditures related to 6 employees. The unallowable charges consisted of \$1,465 paid for overtime worked unrelated to the RNC, \$697 for an entry error that duplicated overtime hours worked, and \$231 in night shift differential paid to employees who actually worked day shifts.⁴

Fringe Benefits

The NYPD charged the grant for all personnel expenditures incurred, and charged the remaining balance of the grant for fringe benefit costs totaling \$105,730. The NYPD's federally approved fringe benefit rate for fiscal year 2004 was 26 percent. However, according to an NYPD official, the NYPD took a conservative approach and budgeted for just the employer's share of FICA taxes at 7.65 percent for the supplemental award. On the total of \$49,746,770 in wages,

⁴ Amounts do not sum due to rounding.

the NYPD would have been obligated to pay at least \$3,805,628 in FICA taxes, so we find the fringe expenditure allowable. The actual payment of taxes is difficult to trace because it is combined with payroll from all city departments. We reviewed the city's 2004 financial audit and determined the city paid over \$3 billion in fringe and because there was no mention of delinquent taxes, we are satisfied that the expenditure occurred and is supported.

In total, we tested \$819,730 in payroll and fringe benefit grant expenditures. We found \$47,307 was unsupported and \$2,392 was unallowable. When expenditures are unsupported, it greatly increases the risk of unallowable and inappropriate charges to the grant. When expenditures are unallowable, the stated objectives of the grant are not being fulfilled. The NYPD could not find the records for the unsupported expenditures and told us the unallowable charges occurred due to errors and oversight in the processing of expenditures and adjustments have been made in PMS to correct the errors.

Drawdowns

The OJP Financial Guide establishes standards and methods under which the awarding agency makes payments to grantees. 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. The NYPD requested all of the grant funds from two drawdowns as follows.

Grant Drawdowns

Drawdown Date	Drawdown Amount
10/15/2004	\$34,944
5/13/2005	\$49,817,556
Total:	\$49,825,500

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 the NYPD's drawdown requests were supported, we reviewed the expenditures recorded in the PMS as of each drawdown date. We found that both drawdowns were adequately supported and made only after incurring the actual expenses. We determined that the NYPD properly requested drawdowns and only

requested grant funding after using its own funds to make grant-related expenditures.

Program Performance

As part of this audit, we sought to measure the NYPD's success in meeting grant objectives. To accomplish this, we interviewed city officials and reviewed crime statistics related to the RNC.

The general objectives of the grant as described in the grant award document were for the NYPD to provide traffic control, counterterrorism intelligence, and physical security to delegates, visitors, and facilities during the convention.

The RNC was the first national convention in New York City after the September 11, 2001, terrorist attacks on the World Trade Center. The convention 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 federal 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 effort and resources.

The convention drew an estimated 60,000 visitors to the city, including 5,000 delegates and alternates, and 15,000 media representatives. In addition, the convention drew an even larger, unprecedented number of protesters, estimated at more than 100,000. The large numbers presented huge security and safety concerns. The convention activities took place at Madison Square Garden in the heart of Manhattan and above Pennsylvania Station, a transportation hub to three separate railway systems. In addition, other venues, such as The Javits Center and more than 40 hotels housing delegates and dignitaries, needed security protection throughout the week-long convention.

The NYPD started planning for convention security in the fall of 2003. The planning committee was comprised of many smaller groups that focused on individual security challenges. The main concern for the planning committee was obtaining the NYPD's commitment to provide the personnel necessary to fulfill the security plans. With the grant funding, the NYPD was able to provide over 29,000 sworn law enforcement personnel, typically assigned to 12-hour shifts, to assist in convention security.

Intelligence gathering was pivotal in threat analysis and counterterrorism initiatives. Intelligence took place all over the country and worldwide to evaluate potential threats. Intelligence also played a key role in anticipating large protests, so that the NYPD could take a proactive role in controlling pedestrian and vehicle traffic in the vicinity. Nearly \$1,000,000 was spent on personnel charges from the NYPD's intelligence units.

Traffic control was also a concern during planning because of the mid-town Manhattan location of the convention events. The NYPD had to ensure safe and efficient transportation for an estimated 18,000 delegates, donors, and guests to and from the convention activities. The NYPD established dedicated RNC traffic lanes for motorcade and bus transportation and closed busy Seventh and Eighth Avenues for 12 block stretches around the venue during convention activities. In addition, anticipated large crowds of protesters forced the closure of many more streets throughout Manhattan. Over \$500,000 of the grant was used to pay personnel from the NYPD's traffic task forces and control divisions, with additional traffic assistance from nearby commands.

We interviewed an NYPD planning official who told us the security operations at the convention were a success. The convention events took place largely without incident. The largest challenge was what is estimated to be the largest demonstration at an American political convention that took place the night before the convention was scheduled to begin. During the permitted demonstration, the NYPD arrested over 1,100 protestors in under 6 hours. Total arrests during the convention were over 1,800. The NYPD was able to maintain normal police coverage to all five boroughs while faced with the increased threats in Manhattan. According to an NYPD planning official, criminal activity was at an all-time low, and at a lower level than a comparable week the previous year.

Overall, based on our discussions with NYPD officials and a review of the NYPD crime statistics and a post-convention analysis report, we conclude the objectives of the grant were met. We verified that all of the grant funds were used to pay for personnel and fringe benefit costs for employees directly involved in security for the RNC. The RNC events were conducted largely without incident, and the NYPD was able to control large crowds of protestors.

Other Reportable Matters

During our audit, we reviewed the City of New York's 2004 Single Audit that was conducted by an independent Certified Public Accountant as required by the Office of Management and Budget Circular A-133. The Single Audit is a review of the city's spending of federal awards and identifies internal control weaknesses and non-compliance issues related to federal spending. The RNC Security grant we audited was tested as part of the Single Audit.

The Single Audit reported a non-compliance finding related to this grant, concluding that the NYPD did not provide support for the non-federal share of the grant award totaling \$1,596,115. The NYPD's response to the finding was that a non-federal share was not required by the terms of the grant, so no support for the charges was needed.

We reviewed the grant budget and found that there was no matching requirement for award; however, a non-federal share representing fringe benefits was included in the supplemental award's budget. This occurred because the NYPD submitted a budget including fringe benefits with estimated expenses that were \$1,596,115 more than the congressional appropriation of \$25,000,000. Because the BJA could not provide all of the funding needed for the estimated expenses, the overage of fringe benefit costs on the approved personnel charges were listed as the non-federal share. Because the grant program does not require matching funds, the BJA noted that a match was not required, but it is necessary for successful completion of the grant.

We conclude the non-federal share was not a requirement of the grant program. Additionally, we determined that the NYPD would have incurred at least \$3,805,628 in FICA employer tax obligations on the \$49,746,770 of personnel wages paid by the grant. It would be difficult to trace the actual FICA tax payment as the payment would have been combined with taxes from all other city departments. We reviewed the city's Consolidated Annual Financial Report and found that city paid over \$3 billion in fringe benefits. Because there was no mention of delinquent taxes, we conclude the obligation was satisfied and is supported.

Conclusions

We determined that the NYPD complied with most grant requirements in the areas we tested and also achieved the objectives

of the grant. However, the NYPD did not report the financial and program progress of the grant program to the BJA in an accurate and timely manner. Additionally, the NYPD did not maintain adequate documentation for all grant expenditures, and made errors in calculating some expenditures. As a result of these deficiencies, we question a total of \$49,699 in expenditures: \$47,307 in unsupported expenditures and \$2,392 in unallowable expenditures.

Recommendations

We recommend that BJA:

1. Ensure that the NYPD submits accurate and timely Financial Status Reports and Progress Reports during the grant program.
2. Remedy \$47,307 in unsupported expenditures.
3. Remedy \$2,392 in unallowable expenditures.

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 included review of grant activities throughout the life of the grant, which concluded in January 2006. We audited grant 2004-DD-B5-1191 and its supplement, which provided to the NYPD \$49,852,500 for security during the Republican National Convention, which occurred in New York City from August 30 to September 2, 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 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 as opposed to the most recent version, because the 2002 version is the one that would have been applicable during the life of the grant.

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

Test of reporting to determine if the required Financial Status Reports (FSRs) were submitted on time and accurately reflect grant activity. We reviewed each of The NYPD's FSRs for accuracy by comparing grant expenditures reported on the FSR to the actual grant expenditures recorded in The NYPD's automated accounting system. We also reviewed each of the NYPD's FSRs for timeliness by comparing the submission date on each report to the quarter end date. Using the OJP Financial Guide as 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.

Test of reporting to determine if the required progress reports were submitted on time and accurately reflect grant activity. We reviewed the NYPD's progress reports for grant 2004-DD-B5-1191 for accuracy by comparing grant activity shown in grant documentation that was supplied to us by OJP and the NYPD 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.

Test for budget management and control to determine whether the grantee adhered to the OJP-approved budget for expenditure of grant funds. We compared the OJP-approved Financial Clearance Memorandum and grant application to the NYPD's expenditure 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.

Test for grant expenditures to determine if costs charged to the grant were accurate, allowable, and supported. We statistically selected for testing a sample of personnel expenditures. We compared the amounts charged to the grant to source documents, such as timesheets, overtime cards, and information from the NYPD's payroll system, to determine whether the expenditures were properly supported. We also compared the expenditures to the approved grant budget to determine whether the expenditures were allowable.

Test of drawdowns to determine whether requests for grant funding were adequately supported and if the NYPD was managing grant receipts in accordance with federal requirements. We compared the NYPD's expenditure records, FSRs, and other documentation to the drawdowns reported by OJP. We then determined whether the NYPD minimized the amount of time between receiving and disbursing funds.

Test for program performance to determine if grant objectives are being met. The general objectives of the grant as described in the grant award document were for the NYPD to provide traffic control, counterterrorism intelligence, and physical security to delegates, visitors, and facilities. To determine if the objectives were met, we interviewed city officials and reviewed impact reports and crime statistics.

Test for program income, matching costs, and subgrantee monitoring when applicable. For this grant, we reviewed grant documentation, interviewed responsible officials, and reviewed grant expenditures. We determined The NYPD generated no program income, matching funds were not required, and there were no subgrantees.

Test of internal controls. We did not test internal controls for the NYPD as a whole or specifically for the BJA grant administered by the NYPD. The City of New York 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 there was a noncompliance issues related to the grant we audited as described in the Other Reportable Matters section of this report. After review of grant documentation and the NYPD's response, we determined the noncompliance issue did not warrant additional expenditure testing. 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

QUESTIONED COSTS:	AMOUNT	PAGE
Unsupported Expenditures	\$47,307	10
Unallowable Expenditures	\$2,392	10
TOTAL QUESTIONED COSTS:	\$49,699	
TOTAL DOLLAR-RELATED FINDINGS:	\$49,699	

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.

APPENDIX III

CITY OF NEW YORK POLICE DEPARTMENT'S RESPONSE



THE POLICE COMMISSIONER
CITY OF NEW YORK

October 17, 2006

Richard A. McGeary
Regional Audit Manager
United States Department of Justice
Office of the Inspector General
Philadelphia Regional Office
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. McGeary:

First we would like to thank your audit team for the thorough and fair audit of the Department of Justice, Office of Justice Programs, Bureau of Justice Assistance grant #2004-DD-B5-1191. These funds were used to provide security for the 2004 Republican National Convention (RNC). In total, the New York City Police Department (NYPD) was awarded \$49,852,500 for police overtime and fringe benefits. This audit determined that the primary objectives of the grant were indeed met.

The auditors selected a sample size of 408 individuals pulled from over 29,000 people who billed time to this grant. For each individual selected, the auditors requested the paper overtime slip(s) and the Electronic Time Record (ETR) for the pay period(s) selected. The City of New York is in the process of automating the payroll system, but a considerable amount of it is still paper-based. Since the RNC was over two years ago, many of the employees involved have since retired or were promoted and/or transferred. Thus it presents a great challenge to follow the paper trail. There also is the added complication of flooding, asbestos and other environmental issues that hinder the maintenance of paper records. At the time of the cutoff date the Department was still attempting to locate some of the missing overtime slips in order to further substantiate the unsupported expenditures. In lieu of missing hard copy documentation, printouts utilizing data from the Citywide Payroll Management System were substituted. The audit findings cite \$49,699 as unsupported expenditures and \$2,392 as questioned costs. This is an extremely small percentage considering the considerable size of this grant and the large number of people employed by the New York City Police Department.

Regarding the questioned costs, these are dollar amounts that should not have been billed to the grant. For example, the individual may have performed overtime for another function or event, and it was erroneously billed to the RNC. When a person retires or terminates employment with the NYPD, the Leave Integrity Management Section, (LIMS) does an audit of all overtime and compensatory time performed by that individual, whether it was grant-funded or not. At that time, a reconciliation is done and adjustments are made as needed to insure that the records are accurate. Unfortunately if a grant has closed, those adjustments would not be reflected in the grant documentation. The same would hold true for overtime errors in the opposite direction – where the grant should have been billed and was not. The Department is considering the implementation of a similar procedure to test a statistically

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Website: <http://nyc.gov/nypd>

significant portion of grant-funded overtime prior to the expiration of a grant in order to remedy this issue. Also, as a result of a recent NYPD reorganization, the Grants Development Unit is now overseen by the Deputy Commissioner of Management and Budget, (DCMB), the Chief Financial Officer of the NYPD, effective April 1, 2006. This organizational change, plus the addition of the Fiscal Accountability Unit to the DCMB command and the enhanced involvement of LIMS (also part of DCMB) should enhance the future oversight of Federal grant funding.

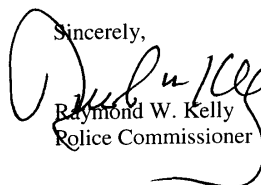
Regarding reporting, the audit report indicates issues with the Financial Status Report and Progress Report submissions. The NYPD generally concurs with the audit findings with regards to these fiscal and programmatic reports; however, it should be noted that OJP (BJA) never notified the Department of any delinquent or missing financial or programmatic reports for this grant. The finding that fiscal reports for periods with zero expenditures were not submitted is noted and the Department has implemented procedures to insure that future grants that have zero activity for an entire reporting period will still adhere to the required reporting procedures. The Progress Report finding is of particular interest because that was a finding in the 2005 Single Audit that New York City conducts annually on Federal grant funds. At that time, a finding was noted that no Progress Reports had been submitted for this grant. The following statement was made on page 6 of the draft audit report:

“During the life of the grant, the NYPD would have been required to submit five progress reports unless advised otherwise by the BJA.”

The NYPD was in fact advised otherwise in April 2005 and followed the instructions of our Program Manager at the Bureau of Justice Assistance. He was consulted to see how many Progress Reports needed to be submitted in order to rectify this finding, and the Department was told “two”. These two reports were submitted on line via the Federal Grants Management System. In fact, BJA needed to access the system to approve the first one before we could submit the second one, which we indicated was the final one per the direction of BJA.

In closing, the convention was a culmination of eighteen months of meticulous planning and coordination among numerous Federal, State and Local agencies and it was an overwhelming success. In addition to the Federal grant money that was spent on this event, a considerable amount of City funds covered additional personnel service costs, as well as purchasing equipment and Other Than Personnel Service (OTPS) items as deemed necessary. In fact, the Department budgeted close to \$76 million dollars in total (including grant and City funds) to insure the success of the Republican National Convention, and that does not include other City agencies which were involved with this event. We could have billed more costs to the grant since the NYPD costs were approximately 50% greater than the grant total. In the future, the Department intends to do just that in order to insure that the total grant amount is spent appropriately and in order to cover the inevitable small percentage of error. Due to the overall success of this event, we would hope that New York City would be considered for future Federal grant funds of this type should we host another convention.

Sincerely,



Raymond W. Kelly
Police Commissioner

APPENDIX IV

OFFICE OF JUSTICE PROGRAMS' RESPONSE



U.S. Department of Justice
Office of Justice Programs
Office of the Comptroller

OCT 25 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 *Marcia K. Paull*
Chief Financial Officer

SUBJECT: Response to the Draft Audit Report of the Office of Justice
Programs – Bureau of Justice Assistance Grant to the New York
City Police Department, Grant Number 2004-DD-B5-1191

This memorandum is in reference to your correspondence dated September 29, 2006, transmitting the above-referenced draft audit report for the New York City Police Department (NYPD). We consider the subject report resolved and request written acceptance of this action from your office.

The report contains **three** recommendations and **\$49,699** in questioned costs. The following is our analysis of the audit recommendations.

1. **Ensure that the NYPD submits accurate and timely Financial Status Reports and Progress Reports during the grant program.**

We agree with the recommendation. We will coordinate with the NYPD to obtain a written response specifying controls implemented to ensure that Financial Status Reports and Progress Reports are submitted accurately and timely.

2. **Remedy \$47,307 in unsupported expenditures.**

We agree with the recommendation. We will coordinate with the NYPD to obtain documentation to support the \$47,307 in unsupported personnel expenditures.

3. **Remedy \$2,392 in unallowable expenditures.**

We agree with the recommendation. We will coordinate with the NYPD to remedy the \$2,392 in unallowable personnel expenditures.

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
Assistant Director
Audit Liaison Group

Maria Pressley
Audit Liaison
Bureau of Justice Assistance

Michael Dever
Program Manager
Bureau of Justice Assistance

OJP Executive Secretariat
Control Number 20061277

APPENDIX V

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

We provided the draft report to both the NYPD and OJP for review and comment. In their responses, the NYPD and OJP agreed with all of our recommendations. We consider all three recommendations resolved. We included the NYPD'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 each recommendation is provided below.

1. **Resolved.** Ensure that the NYPD submits accurate and timely Financial Status Reports and Progress Reports during the grant program.

This recommendation is resolved based on: (a) the NYPD implementing procedures to ensure future grants will adhere to all reporting requirements, and (b) OJP's agreement to coordinate with the NYPD to ensure reports are submitted accurately and timely. This recommendation can be closed when we receive documentation that the NYPD has implemented control procedures to ensure accurate and timely reporting of grant financial and program information.

2. **Resolved.** Remedy \$47,307 in unsupported expenditures.

This recommendation is resolved based on: (a) the NYPD's effort to verify expenditures through documentation other than employee timesheets and overtime cards, and (b) OJP's agreement to coordinate with the NYPD to obtain supporting documentation for the expenditures. This recommendation can be closed when we receive documentation that the NYPD has adequately supported the \$47,307 in grant expenditures.

3. **Resolved.** Remedy \$2,392 in unallowable expenditures.

This recommendation is resolved based on: (a) the NYPD's agreement that these expenditures should not have been billed to the grant, and (b) OJP's agreement to coordinate with the NYPD to remedy the expenditures. This recommendation can be

closed when we receive documentation that the \$2,392 in unallowable expenditures has been remedied.