



**AUDIT OF THE
OFFICE OF COMMUNITY ORIENTED POLICING
SERVICES TECHNOLOGY GRANT AWARDED TO THE
CAPE CORAL POLICE DEPARTMENT
CAPE CORAL, FLORIDA**

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

Audit Report GR-40-11-006
August 2011

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TECHNOLOGY GRANT AWARDED TO THE
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EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Technology Grant, Grant Number 2007-CK-WX-0030, awarded to the Cape Coral Police Department (Police Department), by COPS in the amount of \$6 million. The purpose of this grant was to improve communication within and among state and local law enforcement agencies in Lee County, Florida.

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed the Police Department's program performance in meeting grant objectives and overall accomplishments. The Police Department was awarded a total of \$6 million to implement the grant program. In addition to the grant award, Lee County was to provide \$2 million for the required local match, making the total grant-funded program budget \$8 million.¹

We examined the Police Department's accounting records, financial and progress reports, and operating policies and procedures and found no significant issues regarding the implementation of the grant-funded program.

Our audit objectives, scope, and methodology are discussed in Appendix I.

We discussed the results of our audit with Police Department officials and have included their comments in the report, as applicable.

¹ The Police Department is located in Lee County, Florida.

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INTRODUCTION

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Office of Community Oriented Policing Services (COPS) Technology Grant, Grant Number 2007-CK-WX-0030, awarded by COPS to the Cape Coral Police Department (Police Department) in the amount of \$6 million. According to a Memorandum of Understanding with the city of Cape Coral, Lee County agreed to provide \$2 million for the required local match. The purpose of this COPS Technology Grant was to improve communication within and among state and local law enforcement agencies in Cape Coral and Lee County, Florida.

The objective of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed the Police Department's performance in meeting grant objectives and overall accomplishments. As shown in the table below, COPS awarded the Police Department \$6 million to implement the grant program.

EXHIBIT 1: INTEROPERABLE COMMUNICATIONS TECHNOLOGY GRANT AWARDED TO THE CAPE CORAL POLICE DEPARTMENT

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2007-CK-WX-0030	09/01/2007	08/31/2011	\$6,000,000

Source: Office of Community Oriented Policing Services

Background

Cape Coral-Fort Myers is the largest metropolitan area between Tampa and Miami, located in Lee County on Florida's southwest gulf coastline. Lee County encompasses 804 square miles, with a resident population of 589,000. Geographically, Lee County splits into four distinct areas; Cape Coral, the Barrier Islands, Fort Myers, and unincorporated Lee County. Cape Coral, Fort Myers, and Sanibel Island have municipal police departments, while the Lee County Sheriff provides primary law enforcement to the remainder of the county.

In fiscal year 2007, COPS announced \$159 million in technology grants to 37 law enforcement agencies in 25 states and 1 U.S. territory. The grants were awarded under the COPS Technology Program to improve communications within and among law enforcement agencies. The rules

established for the grant program included a \$6 million limit on federal participation for individual grants and required grantees to provide a local match of at least 25 percent of the total value of the grant-related project.

Cape Coral is part of a Metropolitan Statistical Area that COPS preselected or invited to compete for grant funding.¹ This area encompasses Cape Coral, Ft. Meyers, and Lee County. COPS asked that those seeking funding submit comprehensive proposals to include a clear and demonstrated plan for improving interoperability.

Lee County's Public Safety Telecommunication Program is the primary communication provider for all federal, state, and local public safety agencies within the county except Cape Coral. The Police Department's grant application stated that the new radio system would provide interoperability between multiple agencies within Lee County.

In September 2007, COPS awarded the grant to the Police Department. Cape Coral signed a contract with its vendor in November 2008 with the tentative completion date of August 2010. The Police Department requested and received a grant extension to complete the project in August 2011.

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, the criteria we audit against are contained in 28 Code of Federal Regulations (CFR) § 66, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

In conducting our audit, we performed testing of the Police Department's:

- **internal control environment** to determine whether the financial accounting system and related internal controls were adequate to safeguard grant funds and ensure compliance with the terms and conditions of the grant;
- **grant expenditures** to determine whether the costs charged to the grant were allowable, supported, and properly allocated;

¹ Metropolitan Statistical Area is a designation the U.S. government uses to refer to a region that consists of a city and its suburbs and any surrounding communities that are closely linked to the city because of social or economical factors.

- **budget management and control** to determine the overall acceptability of budgeted costs by identifying any budget deviations between the amounts authorized in the budget and the actual costs incurred for each budget category;
- **reporting** to determine if the required periodic financial reports and progress reports were submitted on time and accurately reflected grant activity;
- **drawdowns** (requests for grant funding) to determine if the Police Department adequately supported its requests for funding and managed its grant receipts in accordance with federal requirements;
- **monitoring contracts** to determine if the Police Department provided adequate contract oversight and enforced compliance with the terms and conditions of the contract related to the COPS grant;
- **matching costs** to determine if Lee County provided matching funds that supported the project and were in addition to funds that otherwise would have been available for the project;
- **accountable property** to determine whether the Police Department had effective procedures for managing and safeguarding assets acquired with grant funding; and
- **program performance and accomplishments** to determine whether the Police Department achieved the grant's objectives and to assess performance and grant accomplishments.

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

FINDINGS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We found that the Police Department requested and received \$5,370,236 of the total of \$6 million in grant funds for claimed contract-related expenditures that were allowable and supported.

Internal Control Environment

Our audit included a review of the Police Department's accounting and financial management system and single audit reports to assess the risk of non-compliance with laws, regulations, guidelines, and the terms and conditions of the grant.²

We also interviewed management staff from the organization, observed accounting activities, and performed transaction testing of expenditures and accountable property to further assess risk.

We did not identify any significant problems in the Police Department's internal control environment related to the administration of this grant. The Police Department's internal controls appear to ensure that federal funds are being adequately safeguarded and properly spent in accordance with the grant objectives.

Grant Expenditures

The OJP Financial Guide, Part III, Chapter 7 considers allowable costs as those identified in OMB circulars and the grant program's authorizing legislation. In addition, costs must be reasonable and permissible under the specific guidance of the grants.

According to the contract, payments are based upon the percentage of work completed on the project. As of July 2, 2010, the contractor had submitted 12 invoices, totaling \$6,047,016. These invoices included multiple items installed during each stage of the project.³

² As the agency assigned to grant administration, our internal control environment review focused on the Cape Coral Police Department.

³ Because the invoices were based on a percentage of completion rather than the costs incurred for each item installed, a unit cost was not assigned to each item installed.

We tested the 12 invoices to determine if costs charged to the grant were allowable, supported, and properly allocated in compliance with grant requirements. We obtained and reviewed all of the invoices and available supporting documentation. We found all expenditures were adequately supported.

We discussed the terms of the radio replacement contract with Police Department officials and determined that the contract billings represented the equipment and services provided by the contractor. The Police Department and the contractor negotiated the timing of the billings and followed the progress of the project as outlined in the project timeline.

Additionally, we reviewed all cumulative expenditures reported by the Police Department to COPS on quarterly Federal Financial Reports and served as the basis for the Police Department's periodic requests for grant funding.

From our evaluation of the Federal Financial Reports, requests for grant funding, and inspection of contract invoice billings, we determined that all of the expenditures claimed by the Police Department were adequately supported and properly charged to the grant.

Budget Management and Control

According to 28 CFR § 66.30(d), grantees must obtain the prior approval of the awarding agency whenever there is any revision of the scope or objectives of the project, regardless of whether there is an associated budget revision.

In 2007, COPS approved the Police Department's radio project budget totaling \$8 million, including \$6 million in federal funds and \$2 million in local matching funds. The approved budget provided \$5,497,307 for equipment, \$5,400 for training and travel, and \$2,497,293 for payments to the project consultant.

We compared the estimated costs in the approved budget to the actual costs the Police Department identified for the radio replacement contract and found no discrepancies.

Reporting

Federal Financial Reports

Federal Financial Reports summarize federal money spent, unliquidated obligations incurred, and unobligated balance of federal funds for each calendar quarter. Reports are due within 30 days following the end of each quarter.

We reviewed all of the financial reports submitted for timeliness and found that the Police Department timely submitted all reports. We also compared the amounts reported as expenditures to the financial system and found that the Police Department accurately prepared all reports.

Progress Reports

COPS monitors program performance of grants through progress reports submitted by grant recipients. Progress reports provide information relevant to the performance of a grant and the accomplishment of objectives set forth in the approved award. As part of this audit, we reviewed for accuracy all progress reports the Police Department provided to COPS between 2007 and 2010.

From our review of progress reports, it appears that the Police Department made an effort to implement the radio project as scheduled. However, due to technical problems, the project is behind schedule and will not be completed by the original grant end date. The Police Department requested and OJP approved the grant extension to August 31, 2011. We also reviewed the timeliness of progress reports and determined that the Police Department timely submitted all progress reports.

Drawdowns

A drawdown is the actual payment of grant funding by COPS to a grantee. Grantees are required to time their drawdown requests to ensure federal cash on hand is the minimum needed for disbursement or reimbursement.

We reviewed the process that the Police Department followed to request grant funding. We verified that grant funds were properly recorded in the Police Department's financial system. As of April 13, 2011, the Police Department had received \$5,370,236 through nine separate funding requests as summarized in Exhibit 2.

EXHIBIT 2: DRAWDOWNS FOR GRANT 2007-CK-WX-0030

Date of Drawdown	Drawdown Number	Amount of Drawdown
06/02/2008	1	\$ 3,387
05/11/2009	2	\$ 269,848
08/26/2009	3	\$28,926
11/02/2009	4	\$2,742,848
02/16/2010	5	\$178,863
04/15/2010	6	\$417,348
08/18/2010	7	\$894,317
04/13/2011	8	\$596,213
04/13/2011	9	\$238,486
Total	9	\$5,370,236

Source: Office of Justice Programs

The Police Department requested grant funding on a reimbursement basis. We determined the amounts of funding requested for each of these drawdowns was based on the amounts agreed upon in the payment schedule included in the contract.

Monitoring Contracts

The radio replacement contract included a billing schedule and project timeline including deliverables of services by milestone for the entire contract amount. The Police Department and Lee County officials monitored the project and inspected onsite progress as compared to the milestone schedule. These officials reported to the Police Department's finance staff when a milestone was met, and finance officials then released payment to the contractor.

The radio replacement contract also contained a provision that required the contractor to provide the Police Department with all documentation necessary to justify grant-related expenditures and related reimbursements. We found that the Police Department paid contract invoices after Police Department and Lee County officials verified and approved items invoiced.

We concluded that the Police Department paid invoices related to the radio replacement contract after verifying the accuracy of grant-related expenditures and the completion of work in accordance with the contract.

Matching Costs

The COPS Technology Grant Program required a local match of 25 percent of the grant amount. Grantees are required to maintain records that document the source of local matching funds, the amount paid, and the timing of payment contributions.

The approved budget for the Police Department's radio project included local matching costs of \$2 million. As established in a Memorandum of Understanding with the city of Cape Coral, Lee County agreed to pay the \$2 million for the grant's local match requirement. The Police Department submits an invoice to Lee County for 25 percent of the amount billed by the contractor. We compared all invoices submitted to Lee County to the contractor's billings and determined the Police Department invoiced Lee County for 25 percent of the contractor's billings. As of August 16, 2010, Lee County remitted checks totaling \$795,176 to the Police Department for these invoices. The County was on track to meet the local match requirement.

Accountable Property

According to 28 CFR § 66.32, agencies that acquire equipment with grant funds must maintain records that include a description of the property, a serial number or other identification number, the source of the property, title holder, the acquisition date, and cost of the property, percentage of federal participation in the cost of the property, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sale price of the property.

According to Police Department officials, Lee County was responsible for tracking accountable property. Lee County staff inventoried grant-funded equipment upon delivery and installation of the items. The Police Department provided us with a list of all equipment purchased with grant funds for our analysis.

The initial inventory list provided by the Police Department contained individual items included in the radio system.⁴ We tested 20 items to review the high dollar categories and important components of the system. These items included multiple components; as a result, we reviewed a total of 55 components within the 20 items.

⁴ The radio system was comprised of 7,796 individual items, all of which were not assigned a value by the vendor; however, for our testing purposes, we sampled those items considered to be of high value and risk.

We selected the 5 highest dollar items from the inventory list and a judgmental sample of 15 random items from the inventory list that we considered at risk of theft. We performed onsite verification of the sampled property and equipment by checking serial numbers onsite and confirmed the equipment was being used as intended.

Because the radio system consisted of thousands of individual equipment pieces, Lee County assigned a single asset tag to the radio system in its accountable property system. According to Lee County officials, they plan to inventory the equipment when the project is finished and assign individual asset tags to the major system components. Police Department officials also supplied us a second complete list of equipment for the radio replacement project, which was submitted by the contractor at the start of the project. At the conclusion of our audit work, Lee County officials identified all equipment purchased with grant funds and were working to enter that equipment into Lee County's property management system.

Program Performance and Accomplishments

According to the Police Department's 2007 approved award document, the grant project's goal was to increase public safety by transitioning Lee County's public safety communications network to a compliant digital platform with the capability to address both current and future communication needs.

The original grant award provided for 3 years to complete the radio project with a planned end date of August 2010. In June 2010, COPS approved a 1-year extension until August 2011. The Police Department requested the extension primarily because of technical problems unforeseen by the contractor prior to the installation.

At the completion of our audit, the radio replacement project was unfinished. However, based on the percentage of completion, we concluded that the contractor was on-track to complete the project by the end of the grant extension period.

Conclusions

We determined that the Police Department requested and received \$5,370,236 in grant funds as of April 2011 for allowable and supported expenditures related to the radio system replacement project. The Police Department generally complied with the requirements pertaining to internal controls, grant drawdowns, reporting, budget management and control, and supplanting.

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of this audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant, and to determine program performance and accomplishments. The objective of our audit was to review performance in the following areas: (1) internal control environment, (2) grant expenditures, (3) budget management and control, (4) reporting, (5) drawdowns, (6) monitoring contracts, (7) matching costs, (8) accountable property, and (9) program performance and accomplishments. We determined that program income, indirect costs, and monitoring of subgrantees were not applicable to this grant.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our audit concentrated on, but was not limited to, the award of the grant on September 1, 2007, through April 13, 2011. This was an audit of the COPS Technology Grant 2007-CK-WX-0030. The Police Department had drawn down \$5,370,236 in grant funds through April 13, 2011. We tested 12 invoices totaling \$6,047,016, which included the matching costs.

We tested compliance with what we considered to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audited against were contained in Title 28 CFR § 66, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments and the award documents.

In conducting our audit, we reviewed claimed grant-related expenditures and drawdowns. In addition, we reviewed the timeliness and accuracy of Federal Financial Reports and Progress Reports, assessed accountability over assets acquired with grant funding, evaluated performance to grant objectives, and reviewed the grantee's monitoring of the contractor. However, we did not test the reliability of the financial management system as a whole.

CAPE CORAL POLICE DEPARTMENT'S RESPONSE
TO THE DRAFT AUDIT REPORT



B. A. "JAY" MURPHY
CHIEF OF POLICE

WWW.CAPECOPS.COM

July 25, 2011

Mr. Ferris B. Polk, Regional Audit Manager
General Atlanta Regional Audit Office
U.S.D.O.J. – O.I.G.
75 Spring Street, Suite 1130
Atlanta, GA 30303

Re: Audit COPS Grant # 2007- CK-WX -0030

Dear Mr. Polk,

Thank you for the opportunity to review the draft report of the audit on our COPS Technology Grant # 2007 CK-WX- 0030. We agree with the audit and offer no comment on its content.

Please allow us to express our appreciation for the professionalism and understanding your staff displayed during their onsite data collection. In particular, we were quite appreciative for their consideration and cooperation they displayed regarding the multi-agency involvement needed to comply with their requests.

This grant made possible a project that would have been at least a decade in the making, and in doing directly impacted our continuity of government and disaster recovery resources, which as we enter the current hurricane season are always a concern for our residents.

We look forward to our continued partnership with the COPS office and your staff.

Sincerely,

CAPE CORAL POLICE DEPARTMENT

B. A. (Jay) Murphy
Chief of Police

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




U.S. Department of Justice
Office of Community Oriented Policing Services (COPS)

Audit Liaison Division
1100 Vermont Avenue, NW
Washington, D.C. 20530
202-514-7022 (Telephone)
202-616-4428 (Facsimile)

MEMORANDUM

Via Email and U.S. Mail

To: Ferris B. Polk
Regional Audit Manager
Office of the Inspector General
Atlanta Regional Audit Office

From: Karl W. Bickel 
Senior Policy Analyst

Date: August 3, 2011

Subject: Response to Draft Audit Report for Cape Coral Police Department, Cape Coral, Florida, Grant Number 2007-CK-WX-0030.

This memorandum serves as COPS' response to the Office of the Inspector General's Draft Audit Report for the Cape Coral Police Department, Cape Coral, Florida, Grant Number 2007-CK-WX-0030. The COPS Office Audit Liaison Division has reviewed the Draft Audit Report and has no written comment.

If you have any questions, please contact me at 202-514-5914.

cc: Nancy Daniels (provided electronically)
Administrative Assistant

Audit File

ORI FL03602

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

The OIG provided a draft of this audit report to the Cape Coral Police Department and the Office of Community Oriented Policing Services. The Cape Coral Police Department and the Office of Community Oriented Policing Services both responded with no comments. This report contains no recommendations and is issued closed.