



**AUDIT OF THE
OFFICE OF COMMUNITY ORIENTED POLICING
SERVICES TECHNOLOGY GRANT AWARDED TO
NASSAU COUNTY
MINEOLA, NEW YORK**

U.S. Department of Justice
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Audit Division

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**AUDIT OF THE
OFFICE OF COMMUNITY ORIENTED POLICING SERVICES
TECHNOLOGY GRANT AWARDED TO NASSAU COUNTY
MINEOLA, NEW YORK**

EXECUTIVE SUMMARY

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Interoperable Communications Technology Grant Award, number 2003-IN-WX-0013, awarded to Nassau County, New York (Nassau), by the Office of Community Oriented Policing Services (COPS) in the amount of \$6 million. The purpose of this Interoperable Communications Technology Grant was to improve communication within and among state and local law enforcement agencies in Nassau County and Suffolk County, New York.

The objective of our audit was to determine whether reimbursements claimed for costs under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and the terms and conditions of the grant. We also assessed Nassau's program performance in meeting grant objectives and overall accomplishments. Nassau was awarded a total of \$6 million to implement the grant program. In addition to the grant award, Nassau was to provide \$3,652,867 of local funding as a required local match, making the total grant-funded program budget \$9,652,867.

We examined Nassau's accounting records, financial and progress reports, and operating policies and procedures and found significant issues regarding the implementation of the grant-funded program. Specifically, we found:

- Nassau County Police Department's system of internal controls related to grant administration had many deficiencies and was not adequately documented.
- We found that \$5,959,165 of the \$6 million in grant expenditures were unsupported because Nassau could not provide documentation supporting the specific charges made to the grant program, provide the value of the grant-related elements contained in the project, or adequately justify the costs in the contractor's billings.
- Nassau claimed \$9,080,645 in grant-related expenditures, including both the grant funds received and the local matching funds applied to

the grant program. However, we found that \$9,076,609 of these expenditures were unallowable because the project paid for by Nassau was not the program outlined in the grant application or the grant budget approved by COPS.

- Nassau claimed \$1,278 in overtime expenditures that were unsupported because the documentation supporting the overtime costs was not maintained.
- Nassau prepared Financial Status Reports that overstated grant-related expenditures identified by its contractor by \$2,468,129.¹ We also determined the remaining \$6,608,480 reported by Nassau was based on invoices that were not sufficiently detailed.
- The progress reports and requests for grant extensions submitted by Nassau to COPS did not adequately describe for COPS how the approved grant project had changed. Specifically, Nassau did not adequately disclose that the grant project was merged with a larger radio replacement project and, as a result, Nassau was no longer able to monitor the grant project separately from that larger project either financially or programmatically.
- Nassau requested and received \$2,468,129 in grant funding for expenditures that were not related to the COPS grant-funded project.
- Nassau did not satisfy the \$3,652,867 in expenditures required for the local match. The \$3,117,444 claimed by Nassau was overstated by \$1,531,142. Additionally, we determined the remaining \$1,586,302 reported by Nassau was based on invoices that were not sufficiently detailed.
- Nassau did not specifically identify grant-funded accountable property, nor did it have a property system in place to manage this property.

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

¹ Financial Status Reports were changed to Federal Financial Reports on October 1, 2009. For purposes of consistency in this report, as all but one of the reports submitted by Nassau occurred before that date, the term Financial Status Report (FSR) will be used throughout the report when discussing the required periodic financial reporting.

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

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INTRODUCTION

The U.S. Department of Justice Office of the Inspector General, Audit Division, has completed an audit of the Interoperable Communications Technology Grant, grant number 2003-IN-WX-0013, awarded by the Office of Community Oriented Policing Services (COPS), to Nassau County, New York (Nassau) in the amount of \$6 million. An additional \$3,652,867 was to be provided by Nassau as the local match required by the grant program. The purpose of this Interoperable Communications Technology Grant was to improve communication within and among state and local law enforcement agencies in Nassau County and parts of Suffolk County, New York.

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 Nassau's program performance in meeting grant objectives and overall accomplishments. As shown in the table below, Nassau was awarded a total of \$6 million to implement the grant program.

INTEROPERABLE COMMUNICATIONS TECHNOLOGY GRANT AWARDED TO NASSAU COUNTY, NY

GRANT AWARD	AWARD START DATE	AWARD END DATE	AWARD AMOUNT
2003-IN-WX-0013	09/01/2003	12/31/2009	\$6,000,000

Source: Office of Community Oriented Policing Services

Background

In FY 2003, COPS was appropriated approximately \$67 million for the Interoperable Communications Technology Grant Program; a competitive grant program for state and local jurisdictions 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.

Nassau was 1 of the 74 Metropolitan Statistical Areas that COPS preselected or invited to compete for grant funding. COPS asked that those seeking funding submit comprehensive proposals to include a clear and demonstrated plan for improving interoperability. From those that were invited, 58 agencies, including Nassau, submitted proposals.

In collaboration with the Department of Homeland Security, Emergency Preparedness and Response Directorate, which administered a similar program for a different pool of applicants, COPS established a peer review panel to identify the strongest proposals to be funded. The peer review panel assembled members of the public safety community, the National Institute for Standards and Technology, the Wireless Public Safety Interoperable Communications Program, and the National Institute of Justice Advanced Generation of Interoperability for Law Enforcement Program. In September 2003, COPS announced that Nassau and 13 other agencies were selected to receive grants.

At the time Nassau submitted its application for the Interoperable Communications Technology Grant, Nassau had been planning to replace its existing land based mobile radio system. However, according to Nassau's application, the plans for the new radio system had only "limited regard" to interoperability at that time. Although Nassau stated in its application that grant funding would "leverage" the replacement of the radio system to provide interoperability, the application did not indicate that the radio replacement and interoperable projects were to be combined and the related work accomplished through a single contract.

As detailed in this report, we determined that merging the radio replacement and interoperable projects was the root cause for many of the problems we identified regarding the verification of the grant-related expenditures claimed by Nassau.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the grant. Unless otherwise stated in our report, the criteria we audit against are contained in the Code of Federal Regulations: 28 CFR § 66, Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments.

In conducting our audit, we performed testing of Nassau'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.

- **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 Status Reports and Progress Reports were submitted on time and accurately reflected grant activity.
- **Drawdowns** (requests for grant funding) to determine if Nassau adequately supported its requests for funding and managed its grant receipts in accordance with federal requirements.
- **Monitoring contracts** to determine if Nassau 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 Nassau 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 Nassau had effective procedures for managing and safeguarding assets acquired with grant funding.
- **Program performance and accomplishments** to determine whether Nassau achieved the grant's objectives and to assess performance and grant accomplishments.

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

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL GRANT REQUIREMENTS

We found that Nassau County requested and received \$5,963,201 in grant funds for claimed contract-related expenditures that were unallowable and unsupported. We also found Nassau claimed another \$3,117,444 in contract-related expenditures as the local match that were unallowable and unsupported. We further determined that Nassau significantly revised the scope of the project without receiving prior approval from COPS. In addition, we identified numerous internal control deficiencies related to the administration of this grant that contributed to our audit findings.

Internal Control Environment

Our audit included a review of Nassau's accounting and financial management system and Single Audit Reports to assess the risk of noncompliance 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.

From our audit, we identified significant problems in the Nassau Police Department's internal control environment related to the administration of this grant. Specifically, we found that Nassau had no written policy and procedure manuals for any of the grant administration functions we reviewed, and the Police Department's Information Technology Unit and Communications Bureau (ITU/CB) were not aware of or not focused on the administrative requirements of the grant.

Another significant internal control deficiency was the failure to coordinate the activities of the ITU/CB, responsible for contract oversight, and the Personnel and Accounting Bureau (PAB) responsible for preparing Financial Status Reports and making grant funding requests.³ Specifically,

² As the agency tasked with grant administration, our internal control environment review focused on the Nassau County Police Department.

³ Financial Status Reports were changed to Federal Financial Reports on October 1, 2009. For purposes of consistency in this report, as all but one of the reports submitted by Nassau occurred before that date, the term Financial Status Report (FSR) will be used throughout the report when discussing the required periodic financial reporting.

ITU/CB approved contractor invoices for payment without ensuring the contractor met the terms and conditions of the contract, including providing sufficient detail to identify portions of the project that were paid for with grant funding.

We determined that the PAB prepared quarterly grant-required Financial Status Reports (FSRs) and made grant funding requests without adequate documentation, relying instead on what it was told by other police department administrators. As a result, Nassau had no documented basis for requesting \$2,468,129 of its final grant funded drawdown.

Poor coordination between ITU/CB and the Nassau Department of Public Works (DPW), responsible for accounting and managing cash flow for the contract, also caused grant administration problems. We determined that grant-related expenditures reported to COPS on FSRs by PAB were never recorded in Nassau's accounting system during the life of the grant. This occurred because DPW was not instructed by ITU/CB when to pay contract invoice billings using COPS grant funding or bonds issued by Nassau County – the two principal funding sources for the project. As a result, all contract invoice billings were paid only using county bonds, although grant funds were drawn down. According to County officials, Nassau still had the \$5,963,201 of grant funds on hand at the time of our fieldwork. Additionally, Nassau appears to have incurred potentially unnecessary borrowing costs because it paid for claimed grant-related expenditures only using County bond funds.

In our judgment, the absence of an adequate and effectively functioning internal control environment places grant funds at risk and undermines the ability of the grant recipient to ensure that federal funds are being adequately safeguarded and spent accurately and properly in accordance with the grant objectives.

Grant Expenditures

We reviewed grant expenditures to determine if costs charged to the award were allowable, supported, and properly allocated in compliance with grant requirements. We obtained and reviewed all of the invoices and available supporting documentation for all expenditures charged to the grant. Additionally, we reviewed cumulative expenditures that were reported by Nassau on quarterly FSRs and that were also the basis for Nassau's periodic requests for grant funding.

From our evaluation of the FSRs, requests for grant funding, and inspection of contract invoice billings, we determined that not all of the expenditures claimed by Nassau as being related to the COPS grant project were adequately supported. Specifically, we question \$9,076,609 in contractor costs and \$1,278 in overtime costs as unsupported.

Regarding the contractor costs, we found that Nassau could not provide supporting documentation for the specific costs charged to the grant. To overcome the lack of supporting documentation for contractor costs, we asked Nassau to identify an alternate method for justifying the amounts claimed in the FSRs as being grant related. In response to our request, Nassau reviewed all of the costs associated with the radio replacement contract, with the assistance of its contractor, and provided an allocation methodology that identified \$14,080,139 in costs related to the COPS project that were potentially allowable expenditure charges. The following table summarizes the costs Nassau and its contractor identified as being related to the COPS grant.

**Summary of Costs Related to COPS Grant
Identified by Nassau and its Contractor**

Cost Category	Specific/Allocable	General	Total
Equipment located at 33 sites in Nassau and Suffolk Counties	\$ 3,427,356	\$ 1,849,145	\$ 5,276,501
Engineering costs	0	4,305,968	4,305,968
Portable and mobile radios	0	3,830,714	3,830,714
Miscellaneous costs	0	666,956	666,956
Total	\$3,427,356	\$10,652,783	\$14,080,139

Source: Nassau County

Although this alternative methodology identified more grant related costs than the combined federal and local match amounts, we found that the documentation and allocation methods did not justify the \$9,076,609 claimed and reimbursed for contractor expenditures because: (1) the methodology used list prices instead of actual prices for the \$14,080,139 allocated to the grant award, and (2) \$10,652,783 in allocated expenditures were based on a "general" methodology that was unreasonable.

From our data analysis, we determined that this alternative methodology used data from the contractor's ordering system that detailed equipment and services initially requisitioned but not necessarily delivered to

Nassau. Contractor officials also told us that most of the equipment allocated to the grant-funded project was likely overstated because the values were calculated using list prices before generally available discounts were applied.

While we do not agree with using list prices, we determined that some of the methods Nassau used for identifying equipment and allocating the related costs to the grant were reasonable. Specifically, Nassau identified groups of equipment that were used entirely or partially for interoperable purposes. For the group of equipment used entirely for interoperable purposes, 100 percent of these costs were allocated to the grant. Additionally, for groups of equipment used only partially for interoperable purposes, these cost allocations were based on the ratio of interoperable radio channels to total radio channels used by the equipment. In total, Nassau identified \$3,427,356 in grant-related costs using these allocation methods that we consider reasonable.

For the remaining \$10,652,783 in costs identified by Nassau as grant-related, Nassau used a "general" allocation methodology that was based on the ratio of the cost estimate of the grant program to the cost estimate of the entire radio replacement project. We do not believe this allocation method is reasonable because it relies on costs originally estimated for the grant project to identify the actual costs of a project that was substantially redefined in its scope and approach.

In addition to our concerns regarding the use of the general allocation methodology, we determined that some of the costs included in the general allocation are not actual costs or may not be verifiable at the contract level. We also have concerns that applying the general allocation rate to all of the portable and mobile radios purchased through the radio replacement contract overstates the actual number of radios used for interoperable purposes.

Based on our review of claimed contractor costs, we determined that Nassau could not adequately support claimed contractor expenditure payments totaling \$9,076,609. The reasons underlying these unsupported expenditures are directly related to the internal control deficiencies we previously discussed, including a failure by Nassau to hold the contractor in strict compliance with the terms and conditions of the contract. In our view, when contractors are not held accountable and expenditures are paid without evidence of adequate and sufficient supporting documentation, the risk of misspending is greatly increased and the likelihood of success for the

overall project is potentially compromised. We further discuss this issue in the Reporting section of this report under Financial Status Reports.

In addition to the unsupported contractor expenditures, Nassau charged the grant for \$2,207 in overtime expenditures that paid for 3 employees to work 8 days of overtime. We asked Nassau to provide copies of the time cards for each employee as support for the overtime expenses. Nassau provided time cards for only one of these employees who worked 5 days of overtime. Nassau could not provide time cards for the remaining 2 employees and \$1,278 in claimed overtime expenditures.

Budget Management and Control

According to the Code of Federal Regulations: 28 C.F.R. § 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 2003, COPS approved Nassau's interoperability project budget totaling \$9,652,867, including \$6 million in federal funds and \$3,652,867 in local matching funds. More than 99 percent of the approved budget, or \$9,587,167, was dedicated for payments to the project contractor.

As part of the grant approval process, COPS requested a more detailed breakout of the contractor costs included in the budget. In response, Nassau provided the following information.

Budgeted Contractor Costs for Grant 2003-IN-WX-0013

Contract Category Cost Elements	Cost
Conventional Single Station Site 450MHz	\$522,000
Conventional Single Station Site 500MHz	104,808
GPS Simulcast (6 Site)	3,612,023
Console	241,580
Communication Switch	1,070,407
System Manager	78,630
<i>Equipment Subtotal</i>	<i>\$5,629,448</i>
Site Engineering and Design – based on 10 percent of equipment subtotal	\$562,945
Program Management (PM) – based on 8 percent of equipment subtotal	450,356
Installation, Testing, Optimization, and Acceptance – based on 15 percent of equipment subtotal	844,417
<i>Labor Subtotal</i>	<i>\$1,857,718</i>
Microwave (includes engineering, design, PM, installation, testing and acceptance)	\$1,200,000
Site Preparation (includes engineering, design, PM, installation, testing and acceptance)	900,000
Grand Total⁴	\$9,587,166

Source: Office of Community Oriented Policing Services

Because Nassau merged the interoperability and larger radio replacement projects in a single contract, a simple comparison of the budget approved by COPS and a specific interoperable project contract was not possible.

We attempted to compare the estimated costs in the approved budget to the actual costs Nassau identified within the radio replacement contract. However, both Nassau and contractor officials told us that it was not possible to crosswalk the cost elements in the detailed budget with what has been

⁴ This table was submitted with the Nassau County grant award application. The budgeted contractor costs totaled \$9,587,167.

accomplished to date because the approach to the interoperable elements of the new radio system are significantly different from what was initially proposed.

To understand changes to the grant project, we reviewed grant records and discussed the issue with Nassau and COPS officials. From our review we determined that Nassau never requested in writing, and COPS never formally approved, any changes to the original interoperability project budget.

Nassau officials told us that in addition to the documented correspondence we reviewed, they had detailed discussions with COPS concerning the progress of the interoperability project and believed COPS was aware of the changes to the project. However, COPS officials told us that they were not aware that the grant budget was changed and that they never approved any changes to the budget.

In determining that Nassau had significantly revised the project scope to the point that the change required prior approval from COPS, and that Nassau did not receive this approval, we found that the total amount of claimed contract payments, or \$9,076,609, was unallowable.

In addition to making changes without prior approval from COPS that we consider unallowable, we are also concerned that the grant program's competitive award process was compromised because Nassau did not follow through on the project as described in its grant budget which was the basis for its selection.

Reporting

Financial Status Reports

Financial Status Reports (FSR) summarize federal monies spent, unliquidated obligations incurred, and unobligated balance of federal funds for each calendar quarter. We reviewed the 25 FSRs Nassau submitted between 2003 and 2010. Due to the extensive delays in completing the radio replacement project which we will describe later in this report, only 9 of the 25 FSRs reported financial activity.

We reviewed all of the FSRs submitted for timeliness and found that 4 of the 25 reports were submitted late – reports are due within 45 days following the end of each quarter. On average, these 4 reports were late by

10 days. We do not believe these late reports had any negative effect on COPS's ability to monitor this grant.

We also reviewed the FSRs for accuracy by attempting to compare the amounts reported in the FSRs with data from Nassau's financial system. However, this was not possible because the expenditures claimed during the grant period were miscoded in Nassau's financial system and, as a result, the system never tracked expenditures as being grant-related during the life of the grant. We previously addressed this deficiency in the Internal Control Environment section in this report.

Because Nassau's financial system did not track grant-related expenditures, we sought to support the amounts reported in the FSRs using source documentation of the underlying expenditures. As shown in the table below, Nassau claimed a total of \$9,080,645 in expenditures. The contractor budget category totaled 99.95 percent of claimed grant award expenditures, while the travel and overtime categories totaled less than one percent of the remaining claimed expenditures.

Nassau reported \$1,829 in travel costs and \$2,207 in overtime costs in six FSRs. We reviewed supporting documentation for travel and overtime costs and determined that Nassau supported the \$1,829 in travel expenditures, but failed to support \$1,278 in overtime with employee time cards.

Reported Financial Activity for Grant 2003-IN-WX-0013

Budget Category	Federal Share of Claimed Expenditures	Local Share of Claimed Expenditures	Total Claimed Expenditures	Percent of Total
Travel	\$ 1,829	\$ 0	\$ 1,829	.0201
Overtime	2,207	0	2,207	.0243
Contractor	5,959,165	3,117,444	9,076,609	99.9556
Total	\$5,963,201	\$3,117,444	\$9,080,645	100

Source: OIG analysis of Nassau data

We discussed the structure and terms of the radio replacement contract with Nassau and contractor officials and determined that individual contract billings did not represent specific collections of equipment or services provided by the contractor. Rather, the amount and timing of the individual billings were negotiated between Nassau and the contractor and scheduled to follow the progress of the project.

Although scheduled interim contract billings did not represent a discrete collection of equipment or services, the contractor provided Nassau with engineering and equipment listings related to \$2,601,025 in expenditures associated with two separate contract billings that were reported in two quarterly FSR submissions during 2007. We planned to evaluate the process the contractor used to create the listings, but this was not possible because the contractor told us the listings were created by a former project manager no longer with the company.

The FSR for the period ending September 30, 2009, reported the remaining \$6,475,584 in claimed expenditures related to three contract billings. While we confirmed that the total amount reported in this FSR matched the total amount of the billings, the federal and local share amounts reported in the FSR were inaccurate. According to an approved change order to the original contract that we reviewed, only \$2,476,313 of the \$6,475,584 related to the COPS project. The grant award total for the five contractor billings was \$5,077,338.⁵

In addition to overstating the FSR by approximately \$2,468,129, we determined that the \$2,476,313 identified in the contract change order was the contractor's estimate of the grant-related project's portion, and the related billings did not include equipment lists or any other documents to support the portion of the billings related to the grant project.

A Nassau official told us that the office responsible for preparing the FSRs was never provided a copy of the contract change order that authorized amending the billing schedule and that PAB relied on information from other Nassau officials that indicated the entire amount billed of \$6,475,584 was related to the COPS project.

In conclusion, we determined that Nassau generally submitted its FSRs in a timely manner. However, with respect to FSR accuracy, we found that grant-related expenditures were miscoded in Nassau's financial system and three of the FSRs that reported contractor payments were not accurate because contract billings did not sufficiently identify the COPS grant portion of the radio replacement project. In addition, the final FSR overstated grant-related activity as identified in contractor billings by \$2,468,129.

⁵ The contractor billings appear in Appendix III and are discussed in the Monitoring Contracts section of this report.

Progress Reports

The principal method COPS uses to monitor program performance of its grants is 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 9 progress reports Nassau provided to COPS between 2003 and 2010 for accuracy. Because we already determined that \$9,076,609 in claimed contractor payments was unallowable because Nassau did not receive prior approval for significant revisions to the scope of its project, we looked for any references Nassau may have included in these reports that would have alerted COPS to a potential problem.

Although it is clear from many of the progress reports that Nassau was pursuing the interoperability and radio replacement projects simultaneously, it was not clear that both projects were combined in a single contract. Furthermore, the progress reports do not suggest that grant funding was effectively used as a funding source for the radio replacement contract without adequate identification of the expenditures related to the grant project.

Nassau officials told us that in addition to the documented correspondence we reviewed, they had detailed discussions with COPS concerning the progress of the interoperability project and believe COPS was aware of the changes to the project. However, COPS officials told us that they were not aware that the grant budget was changed and that COPS never approved any changes to the budget.

We also reviewed how timely Nassau was submitting these reports. We determined that 7 of the 9 progress reports submitted to COPS were on or before the due date and another report was 16 days late. However, the 2007 annual report, due on February 15, 2008, was submitted 109 days late on June 3, 2008.

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.

As part of this audit, we reviewed the process that Nassau followed to request grant funding. We began by inspecting Nassau's financial system

and verified that the receipt of grant funding was properly recorded. In total, Nassau received \$5,963,201 through six separate funding requests. Information relating to each request is summarized in the following table.

Drawdowns for Grant 2003-IN-WX-0013

Date of Drawdown	Drawdown Number	Amount of Drawdown
09/14/2004	1	\$ 817
11/10/2004	2	1,303
02/04/2005	3	202
07/05/2007	4	395,101
09/27/2007	5	1,559,901
04/20/2009	-	(2,322)
09/22/2009	6	4,008,396
05/13/2010	-	(197)
Total	6	\$5,963,201

Source: Office of Justice Programs

We determined that Nassau generally requested grant funding on a reimbursement basis. Specifically, the first five drawdowns were made after the underlying expenditures were paid. We determined the amounts of funding requested for each of these drawdowns were based on the amounts reported in the FSRs described earlier.

However, we determined that Nassau's final drawdown was made prior to receiving the underlying invoices. As already discussed, we determined that this final FSR was inaccurate because it reported the entire amount of the three invoices, \$6,475,584, as being related to the COPS project rather than just \$2,476,313 identified in the approved contract change order. Because the same office prepared FSRs and requested grant funding, the final drawdown was based on the same inaccurate information used to complete the final FSR. As a result, Nassau had no basis for requesting \$2,468,129 in its final drawdown and we question this amount as unallowable.

When we reviewed the circumstances related to the final drawdown, we learned the drawdown occurred after COPS staff notified Nassau in September 2009 that the remaining grant funds would expire by the end of that month, even though the revised end date for the grant was

December 31, 2009. According to COPS, the appropriation that funded the FY 2003 Interoperable Communications Technology Grant Program was expiring on September 30, 2009, and therefore the grant funding to Nassau would also expire at that time.

In addition to the lack of support for the entire amount of the final drawdown, we found that Nassau had not actually spent any of the \$5,963,201 it received from COPS for the project. We determined that because the grant-related expenditures were miscoded in the financial system, Nassau never reimbursed itself for the expenditures it claimed were made for the grant-related project. Instead, Nassau used local funds from a bond issue to pay for all of the expenditures related to the radio replacement project. As of May 2010, a Nassau official told us that all of the grant funding remained unused in a Nassau non-interest bearing bank account and that no transactions have been made to reimburse Nassau for any of the claimed expenditures funded by the grant.

Monitoring Contracts

As already detailed in this report, over 99 percent of the budgeted and claimed grant expenditures were for payments related to Nassau's radio replacement contract. Nassau officials told us that after Nassau received the COPS grant in 2003, Nassau's Office of Management and Budget decided to add the \$6 million in federal funding from the COPS grant to another \$40 million in local funds from a bond issued to finance the radio replacement contract signed in 2005.

We found that the radio replacement contract included a billing schedule for the entire contract amount and a separate billing schedule for the grant related funding. However, the contract did not specify a collection of deliverables or services related to either billing schedule. In addition, the contract did not identify how much of the individual milestones related to the federal or local funding shares of the grant related project.

We reviewed the billing schedule and the actual invoices submitted by the contractor to understand the relationship between the COPS grant and larger contract. In Appendix III, we compare the entire contract billing schedule with the grant-related billing.

We determined from the original contractor billing schedule that the grant award equaled 23 percent of the entire radio replacement project contract. Although we agree with Nassau and contractor officials who assert that the overall capital project included an interoperable communications

project component, no analysis was completed prior to signing the contract to justify the amount of grant-related funding committed to the contract.

In addition, as we have already detailed, there was a significant difference in the budget approved by COPS and the actual expenditures claimed by Nassau. Because the actual expenditures are significantly different from the budget approved by COPS, we believe it was unreasonable to incorporate the amount of the grant budget in the contract billing schedule without a detailed analysis to justify those amounts.

Along with the grant-related billing schedule, the radio replacement contract also contained a provision that required the contractor to provide Nassau with all documentation necessary to justify grant-related expenditures and related reimbursements. However, we found that Nassau paid contract invoices even though the actual billings did not conform to the grant-related billing schedule and the contractor did not provide adequate support to justify the grant-related amounts.

To understand why the contractor invoiced only \$5,077,338, or about 50 percent of the planned grant related billings, and why the contractor failed to provide adequate justification for claimed grant related expenditures, we reviewed the process Nassau followed for paying contract invoices. From our review, we determined that no Nassau official involved in the contract payment process reviewed or enforced the terms and conditions of the contract specifically related to the COPS grant.

We also looked at the amounts identified in contract invoices that related to the grant-funded project. As shown in Appendix III, actual invoices provided by the contractor identified only \$5,077,338, or about 50 percent of the planned grant related billings of \$9,587,167.

At the conclusion of our fieldwork, Nassau officials told us that there were invoices that contained additional grant-related expenditures associated with the project but were not previously identified because the office responsible for preparing the grant financial status reports did not receive copies of them.

We have concluded that Nassau paid invoices related to the radio replacement contract without adequately detailing the grant-related expenditures before or after the contract invoices were paid. In addition, we determined Nassau paid contract invoices without reviewing or enforcing the contract terms and conditions that specifically related to the COPS grant.

Matching Costs

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

The budget COPS approved for Nassau's interoperability project in 2003 included local matching costs of \$3,652,867. According to its financial status reports, Nassau claimed that it had made \$3,117,444 in grant-related expenditures from local sources. However, we determined the contractor only identified \$1,586,302 in costs related to the grant project associated with local funds, or a difference of \$1,531,142.

Although the amount of claimed expenditures from local sources exceeds the 25 percent minimum match required by the interoperable grant program, the required local match for this grant is 37.8 percent, or \$3,652,867 as approved by COPS. We therefore determined that the amount of identifiable local matching expenditures failed to meet the required minimum match by \$2,066,564.⁶

In addition to falling short of the required amount of local matching contributions, the amount claimed by Nassau is not specifically identified or sufficiently supported in the grant-related contract invoices. This is related to the same issues already described in the earlier sections of this report. As a result we have determined none of the matching expenditures claimed by Nassau, totaling \$3,117,444, were allowable or supportable for the reasons already described. However, because the claimed expenditures were paid for from a local bond issue, we determined that the source of the match was appropriate.

Accountable Property

According to the 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 property, title holder, the acquisition date, and cost of the property, percentage of Federal participation in the cost of 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.

⁶ The \$1,586,302 in contractor identified local match funds was subtracted from the \$3,652,867 required match, not the reported local match of \$3,117,444.

According to Nassau officials, the County had not inventoried equipment purchased with grant funds because the equipment was still owned by the contractor. According to the contractor, a complete list of equipment for the radio replacement project will be submitted to the County when the project is completed. At the conclusion of our field work, Nassau officials had not yet provided us with its plan for identifying and including the equipment purchased with grant funds into the County's property management system.

Program Performance and Accomplishments

According to Nassau's 2003 approved award document, the grant project had the following goals: (1) to develop a formal structure for developing regional interoperability policy and resolving technical issues, (2) provide an interoperability solution that will meet the needs of multiple agencies within Nassau and Suffolk Counties, and (3) provide a solution that will meet the interoperability needs of first responders across Long Island.

Nassau revised its original interoperability approach to the grant project by incorporating elements of it with its radio replacement project, combining the two into a single contract signed in June 2005. By merging the grant's interoperable objectives with Nassau's radio replacement project contract, the grant funding, objectives, and schedule were now inseparable from those of the radio replacement project.

As a result, grant objectives could not be accomplished until the entire radio replacement project was completed, which is planned for November or December 2010. To complete the radio replacement project, it was necessary for the contractor to acquire license agreements for existing or new structures prior to developing 33 radio system sites. Some communities, where these structures are located, initially opposed Nassau's plans to add or replace the equipment. According to Nassau officials, they were able to overcome local opposition to the project but not without serious delay. Nassau officials attribute most of this delay to the time needed to negotiate with the affected communities.

COPS originally gave Nassau one year to complete the interoperability project, and then gave an automatic extension of another year that established a revised end date of August 2005. Since the original contract completion date was September 2007, Nassau needed to ask for additional grant award period extensions largely because of local opposition that stalled the acquisition of necessary site license agreements. As shown in the table

below, COPS approved four additional extension requests which established a final grant award end date of December 31, 2009.

Grant Extension Request Summary

Previous End Date	Request Date	Approved	Revised End Date
08/31/2004	N/A - Automatic	06/24/2004	08/31/2005
08/31/2005	05/16/2005	06/14/2005	12/31/2006
12/31/2006	08/29/2006	10/06/2006	12/31/2008
12/31/2008	10/03/2008	01/21/2009	06/30/2009
06/30/2009	05/31/2009	07/15/2009	12/31/2009

Source: Office of Community Oriented Policing Services

Following the three extensions that revised the grant end date to December 2008, Nassau requested two more extensions that COPS approved, establishing a new end date of December 2009. However, after approving the final grant extension in July 2009, COPS notified Nassau in September 2009 that grant funding would expire at the end of that month. According to COPS officials, although the grant funding expired and the remaining \$36,602 was de-obligated, the grant has not been officially closed out and remains active.

Because the interoperability and radio replacement projects are inseparable and included in a single contract that is still unfinished, it's not yet possible to determine whether Nassau will accomplish the grant related objectives. However, from our review of the claimed project expenditures including discussions with Nassau and contractor officials, it appears that Nassau is working towards meeting the project goals.

Conclusions

We determined that Nassau County requested and received \$5,963,201 in grant funds for claimed contract-related expenditures that were unallowable and unsupported. We also found Nassau claimed another \$3,117,444 in contract-related expenditures as the local match that were unallowable and unsupported. We further determined that Nassau significantly revised the scope of the project without receiving prior approval from COPS. In addition, we identified numerous internal control deficiencies related to grant administration that contributed to our audit findings.

Recommendations

We recommend that COPS:

1. Remedy the \$9,076,609 in unsupported grant-funded contractor expenditures claimed by Nassau and the related drawdowns of grant funding.
2. Remedy the \$9,076,609 in unallowable grant-funded contractor expenditures claimed by Nassau and the related drawdowns of grant funding.
3. Remedy the \$1,278 in unsupported overtime expenditures.
4. Remedy the \$2,468,129 in excess drawdowns that are unrelated to the grant award.
5. Remedy the \$2,066,564 deficiency in the match requirement.
6. Remedy the \$1,531,142 in unallowable local match expenditures that are unrelated to the grant award.
7. Continue monitoring the grant to ensure grant objectives are met.
8. Ensure that the Nassau County Police Department implements policies and procedures to adequately administer grant funding that address our concerns over the related internal controls. These include, but should not be limited to the following: obtaining written approval from COPS prior to making significant changes to grant budgets, adequately supporting expenditures and drawdowns, identifying grant-related expenditures acquired with unrelated expenditures in a single procurement, and submitting financial and progress reports that are timely, accurate, complete, and adequately supported.
9. Ensure that equipment purchased with grant funding is identified and included in a property management system as required.

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, 2003, through December 31, 2009. This was an audit of the Interoperability Communication Grant 2003-IN-WX-0013. Nassau had a total of \$5,963,201 in drawdowns through May 13, 2010.

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

In conducting our audit, we reviewed all claimed grant-related expenditures and drawdowns. In addition, we reviewed the timeliness and accuracy of Financial Status 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.

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>QUESTIONED COSTS:</u>	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported contractor expenditures	\$ 9,076,609	6 & 11
Unallowable contractor expenditures	9,076,609	10
Unsupported overtime expenditures	1,278	6
Excess drawdowns	2,468,129	15
Local match requirement not met	2,066,564	17
Unallowable match expenditures	1,531,142	17
TOTAL QUESTIONED COSTS	\$ 24,220,331	
<i>LESS DUPLICATION⁷</i>	(\$15,142,444)	
TOTAL DOLLAR-RELATED FINDINGS	\$ 9,077,887	

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.

⁷ These costs relate to identical expenditures—though questioned for different reasons—and as a result, that portion of questioned costs is duplicated. We reduced the amount of costs questioned by the amount of this duplication.

Total Contract Billing and Grant Related Billing Amounts

Milestone Number	Original Contract	Original Grant Related Billing Plan ^A	Grant Related Costs Identified by Contractor	Grant Related Billings in Excess (Less Than) Original Billing Plan
1	\$ 1,986,600	\$ 562,945	\$ 521,157	\$ (41,788)
2	4,587,000	450,356	279,931	(170,425)
3	8,405,970	5,040,302	2,079,868	(2,960,434)
4	2,455,970	0	0	0
5	3,435,169	3,533,564	1,765,935	(1,767,629)
6	993,300	0	430,447	430,447
7	5,020,900	0	0	0
8	4,997,200	0	0	0
9	750,000	0	0	0
10	1,368,300	0	0	0
11	1,368,300	0	0	0
12	6,241,510	0	0	0
Total:	\$41,610,219	\$9,587,167	\$5,077,338	\$(4,509,829)

A – The original grant award equals 23 percent of the original contract

NASSAU COUNTY'S RESPONSE TO THE DRAFT AUDIT REPORT

Nassau County



Police Department

EDWARD P. MANDANO
COUNTY EXECUTIVE

1490 Franklin Avenue
Mineola, New York 11501
(516) 573-7000

LAWRENCE W. MULVEY
COMMISSIONER

December 3, 2010

Thomas O. Puerzer, Regional Audit Manager
U.S. Department of Justice
Office of the Inspector General
701 Market Street, Suite 201
Philadelphia, PA 19106

Dear Mr. Puerzer:

We are in receipt of your draft audit report for the Office of Community Oriented Policing (COPS) grant number 2003-INXW0013, and have performed a detailed review of such draft report, believing its' general findings and recommendations are not necessarily unreasonable. Specifically, however, we would offer the following clarifications and revisions, requesting they be incorporated into your subsequent report:

1> All references throughout the draft report identify Nassau County as the awardee and we request that such identifier be modified to reflect the more concise and specific Nassau County Police Department. This request will correct the appearance presented throughout the draft report that your Office performed a broader review of multiple County department operations covering a representative sample of the County's grant funds universe, as opposed to one sui generis grant awarded to one department of a large suburban municipality.

2> We take exception to your findings and recommendation of the Internal Controls Environment, where you specifically indicate your scope and approach "reviewed Nassau's accounting and financial management system and Single Audit Reports". Yet no comment was made regarding those specific elements of your scope and approach and instead commented on internal Police Department programmatic and contract management and administration of this specific grant. The suggested correction would clearly define your scope and approach to comport with your limited testing of one unique grant from one department of a large suburban municipality, thereby preventing your comments from being interpreted incorrectly by users of the draft report as a sweeping critique of an entire local governments' financial accounting system.

3> We recommend that references throughout the draft report be clarified reflecting unsupported costs to be a documentary function only so as not to be construed by the reader

of the draft report to suggest there is no physical evidence of interoperable communication technology and that no inspection of such technology was performed by you.

4> We recommend that references throughout the draft report be clarified to reflect unallowable costs are the result of the Department not receiving prior written approval from the COPS Office so as not to be construed by the reader of this report to suggest there were no substantive communications whatsoever between the Department and the COPS Office with respect to Grant plan modifications, progress and achievements.

In closing, we are in agreement with your recommendation to move this process forward to remediate those noted deficiencies by the Department and the COPS Office and are confident in our ability to successfully resolve such noted deficiencies working together with the COPS Office.

Sincerely,

/s/

Lawrence W. Mulvey
Nassau County Police Commissioner

/s/

Rob Walker
Chief Deputy County Executive

LWM:mjw

cc: Andrew A. Dorr, Assistant Director for Grants Administration,
U.S. Department of Justice, Office of Community Oriented Policing

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



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

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(202) 616-4428 (Facsimile)*

MEMORANDUM

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

From: Melonie V. Shine
Management Analyst

Date: December 7, 2010

Subject: Response to the Draft Audit Report issued on November 2, 2010 for Nassau County, Mineola, New York

This memorandum is in response to your November 2, 2010, draft audit report on the Interoperable Communications Technology Grant #2003INWX0013, awarded to Nassau County (Nassau). For ease of review, each audit recommendation is stated in bold and underlined, followed by a response from COPS concerning the recommendation.

Recommendation 1 - Remedy the \$9,076,609 in unsupported grant-funded contractor expenditures claimed by Nassau and the related drawdowns of grant funding.

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

Discussion and Planned Action

Nassau did not provide a copy of the draft audit response for COPS to review. Therefore, COPS will request an explanation and documentation from Nassau concerning the expenditures and drawdowns that were questioned as unsupported. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

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

Recommendation 2 - Remedy the \$9,076,609 in unallowable grant-funded contractor expenditures claimed by Nassau and the related drawdowns of grant funding.

COPS concurs that grantees should obtain written acceptance from COPS prior to making changes to the grant project that was approved based on the submitted grant application and budget.

Discussion and Planned Action

COPS will request documentation from Nassau to find out if changes to the grant project and budget were approved by COPS. After reviewing the response from Nassau, COPS will determine the appropriate action concerning this recommendation.

Request

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

Recommendation 3 - Remedy the \$1,278 in unsupported overtime expenditures.

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

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau concerning the questioned overtime expenditures. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

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

Recommendation 4 - Remedy the \$2,468,129 in excess drawdowns that are unrelated to the grant award.

COPS concurs that grantees should only claim and receive reimbursement for items in the grant budget that was approved by COPS.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau in regard to the drawdowns that were questioned as excess and unrelated to the grant award. COPS will determine the appropriate action concerning this recommendation after reviewing the response.

Request

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

Recommendation 5 - Remedy the \$2,066,564 deficiency in the match requirement.

COPS concurs that grantees are expected to provide documentation to indicate the source of local match funding, the amount paid, and the timing of the payment.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau concerning the questioned costs that were identified as a deficiency in the local match requirement. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

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

Recommendation 6 - Remedy the \$1,531,142 in unallowable local match expenditures that are unrelated to the grant award.

COPS concurs that grantees should only identify expenditures as a contribution to the required local match if the items are included in the approved grant budget.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau concerning the questioned costs that were identified as unallowable local match expenditures. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

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

Recommendation 7 - Continue monitoring the grant to ensure grant objectives are met.

COPS concurs that grantees should meet the grant objectives as indicated in the approved grant application.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau concerning the status of the grant project and whether the grant objectives were met. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 7.

Recommendation 8 - Ensure that Nassau implements policies and procedures to adequately administer grant funding that address our concerns over the related internal controls. These include, but should not be limited to the following: obtaining written approval from COPS prior to making significant changes to grant budgets, adequately supporting expenditures and drawdowns, identifying grant-related expenditures acquired with unrelated expenditures in a single procurement, and submitting financial and progress reports that are timely, accurate, complete, and adequately supported.

COPS concurs that grantees should implement policies and procedures to adequately administer grant funding.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau to confirm that policies and procedures have been implemented to ensure that grant funding is administered correctly. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 8.

Recommendation 9 - Ensure that equipment purchased with grant funding is identified and included in a property management system as required.

COPS concurs that grantees should properly identify grant-funded equipment and maintain it in a property management system.

Discussion and Planned Action

COPS will request an explanation and documentation from Nassau to confirm that equipment purchased with grant funds has been identified and included in a property management system. COPS will determine the appropriate action concerning this recommendation after reviewing the response from Nassau.

Request

Based on the discussion and planned action, COPS requests resolution of Recommendation 9.

COPS considers Recommendations 1 through 9 resolved, based on the discussion and planned actions shown above. In addition, COPS requests written acceptance of the determination from your office.

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

Thomas O. Puerzer
Philadelphia Regional Audit Manager, OIG
December 7, 2010
Page 6

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

Richard P. Theis (copy provided electronically)
Justice Management Division

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

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Lawrence W. Mulvey
Nassau County

Edward Mangano
Nassau County

Grant File: Interop #2003INWX0013

Audit File

ORI: NY02900

**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 Nassau County Police Department and the Office of Community Oriented Policing Services (COPS) for review and comment. In its response, which is included as Appendix IV of this report, Nassau County provided four general comments. COPS response is included as Appendix V of this report. The following provides the OIG Analysis of the response and summary of actions necessary to close the report.

Analysis of Nassau County Response

Nassau County requested that we revise the report to specify the Nassau County Police Department as the grantee, rather than Nassau County. Although the Nassau County Police Department was the agency tasked with grant administration, the report accurately identifies Nassau County as the official grant recipient, the organization ultimately responsible for complying with grant terms and conditions.

Nassau County also requested clarification of the scope of our internal control review to avoid readers potentially misinterpreting the report as a review of the entire County's financial accounting system. Although the Objectives, Scope, and Methodology section (Appendix I) of the report clearly indicates that "we did not test the reliability of the financial management system as a whole" and this was an audit of the Interoperable Communications Technology Grant 2003-IN-WX-0013, we have adjusted the report in the Internal Control section by adding a footnote to emphasize this point. In addition, we have modified language in the Executive Summary and the Recommendations section of the report to specify the internal control issues are related to the Nassau County Police Department.

Nassau County requested that the report be clarified to reflect that unsupported costs are a documentary function to avoid the potential misunderstanding that there was no physical evidence of interoperable communication technology. As discussed in the Grant Expenditures section, the Nassau County Police Department failed to distinguish the grant-funded interoperable components of the project. During the audit, the police department could not identify the interoperable components of the project until it reviewed all of the costs charged to the grant with assistance from the contractor and developed an allocation methodology for identifying interoperable channels and related equipment. Additionally, as discussed in the report, the equipment costs that were identified as grant-funded by the police department through this process were overstated. As a result of the

equipment not being adequately identified as grant-funded as it was purchased, the interoperable equipment costs were unsupported. Because the Nassau County Police Department was unable to adequately and accurately account for the equipment and services grant funding was used to acquire, we do not agree with the County's comment that suggests this is solely a documentary problem.

Finally, Nassau County recommended that references throughout the report to unallowable costs specify that these costs were unallowable because of a lack of prior written approval from COPS. Because the distinction between prior written approval and conversations with the COPS Office concerning the progress of the interoperability project were clearly established in the Budget Management and Control section of the report, we did not agree with this request and made no changes to the report

Summary of Actions Necessary to Close the Report

1. **Resolved.** COPS's concurred with our recommendation to remedy the \$9,076,609 in unsupported grant-funded contractor expenditures claimed by the Nassau County Police Department and the related drawdowns. COPS stated that it will request an explanation and documentation concerning expenditures and drawdowns that were questioned as unsupported.

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

2. **Resolved.** COPS concurred with our recommendation to remedy the \$9,076,609 in unallowable grant-funded contractor expenditures claimed and the related drawdowns of grant funding. COPS stated that it will request documentation from the Nassau County Police Department to find out if changes to the grant project and budget were approved by COPS.

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

3. **Resolved.** COPS concurred with our recommendation to remedy the \$1,278 in unsupported overtime expenditures. COPS stated that it will request an explanation and documentation from concerning the questioned overtime expenditures.

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

4. **Resolved.** COPS concurred with our recommendation to remedy the \$2,468,129 in excess drawdowns that are unrelated to the grant award. COPS stated that it will request an explanation and documentation regarding the drawdowns that were questioned as excess and unrelated to the grant award.

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

5. **Resolved.** COPS concurred with our recommendation to remedy the \$2,066,564 deficiency in the match requirement. COPS stated that it will request an explanation and documentation concerning the questioned costs that were identified as a deficiency in the local match requirement.

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

6. **Resolved.** COPS concurred with our recommendation to remedy the \$1,531,142 in unallowable local match expenditures that are unrelated to the grant award. COPS stated that it will request an explanation and documentation concerning the questioned costs that were identified as unallowable local match expenditures.

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

7. **Resolved.** COPS concurred with our recommendation to continue monitoring the grant to ensure grant objectives are met. COPS stated that it will request an explanation and documentation concerning the status of the grant project and whether the grant objectives were met.

This recommendation can be closed when we receive supporting documentation from COPS indicating that the County accomplished the grant objectives.

8. **Resolved.** COPS concurred with our recommendation to ensure that the Nassau County Police Department implements policies and procedures to adequately administer grant funding that address our concerns over the related internal controls. COPS stated that it will request an explanation and documentation to confirm that policies and procedures have been implemented to ensure that grant funding is administered correctly.

This recommendation can be closed when COPS provides copies of Nassau County Police Department grant administrative policies that remedy the related internal control problems. These administrative procedures should include, but are not limited to the following: obtaining written approval from COPS prior to making significant changes to grant budgets, adequately supporting expenditures and drawdowns, identifying grant-related expenditures acquired with unrelated expenditures in a single procurement, and submitting financial and progress reports that are timely, accurate, complete, and adequately supported.

9. **Resolved.** COPS concurred with our recommendation to ensure that equipment purchased with grant funding is identified and included in a property management system as required. COPS stated that it will request an explanation and documentation to confirm that equipment purchased with grant funds has been identified and included in a property management system.

This recommendation can be closed when we receive supporting documentation from COPS that verifies that the Nassau County Police Department identified and included grant-funded equipment in a property management system.