



**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS NATIONAL
INSTITUTE OF JUSTICE COOPERATIVE AGREEMENTS
AWARDED TO THE SHERIFFS' ASSOCIATION OF TEXAS
AUSTIN, TEXAS**

U.S. Department of Justice
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EXECUTIVE SUMMARY

The U.S. Department of Justice, Office of the Inspector General (OIG), Audit Division, has completed an audit of two cooperative agreements totaling \$5,094,642, awarded by the Office of Justice Programs (OJP), National Institute of Justice (NIJ) to the Sheriffs' Association of Texas (SAT), as shown in Exhibit 1.

**EXHIBIT 1: COOPERATIVE AGREEMENTS AWARDED TO THE
SHERIFFS' ASSOCIATION OF TEXAS**

AWARD NUMBER	AWARD DATE	PROJECT START DATE	PROJECT END DATE	AWARD AMOUNT
2006-IJ-CX-K016	09/14/06	07/01/06	09/30/11	\$ 4,609,496
2009-IJ-CX-K017	09/23/09	10/01/09	09/30/11	485,146
Total:				\$5,094,642

Source: Office of Justice Programs' (OJP) Grants Management System (GMS)

Background

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime fighting strategies. To support this mission, the NIJ provides objective and independent knowledge and tools to reduce crime and promote justice, particularly at the state and local levels.

Cooperative agreement 2006-IJ-CX-K016 provides for the operation and maintenance of the Border Research and Technology Center (BRTC), which provides science and engineering advice and support, technology information, and outreach services on border-related issues, resulting in the adoption of new tools and technologies for use by local law enforcement agencies. The purpose of cooperative agreement 2009-IJ-CX-K017 was to determine the need by the law enforcement community for lower cost aviation platforms, then determining what technology might be required to enhance the effectiveness of those platforms.

Our Audit Approach

The purpose of the audit was to determine whether costs claimed under the cooperative agreements were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreements. The objective of the audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) cooperative agreement expenditures, including personnel and indirect costs; (4) budget management and control; (5) property management; (6) program income; (7) financial and progress reports; (8) cooperative agreement requirements; (9) program performance and accomplishments; and (10) monitoring of subgrantees and contractors. We tested compliance with what we consider to be the most important conditions of the cooperative agreements. Unless otherwise stated in this report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

We examined the SAT's accounting records, financial and progress reports, and operating policies and procedures and found:

- drawdowns were properly deposited, and were equal to the actual expenditures per accounting records;
- cooperative agreement expenditures were within the 10-percent threshold allowed per the *OJP Financial Guide* for cooperative agreement 2006-IJ-CX-K016, but the general ledger for cooperative agreement 2009-IJ-CX-K017 was not organized to compare to the approved cooperative agreement budget (therefore, we could not verify if cumulative expenditures were within the 10-percent threshold allowed per the *OJP Financial Guide*);
- the Financial Reports were submitted in a timely manner and reported expenditures were cumulatively accurate for cooperative agreement 2009-IJ-CX-K017, but were not cumulatively accurate for cooperative agreement 2006-IJ-CX-K016;
- the Progress Reports were generally submitted in a timely manner and were generally accurate for cooperative agreement 2009-IJ-CX-K017, but were not accurate for cooperative agreement 2006-IJ-CX-K016; and
- there was no indication that SAT officials did not complete the goals and objectives of the Active Shooter Simulation Technology, FY 2008

NIJ Applied Technologies Conference, License Plate Reader technology, and Low Cost Aviation Program areas mentioned for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017; however, SAT officials did not demonstrate performance for the remaining objectives.

The SAT did not have documented policies and procedures related to accounting functions; however SAT's accounting system provided for segregation of duties and system security. However, we identified internal control weaknesses, which resulted in: unsupported and unallowable direct cost expenditures, unsupported indirect costs, inadequate property management, inadequate budget oversight, no record of program income, and a lack of documentation regarding proper approval of cooperative agreement expenditures. Specifically, we found:

- since SAT officials did not provide copies of contracts, we could not assess the adequacy of SAT's monitoring activities or whether the requirements in the contracts were fulfilled;
- instances where the appropriate SAT official did not provide written approvals for expenditures;
- expenditures for which SAT officials did not provide complete and adequate supporting documentation, totaling \$177,517, as well as \$303,995 in unsupported contractor costs;
- unallowable expenditures relating to telephone charges and computer purchases that were loaned to NIJ officials, totaling \$5,907;
- financial reports did not reflect program income generated by the sale of accountable property acquired using cooperative agreement funds;
- SAT officials did not maintain property records relating to the management, sale, and disposal of accountable property acquired using award funds, including the sale price or method used to determine the market value of the asset, which resulted in unsupported accountable property costs, totaling \$72,776; and
- unsupported indirect cost charges, totaling \$23,065.

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

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INTRODUCTION

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2006-IJ-CX-K016	Border Research and Technology Center (BRTC) Support	09/14/06	07/01/06	09/30/11	\$4,609,496
2009-IJ-CX-K017	Evaluation of Low Cost Aviation for Law Enforcement	09/23/09	10/01/09	09/30/11	485,146
Total:					\$5,094,642

Source: Office of Justice Programs' (OJP) Grants Management System (GMS)

Background

OJP's mission is to increase public safety and improve the fair administration of justice across America through innovative leadership and programs. OJP seeks to accomplish its mission by disseminating state-of-the-art knowledge and practices across America by providing grants for the implementation of these crime fighting strategies. To support this mission, the NIJ provides objective and independent knowledge and tools to reduce crime and promote justice, particularly at the state and local levels.

Cooperative agreement 2006-IJ-CX-K016 provides for the operation and maintenance of the Border Research and Technology Center (BRTC). The BRTC provides science and engineering advice and support, technology information, and outreach services on border-related issues, resulting in the adoption of new tools and technologies for use by local law enforcement

agencies. The BRTC also works with law enforcement agencies at ports of entry that are interested in technologies to respond to critical incidents at schools, as well as tools for detecting contraband. The purpose of cooperative agreement 2009-IJ-CX-K017 is to determine the need by the law enforcement community for lower cost aviation platforms, then determining what technology might be required to enhance the effectiveness of those platforms. This project examines technologies such as airborne still camera systems, video camera systems, video downlinks, and air-to-ground law enforcement communication systems. Further, this project facilitates the exchange of information between state, local, and tribal criminal justice agencies and the NIJ's research, development, test and evaluation programs.

According to the SAT's website, their mission is, "That we, as Sheriffs, have assembled in convention for no political purpose whatsoever, but for the purpose of more successfully aiding each other as officers, to execute the laws, in the discharge of our duties against criminals, and for the further and better protection of the citizens of our respective counties and the State at large."

Also, according to the Association's website, the SAT is one of the oldest law enforcement associations in the nation. The SAT met for the first time on August 14, 1874, in the courthouse in Corsicana, Navarro County, Texas. The Sheriffs began annual training conferences in 1878. According to the SAT's website, these training conferences are the largest composite gathering of law enforcement officers in Texas. Sheriffs and other county and local law enforcement officers, federal and state officers, and major industry security personnel attend.

Our Audit Approach

We tested compliance with what we consider to be the most important conditions of the cooperative agreements. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and cooperative agreement award documents. We tested the SAT's:

- **internal control environment** to determine whether the internal controls in place for the processing and payment of funds were adequate to safeguard cooperative agreement funds and ensure compliance with the terms and conditions of the cooperative agreements;

- **cooperative agreement drawdowns** to determine whether cooperative agreement drawdowns were adequately supported and if SAT was managing cooperative agreement receipts in accordance with federal requirements;
- **budget management and control** to determine SAT's compliance with the costs approved in the cooperative agreement budgets;
- **cooperative agreement expenditures** to determine the accuracy and allowability of costs charged to the cooperative agreements;
- **property management** to determine the existence of capital property purchased using cooperative agreement funds as well as reasonable assurance that the property was used properly in accordance with cooperative agreement requirements;
- **Federal Financial Reports (FFRs) and Progress Reports** to determine if the required FFRs and Progress Reports were submitted in a timely manner and accurately reflect cooperative agreement activity;
- **cooperative agreement objectives and accomplishments** to determine whether the SAT has met the cooperative agreement objectives; and
- **closeout activity** to determine that appropriate action had been taken to administratively close cooperative agreements that had reached their end date.

The findings and recommendations are detailed in the Findings and Recommendations section of this report. Our audit objectives, scope, and methodology appear in Appendix I.

FINDINGS AND RECOMMENDATIONS

We determined that the SAT did not have documented policies and procedures related to accounting functions; however SAT's accounting system provided for segregation of duties and system security. We also found that the SAT was generally in compliance in the following areas: drawdowns, financial reports, and Progress Reports. Additionally, there was no indication that SAT officials did not complete the goals and objectives of the Active Shooter Simulation Technology, FY 2008 NIJ Applied Technologies Conference, License Plate Reader technology and Low Cost Aviation Program areas mentioned for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017; however, SAT officials did not demonstrate performance for the remaining objectives. Furthermore, SAT officials did not provide copies of contracts, so we could not assess the adequacy of SAT's monitoring activities or whether the requirements in the contracts were fulfilled. Finally, during our review, we identified internal control weaknesses, which resulted in unsupported direct costs totaling \$177,517; unsupported contractor costs totaling \$303,995; unallowable expenditures for a phone and a computer that were loaned to NIJ officials, totaling \$5,907; unsupported accountable property costs totaling \$72,776; transactions without proper documented approval; and unsupported indirect cost charges totaling \$23,065.

Prior Audits

Single Audit

The *Office of Management and Budget (OMB) Circular A-133* requires that non-Federal entities that expend \$500,000 or more per year in Federal awards have a single audit performed annually. We determined that the three most recent Single Audits of the SAT were for Fiscal Years (FY) 2008, 2009, and 2010. We reviewed these audit reports and identified the following issues relating to cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017:

- Proceeds from the sale of equipment purchased with award funds were retained and were not utilized for obtaining other program assets or for other program purposes.

- Depreciation expenses related to equipment acquired with award funds were charged to the award. Depreciation is not an allowable cost.
- The drawdown requests for direct federal awards were not reconciled against the cumulative award expenditures in the accounting records.
- Procedures were not in place to effectively monitor budget versus actual performance for the federal awards. Reliable budget versus actual reports were not available for program management's review.
- The organization's single audit reporting package was submitted late to the Federal Clearinghouse. OMB Circular A-133 states that the reporting package must be submitted no later than nine months after the end of the audit period.
- Certain wages paid to an employee included in the indirect cost pool for purposes of the indirect cost rate were also charged to the award as direct costs.
- Procedures were not in place to ensure the accuracy of the quarterly Federal Financial Reports (FFRs) submitted to the grantor. Cumulative grant expenditures shown on the quarterly FFRs were not reconciled against cumulative grant expenditures per the accounting records.

OJP Site Visits

We also noted that the NIJ Program Manager responsible for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017 had performed three site visits in August 2009, April 2010, and April 2011. According to reports of the three site visits, obtained from the OJP Grants Management System (GMS), the NIJ Program Manager stated in the reports that they did not identify any programmatic or administrative problems requiring formal resolution. All three site visit reports also stated that the SAT appeared to be progressing according to the plan presented in the approved applications, and that it was in compliance with NIJ guidelines.

Internal Control Environment

We reviewed the SAT's internal control environment, including procurement, receiving, payment, and payroll procedures to determine compliance with the terms and conditions of the cooperative agreements and to assess risk.

SAT officials stated that the SAT had procured accounting services from an outside accounting firm for cooperative agreement 2006-IJ-CX-K016. SAT used an online system from which the accounting services firm performed data entry. SAT officials stated that the SAT did not have written policies and procedures regarding accounting functions. However, SAT officials described the accounting processes that were followed at the SAT. First, SAT officials received invoices, which were then submitted to the Project Director for review and approval. Second, the Project Director forwarded approved invoices to his assistant. Third, after the invoices were approved by the Project Director, the assistant copied the approved invoices and supporting documentation, added accounting code information and submitted the approved invoices to the accounting services firm for data entry into the accounting system. Fourth, the accounting services firm completed data entry of the information and provided it to the SAT Executive Director who reviewed the invoices online and provided approval for payment.

Towards the end of 2009, SAT officials explained that there was dissatisfaction with the system provided by the accounting firm, primarily for budget reporting, and the SAT changed to a new accounting system. The SAT contracted with a new company to implement the new accounting system and provide general assistance to the SAT. The SAT was responsible for data entry into the new accounting system. After the new accounting system was established, vendor invoices were received and provided to the Project Director for approval. Once the Project Director approved the invoices, the SAT Executive Director reviewed the documentation and provided a higher level approval for invoices approved by the Project Director. SAT officials also explained that vendor invoice payment entries were entered in the accounting system, by another SAT employee. Officials from the company who provided the new accounting system also explained that the system was secured with restricted access.

Contractors

SAT officials stated that the contractors included one sole source contract, approved by NIJ, as well as former SAT employees who became contractors at the request of NIJ. Contractors provided services including research, transportation of assets, and running the various areas supported by the BRTC including the Low Cost Aviation Program. SAT officials explained that they monitored the contractors by reviewing the work submitted by the contractors. SAT officials also stated that they monitored the contractor's activities by staying in contact with the contractors by phone

as well as reviewing vouchers, reports and supporting documentation submitted with their invoices.

According to 28 CFR 70, a system for contract administration must be maintained to ensure contractor conformance with the terms, conditions, and specifications of the contract and to ensure adequate and timely follow up of all purchases. Recipients must evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions and specifications of the contract.

During our transaction testing, we noted that when invoices were submitted to SAT officials for approval and payment, a list of activities performed generally would be included. In order to review the adequacy of SAT's monitoring procedures, we requested copies of the contracts. We were able to review one contract that had been included in the supporting documentation reviewed during transaction testing. Also, during our review of Progress Reports, we were able to review the aviation mission reports SAT officials used to monitor this contractor. However, with the exception of this instance, SAT officials did not provide copies of contracts paid using cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017. Since, we were not able to obtain these contracts, we could not assess the adequacy of SAT's monitoring activities or whether the requirements in the contracts were fulfilled.

The SAT's accounting system provided for segregation of duties and system security; however, SAT did not have documented policies and procedures related to accounting functions. We identified internal control weaknesses, which resulted in: unsupported and unallowable direct cost expenditures, unsupported indirect costs, inadequate property management, inadequate budget oversight, no record of program income, and a lack of documentation regarding proper approval of cooperative agreement expenditures. These discrepancies are outlined in more detail in the remainder of this report. We recommend that prior to SAT receiving any future awards, SAT officials provide formal accounting procedures which address these internal control weaknesses.

Drawdowns

To determine the procedures for drawing down cooperative agreement funds, we reviewed the award documentation and conducted interviews with SAT officials. We determined that the cooperative agreements awarded to the SAT are reimbursement based, and are therefore subject to the *OJP Financial Guide* requirement that drawdown requests be timed to ensure that

Federal cash on hand is the minimum needed for disbursements or reimbursements to be made immediately or within ten days.

We reviewed a judgmental sample of bank statements for four months in which the SAT had drawn down cooperative agreement funds, and determined that the drawdowns were properly deposited into a bank account maintained by SAT officials. Also, we analyzed each cooperative agreement in our audit to determine if the total actual costs recorded in the accounting records were equal to the cumulative drawdowns as reported by the OJP. We determined that cumulative drawdowns equaled total cooperative agreement expenditures.

Budget Management and Control

According to the *OJP Financial Guide*, movement of dollars between approved budget categories without a Grant Adjustment Notice (GAN) is allowable up to 10 percent of the total award amount for awards greater than \$100,000. As noted in Exhibit 1, the SAT received two awards; both awards were greater than \$100,000. SAT officials stated that cooperative agreement budgets were developed in cooperation with the Program Manager for NIJ, who provided guidance and made recommendations for budget category amounts in order to fulfill cooperative agreement objectives. SAT officials also stated that during the execution phase of the cooperative agreements, the NIJ Program Manager made recommendations and authorized changes, through email, in amounts expended for budget categories of less than 10 percent of the approved budget amounts. We compared the approved budgets for this award to the actual expenditures as shown in the SAT's accounting records.

SAT officials stated that in accordance with the budgets, if an expenditure did not fall into an item identified specifically in the cooperative agreement budgets then it would be placed in the "Other" budget category. For example, SAT officials explained that travel charges like lodging, transportation, and meals were in either the "Travel" or the "Other" budget categories. SAT officials referred OIG auditors to the company, which assisted SAT with their change in accounting systems, so OIG auditors could segregate cooperative agreement expenditures to correlate to the approved budgets. These officials provided a spreadsheet linking general ledger categories and subcategories to the approved cooperative agreement budget for cooperative agreement 2006-IJ-CX-K016. As shown in Exhibit 2, we determined that SAT officials spent in excess of the budgeted amount in five of the seven approved budget categories, totaling \$378,692. However, we

determined that this was within the 10-percent threshold allowed per the *OJP Financial Guide*.

EXHIBIT 2: BUDGET MANAGEMENT AND CONTROL FOR COOPERATIVE AGREEMENT 2006-IJ-CX-K016¹

BUDGET CATEGORY	BUDGET CATEGORY AMOUNT	ACTUAL COSTS	AMOUNT OVER BUDGET
Personnel	\$ 1,052,170	\$ 1,144,614	\$ (92,444)
Fringe Benefits	166,450	148,489	-
Travel	566,311	734,471	(168,160)
Equipment	25,969	97,649	(71,680)
Supplies	12,834	17,567	(4,733)
Construction	-	-	-
Contractual	608,000	649,675	(41,675)
Other	1,806,268	1,432,208	-
TOTAL DIRECT COSTS	\$4,238,002	\$4,224,674	\$378,692
Indirect Costs ²	371,494	384,822	N/A
TOTAL AMOUNT	\$4,609,496	\$4,609,496	\$378,692
Ten Percent Threshold for 2006-IJ-CX-K016:			\$460,950
Difference Between Over Budget Amounts and Ten Percent Threshold:			\$ 82,257

When we asked the company about being able to provide the same type of documentation for cooperative agreement 2009-IJ-CX-K017, officials stated that they were not as familiar with this cooperative agreement as they were with cooperative agreement 2006-IJ-CX-K016 and that they could not provide additional explanation to compare expenditures in the general ledger to the approved budget categories for cooperative agreement 2009-IJ-CX-K017. The approved budget for cooperative agreement 2009-IJ-CX-K017 is shown in Exhibit 3.

¹ Differences in total amounts are due to rounding. The sum of individual numbers prior to rounding may differ from the sum of the individual numbers rounded.

² It should be noted that indirect costs were not factored into our budget analysis. Indirect costs were included to illustrate total costs when compared to total grant budgets. Our analysis of indirect costs is noted further in this report.

EXHIBIT 3: APPROVED BUDGET FOR COOPERATIVE AGREEMENT 2009-IJ-CX-K017

BUDGET CATEGORY	BUDGET CATEGORY AMOUNT
Personnel	\$ -
Fringe Benefits	-
Travel	22,125
Equipment	65,000
Supplies	5,400
Construction	-
Contractual	205,450
Other	113,759
TOTAL DIRECT COSTS	\$411,734
Indirect Costs	73,412
TOTAL BUDGETED AWARD AMOUNT	\$485,146

After further discussion with SAT officials, SAT officials were not able to provide any additional explanation regarding the segregation of cooperative agreement expenditures relating to the approved budgets for cooperative agreement 2009-IJ-CX-K017. According to the *OJP Financial Guide*, an adequate accounting system should let you compare actual expenditures or outlays with budgeted amounts for each award and subaward. Therefore, the categories that organize the general ledgers should be organized so that actual expenditures can be properly compared to the amounts stated in the approved cooperative agreement budgets. We recommend that in the future if the SAT is to receive additional OJP funding, the OJP require that the SAT establish a general ledger that is capable of categorizing expenditures that will allow comparison with the approved budget.

Cooperative Agreement Expenditures

Direct Costs

Initially, for cooperative agreement 2006-IJ-CX-K016, we judgmentally selected 86 of 4,749 transactions totaling \$1,345,851 (32 percent of direct cooperative agreement expenditures). For cooperative agreement 2009-IJ-CX-K017, we judgmentally selected 28 of 327 transactions, totaling \$301,513 (71 percent of direct cooperative agreement expenditures). According to the *OJP Financial Guide*, all financial records, supporting documents, statistical records, and all other records pertinent to the award

shall be retained by each organization for at least three years following notification by the awarding agency that the grant has been programmatically and fiscally closed or at least three years following the closure of its single audit report covering the entire award period, whichever is later. The *OJP Financial Guide* also states that all recipients are required to establish and maintain adequate accounting systems and financial records to accurately account for funds awarded to them.

During our review, we noted that SAT officials did not provide any supporting documentation or did not provide adequate supporting documentation for six transactions, totaling \$177,517. In four of the six transactions mentioned, SAT officials provided a quotation or estimate for charges but did not provide an invoice or other adequate documentation indicating the actual amount paid or that actual goods and services had been received and were properly charged. Therefore, we determined these transactions to be unsupported. Detailed information regarding these costs can be found in Appendix III.

Also, as stated in the contractors section of this report, SAT officials did not provide copies of contracts that were paid using cooperative agreement funds. Without documentation of the contracts, we could not verify that contractors performed the work required under those contracts and we could not verify that contractors were compensated appropriately as stated in those contracts. Therefore, we determined that 15 transactions involving contractors, totaling \$303,995, were unsupported. Detailed information regarding these costs can also be found in Appendix III.

During transaction testing of expenditures for SAT cooperative agreement 2006-IJ-CX-K016, we noted that the SAT provided the NIJ Program Manager cellular phone service and charged expenditures for this service to the cooperative agreement. According to the budget narratives for cooperative agreement 2006-IJ-CX-K016, wireless communications service (including cell phone and wireless email access devices) were for the use of BRTC staff. Also, the budget narratives stated that computers were purchased for use by SAT staff and management as may be determined by the BRTC Director with concurrence of the NIJ Program Manager. We expanded our testing by 175 transactions, totaling \$30,621, to include the remaining phone transactions as well as a laptop computer that was noted in the general ledger to be allocated to the NIJ Program Manager.

SAT officials stated that the service was initiated after discussions with the NIJ Program Manager prior to the DOJ providing the Program Manager a cellular phone. SAT officials further explained since they were new to the

NIJ program they were concerned about their ability to readily contact the Program Manager in a timely manner. In addition, SAT officials stated they also purchased a laptop computer at the request of the NIJ Program Manager and that the laptop was used for developing and making slide presentations for conferences and meetings supported by NIJ funding.

The NIJ Program Manager explained that the phone and the laptop were loaned to him as part of the SAT's programmatic support to the programs that he manages as part of the cooperative agreements and that they were not purchased so that SAT officials had the ability to contact him in an easier manner, even if it had that unintended result. The NIJ Program Manager also explained that the smart phone technology was used to demonstrate a project in which smart phone technology could be used as a low cost mobile computing platform for law enforcement, demonstrate a project for a Situational Awareness Tool, demonstrate NIJ's smart phone applications, and demonstrate its use in the Low Cost Aviation Technology Program. The NIJ Program Manager confirmed the explanation of SAT officials stating that the loaned laptop was used in making slide presentations for the various conferences that NIJ's programs had presented as well as at their display at various law enforcement trade shows. The NIJ Program Manager also stated that the laptop was returned to the current grantee after their last booth presentation at the NIJ annual conference in June 2012.

We determined that the use of equipment loaned to NIJ officials was not included in the approved budgets since the budgets indicated that the equipment purchased using cooperative agreement funds was for the use of SAT staff. Therefore, we determined that the \$5,907 in telephone and equipment charges to be unallowable. Detailed information regarding these costs can also be found in Appendix III.

As previously mentioned in this report, the *OJP Financial Guide* states the recipient is responsible for establishing and maintaining an adequate system of accounting and internal controls. The *OJP Financial Guide* also states that an acceptable and adequate accounting system provides cost and property control to ensure optimal use of funds. In order to verify the controls and procedures described by SAT officials, we reviewed supporting documentation to verify that transactions were properly approved by the appropriate SAT official. During our testing, we determined that 40 of the 290 transactions we reviewed did not have any written indication of approval from an appropriate SAT official. Without proper approval, expenditures may not be an optimal, reasonable, or allowable use of cooperative agreement funds.

Indirect Costs

As shown in Exhibits 2 and 3, indirect costs were approved for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017. According to documentation provided by SAT officials, indirect cost rates are determined by negotiating through the Office of the Chief Financial Officer, OJP. According to an indirect cost agreement dated September 16, 2011, the indirect costs rate uses a base that includes total direct costs excluding capitalized equipment, and each subcontract and subaward/subgrant in excess of \$25,000.

When we asked SAT officials about indirect costs and the indirect cost rate, SAT officials deferred us to the independent auditor who performed their Single Audit. The independent auditor explained that the Project Director performed the drawdowns and would use reports of direct costs incurred from the accounting system and would then calculate a percentage of those costs to determine the appropriate amount of indirect costs. In response to a question from OIG auditors, the independent auditor stated that she believed that the exclusions of capitalized equipment and subcontracts, noted in the previous paragraph, were not used by SAT officials when calculating indirect costs. Instead, the independent auditor explained that SAT officials used a rate that was lower than the approved rate and calculated indirect costs using total direct costs.

Therefore, we compared the amounts spent for indirect costs to the amounts allowed per the approved indirect cost agreements. We determined that the cumulative indirect costs charged for cooperative agreement 2006-IJ-CX-K016 did not exceed the cumulative amount allowed per the approved indirect cost rate agreement. However, as shown in Exhibit 4, we determined that the indirect costs charged to cooperative agreement 2009-IJ-CX-K017 exceeded the amount allowed using direct cost amounts and the approved indirect cost rate agreement. Therefore, we determined that \$23,065 in indirect costs was unsupported due to spending beyond the parameters and limitations of the indirect cost agreement.

EXHIBIT 4: COOPERATIVE AGREEMENT 2009-IJ-CX-K017 INDIRECT COST CHARGES PER YEAR

FY ENDING	DIRECT COST BASIS	APPROVED INDIRECT COST RATE	INDIRECT COSTS ALLOWED PER AGREEMENT	ACTUAL INDIRECT COSTS CHARGED	DIFFERENCE
12/31/2009	\$ -	13.70%	\$ -	\$ -	\$ -
12/31/2010	123,751	13.70%	16,954	-	16,954
12/31/2011	119,731	13.70%	16,403	56,422	(40,018)
TOTAL COSTS	\$243,482		\$33,357	\$56,422	\$(23,065)

Source: Sheriffs' Association of Texas

Property Management

As shown in Exhibits 2 and 3, expenditures for accountable property were allowed for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017. The criteria that SAT officials used to define an expenditure for capital property was expenditures greater than \$5,000 and a useful life of greater than one year. SAT officials stated that they retain an inventory of all federally funded property and equipment. SAT officials also explained that accountable property purchased using cooperative agreement funds were transferred to a partner agency (who also received a cooperative agreement in the Low Cost Aviation Program) upon the expiration of the cooperative agreements to continue the program. SAT officials also advised that the NIJ Program Manager was involved in decisions to acquire equipment for execution of the cooperative agreements. SAT officials stated that they used mission reports from the users of the equipment in order to ensure that the equipment was used in accordance to the terms and conditions of the cooperative agreements. According to the *OJP Financial Guide*, property records should be maintained accurately and include, the date of disposal and sales price or the method used to determine current fair market value where a recipient compensates the Federal awarding agency for its share.

During our review of aviation mission reports for Progress Report testing, we verified that accountable property was used in accordance to the terms and conditions of the cooperative agreement. Also, to ensure the existence of accountable property purchased using cooperative agreement funds, we requested SAT officials coordinate with their partner agency as well as the users of the cooperative agreement-funded accountable property to provide photographs of the accountable property and serial numbers so

that we could reconcile them to the expenditures and supporting documentation already reviewed. After reviewing the photographs provided by SAT officials, with the exception of one instance, we verified the existence of capital property purchased using cooperative agreement funds. However, according to a property list obtained from SAT officials as well as explanations and documented correspondence from SAT officials we noted that two pieces of accountable property had been sold prior to the transfer of accountable property to the partner agency. The two pieces of accountable property were identified as a RANS S-12 and a Revo Trike. After reviewing the property list as well as equipment transactions in the general ledgers we determined that the Revo Trike had been purchased using cooperative agreement 2009-IJ-CX-K017. After reviewing the supporting documentation relating to the purchase of the Revo Trike, we determined that it initially cost \$72,776. We requested that SAT provide supporting documentation for the sale of this asset so that we could verify whether appropriate disposition requirements were followed. However, SAT officials did not provide documentation relating to the custody and disposition relating to the Revo Trike. Therefore, we determined that the transactions for the Revo Trike, totaling \$72,776 were unsupported. Further detail regarding these costs can be found in Appendix III.

Grant Reporting

We reviewed the Financial Reports and Categorical Assistance Progress Reports (Progress Reports) to determine if the required reports had been submitted accurately, and within the timeframes required by the *OJP Financial Guide*.

Financial Reporting

The *OJP Financial Guide* states that effective for the quarter beginning October 1, 2009, grant recipients must report expenditures online using the Federal Financial Report (FFR) no later than 30 days after the end of each calendar quarter. The *OJP Financial Guide* also states that the final report must be submitted no later than 90 days following the end of the grant period. We reviewed the four most recent FFRs for each cooperative agreement and determined that financial reporting had been submitted in a timely manner.

As shown in Exhibit 5, we also reviewed financial reporting for accuracy. According to the *OJP Financial Guide*, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report. Also, the award recipients should report

program outlays and revenue on a cash or accrual basis in accordance with their accounting system. For cooperative agreement 2006-IJ-CX-K016, we determined that reported period expenditures were accurate to expenditures in the general ledger on a cumulative basis. For cooperative agreement 2009-IJ-CX-K017, we determined that financial reports were not accurate to the general ledger.

EXHIBIT 5: FEDERAL FINANCIAL REPORT EXPENDITURE ACCURACY

REPORT No.	REPORT PERIOD FROM - TO DATES	CUMULATIVE AWARD EXPENDITURES PER REPORT	CUMULATIVE AWARD EXPENDITURES PER ACCOUNTING RECORDS	CUMULATIVE DIFFERENCE BETWEEN REPORTS & ACCOUNTING RECORDS
Cooperative Agreement 2006-IJ-CX-K016				
18	10/01/10 - 12/31/10	\$4,195,050	\$ 4,221,111	\$ 26,061
19	01/01/11 - 03/31/11	4,285,730	4,307,389	21,659
20	04/01/11 - 06/30/11	4,389,264	4,378,936	(10,328)
21	07/01/11 - 09/30/11	4,609,496	4,609,496	-
Cooperative Agreement 2009-IJ-CX-K017				
5	10/01/10 - 12/31/10	\$ 315,236	\$ 302,637	\$ (12,598)
6	01/01/11 - 03/31/11	388,187	316,351	(71,836)
7	04/01/11 - 06/30/11	362,021	336,602	(25,419)
8	07/01/11 - 09/30/11	481,661	480,146	(1,515)

Source: OJP Grants Management System (GMS) and SAT

Program Income

The *OJP Financial Guide* requires recipients to report summary information on funds generated by the organization, including program income. Also, the *OJP Financial Guide* describes the sale of property as a source of program income. As stated previously in the Accountable Property section of this report, SAT officials stated that they sold two aircraft and that the NIJ Program Manager directed the SAT to acquire similar assets with the proceeds of the sales. Also, the independent auditor who performed SAT's single audit stated that the journal entry used for the sale of equipment would not include an entry for revenue, but would provide a reversing entry for the sale amount of the asset.

As stated previously in the Property Management section of this report, OIG auditors requested documentation regarding the sale of these assets. However, SAT officials did not provide any documentation relating to the sale of accountable property. Also, after reviewing the accuracy of FFRs, we noted that SAT reported there was no program income. Therefore, we

determined that SAT officials did not report program income on the sale of accountable property and that SAT officials did not provide documentation relating to the sale of accountable property.

Categorical Assistance Progress Reports

According to the *OJP Financial Guide*, Categorical Assistance Progress Reports are due semiannually on January 30 and July 30 for the life of the award. To verify the timely submission of Progress Reports, we reviewed the last four Progress Reports submitted for each grant to determine if the report had been submitted as required by the *OJP Financial Guide*. As shown in Exhibit 6, we determined that one Progress Report for cooperative agreement 2009-IJ-CX-K017 had been submitted late. When we inquired about why the last Progress Report was late, SAT officials stated that they were not aware that this Progress Report had been submitted late or why it was submitted late. SAT officials also explained that the final report required for the NIJ Aviation Program was incomplete because the program was not completed and the report was sent to a partner agency for the third year of the Aviation Program.

EXHIBIT 6: CATEGORICAL ASSISTANCE PROGRESS REPORT HISTORY

REPORT No.	REPORT PERIOD FROM - TO DATES	DUE DATE	DATE SUBMITTED	DAYS LATE
Cooperative Agreement 2006-IJ-CX-K016				
8	01/01/10 - 06/30/10	07/30/10	07/30/10	0
9	07/01/10 - 12/31/10	01/30/11	01/21/11	0
10	01/01/11 - 06/30/11	07/30/11	07/29/11	0
11	07/01/11 - 09/30/11	12/29/11	12/29/11	0
Cooperative Agreement 2009-IJ-CX-K017				
2	01/01/10 - 06/30/10	07/30/10	07/30/10	0
3	07/01/10 - 12/31/10	01/30/11	01/21/11	0
4	01/01/11 - 06/30/11	07/30/11	07/29/11	0
5	07/01/11 - 09/30/11	12/29/11	03/13/12	75

Source: OJP Grants Management System (GMS)

We also reviewed Progress Reports for accuracy. According to the *OJP Financial Guide*, the funding recipient agrees to collect data appropriate for facilitating reporting requirements established by Public Law 103-62 for the Government Performance and Results Act. The funding recipient will ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. In order to verify the information in Progress Reports, we selected a sample of information from the last two Progress Reports submitted for each

cooperative agreement and traced it to supporting documentation maintained by SAT officials.

SAT officials stated that the information for the Progress Reports is compiled by the Project Director who then completes the Progress Reports. According to the Project Director, statements made in the Progress Reports were derived by referring to the cooperative agreement requirements and measuring them against the accomplishments attained during the period of review. Furthermore, the Project Director stated that he used general ledger expenditures, direct communications with the NIJ Program Manager, and his recollection of program activities to measure and report progress towards award objectives.

For cooperative agreement 2006-IJ-CX-K016, we reviewed supporting documentation for activities and accomplishments of the various programs of the BRTC that were stated within the Progress Reports. We were not able to verify 9 of the 15 statements made in the Progress Reports for cooperative agreement 2006-IJ-CX-K016. In several instances supporting documentation provided to us was insufficient or were not provided to us to support statements made in Progress Reports. For cooperative agreement 2009-IJ-CX-K017, we reviewed the supporting documentation for the number and types of aviation missions flown for the NIJ Aviation Program and found the statements made by SAT in the Progress Reports to be generally supported.

Program Performance and Accomplishments

As previously mentioned in this report, cooperative agreement 2006-IJ-CX-K016 provides for the operation and maintenance of the BRTC. The BRTC provides scientific and engineering advice and support, technology information, and outreach services on border-related issues, resulting in the adoption of new tools and technologies for use by local law enforcement agencies. The BRTC also works with law enforcement agencies at ports of entry that are interested in technologies to respond to critical incidents at schools, as well as tools for detecting contraband. The purpose of cooperative agreement 2009-IJ-CX-K017 is to determine the need by the law enforcement community for lower cost aviation platforms, then determining what technology might be required to enhance the effectiveness of those platforms. This project examines technologies such as airborne still camera systems, video camera systems, video downlinks, and air-to-ground law enforcement communication systems.

Program Objectives

For cooperative agreement 2006-IJ-CX-K016, we reviewed documents submitted by SAT officials in their application for the cooperative agreement awards as well as Grant Adjustment Notices (GANs). The SAT proposed to support the BRTC by providing outreach and technical assistance to state and local public safety agencies in the United States border areas as well as technical support to research and development programs supported by the NIJ and relevant NIJ Centers of Excellence. In order to support the BRTC, SAT officials stated in the applications for the cooperative agreements that they would support various projects and activities including:

- represent the BRTC at conferences, making presentations, and conducting demonstrations as appropriate for target personnel in appropriate venues;
- work with the Communications Technology Center of Excellence to develop pilot program(s) to demonstrate and evaluate technology solutions to law enforcement communications needs in border area jurisdictions;
- conduct on-site technology demonstrations and capacity building upon request from state and local public safety agencies;
- provide assistance, as requested, to state and local agencies in the development of plans and strategies and selection and implementation of technology solutions than may enhance force multiplication with the greatest return on investment;
- provide information and assistance on request to agencies considering purchase or deployment of technology products and capabilities, including site visits;
- provide technical support to the NIJ Research and Development process, including technical input and recommendations to NIJ officials; and
- SAT officials stated they would provide support for various activities and projects including Law Enforcement Thermographers Association training sessions, License Plate Reader technology, Computer Assisted Pre-Coordination Resource and Database system, 700/800 MHz Regional Planning Committee Chairs, evidence recovery and tunnel detection technologies, Active Shooter Simulation Technology, Surplus

Property Program, and annual International Homicide Investigators' Association meeting.

Analysis of Program Performance

The SAT, through cooperative agreement 2006-IJ-CX-K016, received BRTC funding to provide support for a college or university to conduct an operational evaluation of the Active Shooter Simulation Technology, funded by NIJ. The SAT contracted with Washington State University to conduct an evaluation of the Active Shooter Training for Responding Officers (ASTRO) software. The goal of the evaluation was to experimentally assess whether the addition of the ASTRO software would significantly improve experienced officer performance in a highly realistic assessment scenario. The SAT provided the ASTRO evaluation report to the NIJ affixed to their final Progress Report for the period ending September 30, 2011.

Also, the SAT received funding to host and support the FY 2008 NIJ Applied Technologies Conference. The conference was held in Point Clear, Alabama and was primarily attended by Federal, state, and local law enforcement community individuals. Meeting agenda discussions included Low Cost Aviation Assets as a Sensor and Surveillance Platform for Small and Large Agencies; License Plate Reading Cameras: Seeing is Believing; Active Shooter/School Safety; Protecting Law Enforcement Against New Threats; and Federal Excess Property Programs. The SAT provided support for the conference to include expenditures for participant meals, hotel, travel, and conference related expenses.

Another project that SAT focused on through cooperative agreement 2006-IJ-CX-K016 was to conduct an operational evaluation of the cost effectiveness and applicability of License Plate Reader technology along the borders of the United States. The evaluation attempted to determine the efficacy of the technology in varying locations and distances from established or clandestine border crossing locations for detecting and apprehending human and drug smugglers and other persons of interest operating on primary and secondary roadways leading to or from targeted border areas. The SAT acquired LPR system equipment to identify stolen or unwanted vehicles within the state of Texas prior to reaching and crossing the border into Mexico. The BRTC also acquired and deployed a fixed site LPR system for evaluation on the Chesapeake Bay Bridge in Maryland, in cooperation with the Maryland Transportation Authority. The SAT provided results from their evaluations of LPR systems to the National Law Enforcement and Corrections Technology Center (NLECTC) Small, Rural, Tribal and Border Regional Center (SRTB-RC). The NLECTC SRTB-RC produced a report titled License Plate Reader Systems "Function,

Performance and Considerations for Law Enforcement Agencies," which discusses the types of LPR systems, performance and expectations, as well as considerations such as location, communications and system costs for law enforcement agencies contemplating the purchase and deployment of LPR technology.

Through the BRTC, the SAT funded a program to evaluate lower cost aviation assets, affordable to smaller public safety agencies for search and rescue missions, surveillance and the ability to provide enhanced airborne communications capabilities. The NIJ Aviation Program evaluation began with cooperative agreement 2006-IJ-CX-K016 and received additional funding to continue the program under cooperative agreement 2009-IJ-CX-K017. The program evaluation included analysis of manned aircraft such as fixed wing light sport, powered parachutes, weight shift control aircraft, gyroplanes, and small unmanned aircraft systems, which were remotely piloted. For 2010, the NIJ Aviation Program reported a total of 640 law enforcement missions flown. During the year, the program reported operating between 10 to 12 aircraft for approximately 983 hours of aircraft operation. These aircraft completed various types of missions including patrol, surveillance, search and rescue, photography, and narcotics. The SAT declined to accept a supplemental award for cooperative agreement 2009-IJ-CX-K017. As a result, SAT transferred all federally acquired capital property to a partner agency, effective October 1, 2011, to continue the NIJ Aviation Program evaluation. The SAT also transferred responsibility for completing the NIJ aviation program evaluation to this partner agency. Since the award end date preceded the completion of the evaluation, the SAT did not complete the Aviation Technology Program Technical Report, which was required by the cooperative agreement award documents, by the end of the award period. The SAT provided the partner agency a draft version of the technical report with program results through the award performance period for completion under cooperative agreement 2009-IJ-CX-K019. Also, based on our review of the documentation provided by SAT officials regarding the Aviation Program, we do not take exception to SAT's performance and accomplishments for meeting the goals and objectives for the NIJ Aviation Program.

Based on the evidence noted above, we determined there is no indication that SAT officials did not complete the goals and objectives of the Active Shooter Simulation Technology, FY 2008 NIJ Applied Technologies Conference, LPR technology, and Low Cost Aviation Program areas mentioned for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017.

However, we were not able to perform an analysis of SAT’s program support for various cooperative agreement projects and activities, other than those discussed immediately above. We requested SAT officials provide written responses and supporting documentation to support each NIJ program goal and associated accomplishments for the two cooperative agreements to include: (1) program goals and objectives; (2) SAT provided services; (3) lessons learned; (4) SAT measurement of program goals and objectives; and (5) meeting minutes, conference agendas, and listing of attendees for all NIJ funded conferences and meetings. With exception to the program areas mentioned in the previous paragraph, SAT officials did not provide written explanations and supporting documentation for activities listed in the program objectives section of this report.

Closeout Activity

According to the *OJP Financial Guide*, award recipients have 90 days after the end date of the award to close out the award. Also, award recipients are to provide a cash reconciliation, the final financial report, and the final Progress Report to the granting agency as well as make a final drawdown (before 90 days after the award).

EXHIBIT 7: CLOSEOUT STATUS OF COOPERATIVE AGREEMENTS AWARDED TO THE SHERIFFS’ ASSOCIATION OF TEXAS

AWARD NUMBER	PROJECT START DATE	PROJECT END DATE	REQUIRED PROJECT CLOSEOUT DATE	CLOSEOUT STATUS PER OJP GRANTS MANAGEMENT SYSTEM
2006-IJ-CX-K016	07/01/06	09/30/11	12/29/2011	Overdue – Open ARD Audit ³
2009-IJ-CX-K017	10/01/09	09/30/11	12/29/2011	Closeout In Process

Source: OJP Grants Management System (GMS)

As shown in Exhibit 7, both of the cooperative agreements reviewed had reached their end date at the time of this audit, and we determined that those cooperative agreements were in the process of being closed. OJP officials explained that cooperative agreement 2006-IJ-CX-K016 had not been closed out due to outstanding issues relating to SAT’s FY 2008 Single Audit and that these single audit issues had been resolved. We also verified that the final FFR was submitted, the final Progress Report was submitted, and that final drawdowns were in compliance with the terms and conditions required by the *OJP Financial Guide*.

³ OJP officials explained that ARD stands for the Audit and Review Division within the Office of Audit, Assessment, and Management.

Conclusion

The purpose of this audit was to determine whether reimbursements claimed for costs under the cooperative agreements were allowable, supported, and in accordance with applicable laws, regulations, guidelines, terms and conditions of the cooperative agreements, and to determine program performance and accomplishments. We performed detailed transaction testing and examined the SAT's accounting records, budget documents, financial and progress reports, and operating policies and procedures. We found that the SAT:

- drawdowns were properly deposited, and were equal to the actual expenditures per accounting records;
- cooperative agreement expenditures were within the 10-percent threshold allowed per the *OJP Financial Guide* for cooperative agreement 2006-IJ-CX-K016, but the general ledger for cooperative agreement 2009-IJ-CX-K017 was not organized to allow for comparison to the approved cooperative agreement budget (therefore, we could not verify if cumulative expenditures were within the 10-percent threshold allowed per the *OJP Financial Guide*);
- the Federal Financial Reports were submitted in a timely manner and reported expenditures were cumulatively accurate for cooperative agreement 2009-IJ-CX-K017, but were not cumulatively accurate for cooperative agreement 2006-IJ-CX-K016;
- the Progress Reports were generally submitted in a timely manner and were generally accurate for cooperative agreement 2009-IJ-CX-K017, but were not accurate for cooperative agreement 2006-IJ-CX-K016; and
- there was no indication that SAT officials did not complete the goals and objectives of the Active Shooter Simulation Technology, FY 2008 NIJ Applied Technologies Conference, License Plate Reader technology, and Low Cost Aviation Program areas mentioned for cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017; however, SAT officials did not demonstrate performance for the remaining objectives.

The SAT's accounting system provided for segregation of duties and system security; however, SAT did not have documented policies and procedures related to accounting functions. We identified internal control weaknesses, which resulted in: unsupported and unallowable direct cost

expenditures, unsupported indirect costs, inadequate property management, inadequate budget oversight, no record of program income, and a lack of documentation regarding proper approval of cooperative agreement expenditures. Specifically, we found:

- since SAT officials did not provide copies of contracts, we could not assess the adequacy of SAT's monitoring activities or whether the requirements in the contracts were fulfilled;
- instances where the appropriate SAT official did not provide written approvals for expenditures;
- expenditures for which SAT officials did not provide complete and adequate supporting documentation; totaling \$177,517; as well as \$303,995 in unsupported contractor costs;
- unallowable expenditures relating to telephone charges and computer purchases that were loaned to NIJ officials, totaling \$5,907;
- financial reports did not reflect program income generated by the sale of accountable property acquired using cooperative agreement funds;
- SAT officials did not maintain property records relating to the management, sale, and disposal of accountable property acquired using award funds, including the sale price or method used to determine the market value of the asset, which resulted in unsupported accountable property costs, totaling \$72,776; and
- unsupported indirect cost charges, totaling \$23,065.

Recommendations

We recommend that OJP coordinate with the SAT to:

1. Implement adequate formal accounting procedures in the event that SAT receives future awards.
2. Establish a general ledger that is capable of categorizing expenditures in order to compare to the approved budget in the event that SAT receives future awards.
3. Remedy the \$177,517 in unsupported direct costs.
4. Remedy the \$303,995 in unsupported contractor costs.
5. Remedy the \$5,907 in unallowable telephone and computer costs.
6. Remedy the \$23,065 in unsupported indirect costs.
7. Remedy the \$72,776 in unsupported equipment costs.

APPENDIX I

OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of the audit was to determine whether reimbursements claimed for costs under the cooperative agreements were allowable, reasonable, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the cooperative agreements, and to determine program performance and accomplishments. The objective of the audit was to review performance in the following areas: (1) internal control environment; (2) drawdowns; (3) cooperative agreement expenditures, including personnel and indirect costs; (4) budget management and control; (5) matching; (6) property management; (7) program income; (8) financial and progress reports; (9) cooperative agreement requirements; (10) program performance and accomplishments; and (11) monitoring of subgrantees and contractors. We determined that matching costs were not applicable to this audit.

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 date of cooperative agreement 2006-IJ-CX-K016 on September 14, 2006, through January 3, 2012. This was an audit of the OJP cooperative agreements 2006-IJ-CX-K016 and 2009-IJ-CX-K017 awarded to the Sheriffs' Association of Texas (SAT). The SAT has drawn down a total of \$5,089,642 in cooperative agreement funds through January 3, 2012.

We tested compliance with what we consider to be the most important conditions of the cooperative agreements. Unless otherwise stated in our report, the criteria we audit against are contained in the *OJP Financial Guide* and the award documents.

In conducting our audit, we performed sample testing in three areas, which were cooperative agreement expenditures (including personnel expenditures), Financial Reports, and Progress Reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the awards reviewed, such as dollar amounts, expenditure category, or risk. However, this non-statistical sample design

does not allow a projection of the test results for all cooperative agreement expenditures or internal controls and procedures.

In addition, we evaluated internal control procedures, performance to cooperative agreement objectives, cooperative agreement drawdowns, program income, property management, indirect costs, and evaluated the recipient's monitoring of subrecipients. However, we did not test the reliability of the financial management system as a whole and reliance on computer based data was not significant to our objective.

APPENDIX II

SCHEDULE OF DOLLAR-RELATED FINDINGS⁴

QUESTIONED COSTS:	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Direct Cost Expenditures	\$177,517	11
Unsupported Contractor Cost Expenditures	303,995	11
Unallowable Telephone and Equipment Cost Expenditures	5,907	12
Unsupported Indirect Cost Expenditures	23,065	13
Unsupported Equipment Cost Expenditures	72,776	14-15
TOTAL QUESTIONED COSTS:	\$ 583,260	
TOTAL DOLLAR-RELATED FINDINGS	\$ 583,260	

⁴ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements, or are not supported by adequate documentation at the time of the audit, or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

APPENDIX III

DETAILED UNSUPPORTED COSTS

UNSUPPORTED COSTS RESULTING FROM DIRECT TRANSACTION TESTING

GRANT	TRANSACTION	DATE	AMOUNT
2006-IJ-CX-K016	Employee A	12/31/2007	\$ 4,167
2006-IJ-CX-K016	ELSAG North America	12/31/2008	23,030
2006-IJ-CX-K016	Hyatt Regency	03/26/2007	48,555
2006-IJ-CX-K016	Hyatt Regency	03/26/2007	22,000
2006-IJ-CX-K016	Hyatt Regency	03/26/2007	77,764
2006-IJ-CX-K016	Individual A	03/28/2008	2,002
TOTAL UNSUPPORTED COSTS:			\$177,517

UNSUPPORTED COSTS INVOLVING CONTRACTORS

GRANT	TRANSACTION	DATE	AMOUNT
2006-IJ-CX-K016	Contractor A	09/21/2007	\$ 13,622
2006-IJ-CX-K016	Contractor B	12/21/2007	45,000
2006-IJ-CX-K016	Contractor C	05/22/2008	18,963
2006-IJ-CX-K016	Contractor D	07/11/2008	7,742
2006-IJ-CX-K016	Contractor E	12/05/2008	12,000
2006-IJ-CX-K016	Contractor F	03/04/2009	5,833
2006-IJ-CX-K016	Contractor F	11/05/2009	46,667
2006-IJ-CX-K016	Contractor G	12/14/2009	42,557
2006-IJ-CX-K016	Contractor H	03/04/2010	7,606
2006-IJ-CX-K016	Contractor G	05/20/2010	60,671
2009-IJ-CX-K017	Contractor F	05/20/2010	5,833
2009-IJ-CX-K017	Contractor F	10/19/2010	5,833
2009-IJ-CX-K017	Contractor I	05/31/2011	20,000
2009-IJ-CX-K017	Contractor F	07/12/2011	5,833
2009-IJ-CX-K017	Contractor F	08/12/2011	5,833
TOTAL UNSUPPORTED COSTS:			\$303,995

UNSUPPORTED EQUIPMENT COSTS

GRANT	TRANSACTION	DATE	AMOUNT LISTED IN GENERAL LEDGER	AMOUNT QUESTIONED
2009-IJ-CX-K017	Silver Lining Aviation	02/16/2010	\$ 72,376	\$ 36,188
2009-IJ-CX-K017	Silver Lining Aviation	04/08/2010	73,176	36,588
TOTAL UNSUPPORTED COSTS:			\$72,776	

UNALLOWABLE PHONE AND COMPUTER COSTS

GRANT	TRANSACTION	DATE	AMOUNT LISTED IN GENERAL LEDGER	AMOUNT QUESTIONED
2006-IJ-CX-K016	AT&T Mobility	04/20/2010	\$ 1,089	\$ 313
2006-IJ-CX-K016	AT&T Mobility	12/14/2009	655	42
2006-IJ-CX-K016	AT&T Mobility	05/20/2010	744	69
2006-IJ-CX-K016	AT&T Mobility	06/17/2010	747	73
2006-IJ-CX-K016	AT&T Mobility	07/19/2010	776	69
2006-IJ-CX-K016	Verizon	01/11/2008	79	79
2006-IJ-CX-K016	Verizon	02/05/2008	78	78
2006-IJ-CX-K016	Verizon	03/05/2008	78	78
2006-IJ-CX-K016	Verizon	04/10/2008	79	79
2006-IJ-CX-K016	Verizon	05/23/2008	79	79
2006-IJ-CX-K016	Verizon	06/12/2008	88	88
2006-IJ-CX-K016	Verizon	07/15/2008	79	79
2006-IJ-CX-K016	AT&T Mobility	08/01/2008	362	91
2006-IJ-CX-K016	Verizon	08/13/2008	64	64
2006-IJ-CX-K016	AT&T Mobility	10/03/2008	457	125
2006-IJ-CX-K016	AT&T Mobility	10/30/2008	580	60
2006-IJ-CX-K016	AT&T Mobility	12/05/2008	559	60
2006-IJ-CX-K016	AT&T Mobility	01/08/2009	545	62
2006-IJ-CX-K016	AT&T Mobility	01/29/2009	544	60
2006-IJ-CX-K016	AT&T Mobility	03/04/2009	491	60
2006-IJ-CX-K016	AT&T Mobility	04/01/2009	437	60
2006-IJ-CX-K016	AT&T Mobility	04/28/2009	435	60
2006-IJ-CX-K016	AT&T Mobility	05/27/2009	514	31
2006-IJ-CX-K016	AT&T Mobility	07/02/2009	430	41
2006-IJ-CX-K016	AT&T Mobility	07/30/2009	455	41
2006-IJ-CX-K016	Verizon	08/06/2009	63	63
2006-IJ-CX-K016	AT&T Mobility	08/27/2009	470	41
2006-IJ-CX-K016	Verizon	09/03/2009	63	63
2006-IJ-CX-K016	Verizon	10/01/2009	63	63
2006-IJ-CX-K016	AT&T Mobility	10/01/2009	613	41
2006-IJ-CX-K016	Verizon	11/05/2009	63	63
2006-IJ-CX-K016	AT&T Mobility	11/05/2009	533	41
2006-IJ-CX-K016	Verizon	12/07/2009	63	63
2006-IJ-CX-K016	AT&T Mobility	12/07/2009	324	17
2006-IJ-CX-K016	AT&T Mobility	12/14/2009	655	42
2006-IJ-CX-K016	Verizon	01/07/2010	63	63
2006-IJ-CX-K016	AT&T Mobility	01/14/2010	651	38
2006-IJ-CX-K016	Verizon	02/01/2010	63	63
2006-IJ-CX-K016	AT&T Mobility	02/10/2010	651	38
2006-IJ-CX-K016	Verizon	03/04/2010	63	63
2006-IJ-CX-K016	AT&T Mobility	03/18/2010	651	38
2006-IJ-CX-K016	Verizon	03/31/2010	63	63
2006-IJ-CX-K016	Verizon	04/29/2010	63	63
2006-IJ-CX-K016	Verizon	06/03/2010	205	63
2006-IJ-CX-K016	Verizon	07/01/2010	129	63
2006-IJ-CX-K016	Verizon	08/10/2010	\$ 128	\$ 63

GRANT	TRANSACTION	DATE	AMOUNT LISTED IN GENERAL LEDGER	AMOUNT QUESTIONED
2006-IJ-CX-K016	AT&T Mobility	08/17/2010	617	27
2006-IJ-CX-K016	Verizon	09/01/2010	128	63
2006-IJ-CX-K016	AT&T Mobility	09/28/2010	56	56
2006-IJ-CX-K016	Verizon	09/29/2010	128	63
2006-IJ-CX-K016	AT&T Mobility	10/19/2010	39	39
2006-IJ-CX-K016	Verizon	11/03/2010	63	63
2006-IJ-CX-K016	AT&T Mobility	11/22/2010	38	38
2006-IJ-CX-K016	AT&T Mobility	12/15/2010	127	127
2006-IJ-CX-K016	AT&T Mobility	01/19/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	02/15/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	03/16/2011	39	39
2006-IJ-CX-K016	AT&T Mobility	04/13/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	05/16/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	06/15/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	07/26/2011	38	38
2006-IJ-CX-K016	AT&T Mobility	08/22/2011	38	38
2006-IJ-CX-K016	Verizon	09/08/2011	226	63
2006-IJ-CX-K016	AT&T Mobility	10/12/2011	482	121
2006-IJ-CX-K016	Dell Commercial Credit	12/21/2006	1881	1881
TOTAL UNALLOWABLE COSTS:				\$5,907

OTHER REPORTABLE MATTERS

The purpose of this section is to bring to OJP's attention other matters that we noted during the course of our audit. These matters are not part of the audit report's *Findings and Recommendations* section because they are not directly related to the audit scope and objectives or because they are less significant in nature. Thus, no response is necessary since this section is for informational purposes only.

Sale of Aviation Equipment

During our review of Property Management, we reviewed photographic evidence of the pieces of accountable property and serial number for each piece of accountable property so that we could reconcile these pieces to the expenditures and supporting documentation already reviewed. As of October 1, 2011, the SAT had transferred all federally accountable property to a partner agency for continuation of the NIJ Aviation Program through cooperative agreement 2009-IJ-CX-K019. SAT officials explained that the partner agency had sold one of the pieces of accountable property after it had been transferred from the SAT and provided documentation relating to the sale of that property. We noted that the supporting documentation indicates that this piece of accountable property was sold for \$50,000. We also reviewed the FFRs submitted to OJP by SAT's partner agency. We noted that through June 30, 2012, the partner agency had reported no program income within their FFRs submitted to OJP.

Conference Expenditures

According to the *OJP Financial Guide*, expenses incurred for food and/or beverages and provided at training sessions, meetings, or conferences must satisfy the following three tests: (1) the cost of the food and/or beverages provided is considered to be reasonable; (2) the food and/or beverages provided are incidental to a work-related event; and (3) the food and/or beverages provided are not related directly to amusement and/or social events. Regarding our analysis, we determined that a reasonable amount for food was 150 percent of the GSA maximum daily allowed per diem rate.⁵ As shown in Exhibit 8, during transaction

⁵ We used 150 percent of the GSA maximum daily allowed per diem rate for each locality in order to account for service charges and taxes that were charged at the conferences.

testing of expenditures for cooperative agreement 2006-IJ-CX-K016, we identified three conferences where expenditures for meals provided to conference attendees were in excess of what we consider as reasonable.

EXHIBIT 8: ANALYSIS OF CONFERENCE EXPENDITURES FOR COOPERATIVE AGREEMENT 2006-IJ-CX-K016

DATE	TYPE OF MEAL	AMOUNT CHARGED PER PERSON	MAXIMUM ALLOWED PER GSA GUIDELINES	DIFFERENCE PER PERSON	TOTAL AMOUNT IN EXCESS OF PER DIEM
NIJ Technology & Partnership Conference⁶ (Garden Grove, CA)					
Number of Participants: 400⁷					
Daily Per Diem Allowed Per GSA Guidelines: \$64					
04/03/2007	Breakfast	\$ 24	\$ 18	\$ 6	\$ 2,435
04/03/2007	Lunch	50	27	23	9,017
04/04/2007	Breakfast	24	18	6	2,350
04/04/2007	Lunch	50	27	23	9,017
04/05/2007	Breakfast	9	18	N/A	N/A
04/05/2007	Lunch	-	27	N/A	N/A
NIJ Applied Technologies Conference (Point Clear, AL)					
Number of Participants Reported: 300					
Daily Per Diem Allowed Per GSA Guidelines: \$39					
03/18/2008	Breakfast	\$ 34	\$ 11	\$ 23	\$ 6,976
03/18/2008	Lunch	53	17	37	10,977
03/19/2008	Breakfast	38	11	28	8,327
03/19/2008	Lunch	48	17	32	9,527
03/20/2008	Breakfast	16	11	6	1,725
03/20/2008	Lunch	-	17	N/A	N/A
National Regional Planning Council Conference (Orlando, FL)					
Number of Participants Reported: 47					
Daily Per Diem Allowed Per GSA Guidelines: \$49					
02/12/2009	Breakfast	\$ 41	\$ 14	\$ 28	\$ 1,314
02/12/2009	Lunch	62	20	43	2,007
02/13/2009	Breakfast	33	14	20	925
02/13/2009	Lunch	54	20	34	1,617

⁶ SAT officials only provided a quotation for the expenditures concerning the NIJ Technology and Partnership Conference. Therefore, we used the quoted amount in our analysis.

⁷ For the NIJ Technology and Partnership Conference, SAT was not required to report in GMS the number of participants at this conference. Therefore, we estimated the number of participants using the information provided in the quotation.

SHERIFFS' ASSOCIATION OF TEXAS RESPONSE TO DRAFT AUDIT REPORT

SHERIFFS' ASSOCIATION OF TEXAS

Steve M. Westbrook, Executive Director

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November 5, 2012

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David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln, Suite 1500
Denver, CO 80203

Subject: Response to the Office of the Inspector General's Draft Audit Report, Office of Justice Programs, National Institute of Justice, Cooperative Agreement Awarded to the Sheriffs' Association of Texas, Austin, Texas, #2006-IJ-CX-K016 and #2009-IJ-CX-K017.

Dear Mr. Sheeren:

Thank you for this opportunity to respond to the draft audit report *Audit of the Office of Justice Programs National Institute of Justice Cooperative Agreements Awarded to the Sheriffs' Association of Texas, Austin, Texas* by the U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Denver Regional Audit Office to the Office of Justice Programs (OJP), related to the National Institute of Justice (NIJ) cooperative agreement numbers 2006-IJ-CX-K016 and 2009-IJ-CX-K017. We look forward to resolving the issues noted in the audit report.

General Comments

The draft audit report contains seven recommendations and \$583,260 in questioned costs. The questioned costs were primarily attributable to inadequate documentation provided to the auditors at the time of the audit. This documentation is being provided by SAT as referenced in SAT's response to the recommendations and questioned costs below. Inadequate documentation was provided at the time of the audit because grant funded personnel for the awards were no longer employed by SAT as of July 2011. External accountants employed by SAT to gather the information for the audit were not familiar with the requested documents or with the extent of documentation needed to properly support the transactions. Further, SAT received numerous additional requests for documentation after the audit onsite visit concluded, making coordination to provide the documentation difficult. We believe that this is remedied now by including in our response adequate documentation to support the questioned costs.

SAT Responses to Specific Recommendations

Recommendation 1: Implement adequate formal accounting procedures in the event that SAT receives future awards.

Response

While management believes that accounting procedures for SAT's current activities are adequate, management would implement adequate formal accounting procedures should SAT plan on receiving future federal awards.

Recommendation 2: Establish a general ledger that is capable of categorizing expenditures in order to compare to the approved budget in the event that SAT receives future awards.

Response

The general ledger is currently capable of categorizing expenditures in order to compare to the approved budget. Budget versus actual expenditure reports were prepared for Award Number 2009-IJ-CX-K016. However, budget versus actual expenditure reports were not prepared for Award Number 2009-IJ-CX-K017. The report for 2009-IJ-CX-K017 has now been prepared and is being submitted with this response. See Attachment 1.

Recommendation 3: Remedy the \$177,517 in unsupported direct costs.

Response

SAT concurs that adequate supporting documentation was not provided to the auditors during the audit fieldwork for six transactions totaling \$177,517. The supporting documentation is being provided as referenced in Attachment 2.

Recommendation 4: Remedy the \$303,995 in unsupported contractor costs.

Response

SAT concurs that contracts were not provided to the auditors during the audit fieldwork for 15 transactions totaling \$303,995. The contracts and other pertinent information are being provided as referenced in Attachment 3. As per Attachment 3, one of the contract documents could not be located, but a copy has been requested from the contractor, and will be provided when received.

Recommendation 5: Remedy the \$5,907 in unallowable telephone and computer costs.

Response

SAT program management does not concur that this is an unallowable cost. SAT program management purchased a Blackberry initially for use by the NIJ grant management staff to improve SAT's ability to deliver programmatic requirements in a timely fashion through timely interaction with NIJ grant management. The initial Blackberry was later replaced by a smart phone which was utilized by the NIJ Program Manager to demonstrate smart phone technology as a low cost mobile computing platform for law enforcement, demonstrate NIJ's smart phone applications, and demonstrate its use in the Low Cost Aviation Technology Program. The laptop was purchased solely to enhance program delivery by making slide presentations for the various

conferences where NIJ's programs were presented as well as their display at various law enforcement trade shows. Approval of the expenditures by NIJ grant management was demonstrated by their continued acceptance and use of the equipment. This cost does not exceed 10% of the budget, and therefore a GAN is not required. The expenditure was in full compliance with the wishes of the NIJ program manager. All equipment has been returned.

Recommendation 6: Remedy the \$23,065 in unsupported indirect costs.

Response

On August 29, 2012 SAT refunded \$11,156 indirect costs to OJP pursuant to the close-out of Award 2009-IJ-CX-K017. That refund serves to reduce the above questioned amount. The discrepancy noted in this recommendation arose because SAT mis-interpreted the direct cost base to which the indirect cost rate was applied. However, budgeted indirect costs were \$73,412 and only \$46,781 was claimed and received by SAT. SAT will work with OJP to determine proper resolution of the questioned costs.

Recommendation 7: Remedy the \$72,776 in unsupported equipment costs.

Response

SAT concurs that adequate documentation for the disposition of this piece of equipment was not provided to the auditors during the audit fieldwork. The piece of equipment in question was damaged beyond repair and deemed to be a total loss. The insurer determined the market value of the property at the time of the loss, and insurance proceeds were received. SAT will change the classification of this amount to program income in the Federal Financial Report if that is needed or desired and if the OJP would allow a change to the FFR. Documentation evidencing disposition of the property is provided as referenced in Attachment 4

Thank you for your consideration of this response. Please feel free to contact me at 512-445-5888 with any questions or if anything else is needed to clarify or enhance the information provided. Again, we look forward to resolving these issues.

Sincerely,



Steve Westbrook
Executive Director

Attachments:

- Attachment 1 – Budget Vs. Actual Report – 2009-IJ-CX-K017
- Attachment 2 – Unsupported Direct Cost Expenditures and List of Documents Attached
- Attachment 3 – Unsupported Costs Involving Contractors and List of Documents Attached
- Attachment 4 – Unsupported Equipment Costs and List of Documents Attached

SHERIFFS' ASSOCIATION OF TEXAS

Steve M. Westbrook, Executive Director



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November 14, 2012

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Immediate Past President
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David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1120 Lincoln, Suite 1500
Denver, CO 80203

Subject: Additional Document Submitted
Re: Response to the Office of the Inspector General's Draft
Audit Report, Office of Justice Programs, National Institute of
Justice, Cooperative Agreement Awarded to the Sheriffs'
Association of Texas, Austin, Texas, #2006-IJ-CX-K016 and
#2009-IJ-CX-K017.

Dear Mr. Sheeren:

Thank you for this opportunity to add a document to the information contained in SAT's response of November 5, 2012 to the draft audit report *Audit of the Office of Justice Programs National Institute of Justice Cooperative Agreements Awarded to the Sheriffs' Association of Texas, Austin, Texas* by the U.S. Department of Justice (DOJ), Office of the Inspector General (OIG), Denver Regional Audit Office to the Office of Justice Programs (OJP), related to the National Institute of Justice (NIJ) cooperative agreement numbers 2006-IJ-CX-K016 and 2009-IJ-CX-K017.

The document being submitted was noted as missing in SAT's response to the draft audit report, as per the following excerpt from that response. The excerpt is shown in italics:

Recommendation 4: Remedy the \$303,995 in unsupported contractor costs.

Response

SAT concurs that contracts were not provided to the auditors during the audit fieldwork for 15 transactions totaling \$303,995. The contracts and other pertinent information are being provided as referenced in Attachment 3. As per Attachment 3, one of the contract documents could not be located, but a copy has been requested from the contractor, and will be provided when received.

Update to SAT Response to Recommendation 4

The copy of the contract document referred to above has been located and is being provided as referenced in Attachment 3-Updated.

Thank you for your consideration of this additional information. Please feel free to contact me at 512-445-5888 with any questions or if anything else is needed to clarify or enhance the information provided. Again, we look forward to resolving these issues.

Sincerely,



Steve Westbrook
Executive Director

Attachments:

Attachment 3-Updated
3.9-Contractor F

OFFICE OF JUSTICE PROGRAMS'
RESPONSE TO DRAFT AUDIT REPORT



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

Washington, D.C. 20531

NOV -9 2012

MEMORANDUM TO: David M. Sheeren
Regional Audit Manager
Denver Regional Audit Office
Office of the Inspector General

FROM: Maureen A. Henneberg
Director *Maureen A. Henneberg*

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, National Institute of Justice, Cooperative Agreements Awarded to the Sheriff's Association of Texas, Austin, Texas*

This memorandum is in response to your correspondence, dated October 15, 2012, transmitting the subject draft audit report for the Sheriff's Association of Texas (SAT). We consider the subject report resolved and request written acceptance of this action from your office.

The draft audit report contains **seven** recommendations and **\$583,260** in questioned costs. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP coordinate with SAT to implement adequate formal accounting procedures in the event that SAT receives future awards.**
We agree with the recommendation. We will coordinate with SAT to obtain a copy of its formal accounting procedures, which have been implemented by the organization.
2. **We recommend that OJP coordinate with SAT to establish a general ledger that is capable of categorizing expenditures in order to compare to the approved budget in the event that SAT receives future awards.**
We agree with the recommendation. We will coordinate with SAT to obtain a copy of its revised general ledger, which is capable of categorizing expenditures by approved budget category.

3. **We recommend that OJP coordinate with SAT to remedy the \$177,517 in unsupported direct costs.**

We agree with the recommendation. We will coordinate with SAT to remedy the \$177,517 in unsupported direct costs.

4. **We recommend that OJP coordinate with SAT to remedy the \$303,995 in unsupported contractor costs.**

We agree with the recommendation. We will coordinate with SAT to remedy the \$303,995 in unsupported contractor costs.

5. **We recommend that OJP coordinate with SAT to remedy the \$5,907 in unallowable telephone and computer costs.**

We agree with the recommendation. We will coordinate with SAT to remedy the \$5,907 in questioned telephone and computer costs.

6. **We recommend that OJP coordinate with SAT to remedy the \$23,065 in unsupported indirect costs.**

We agree with the recommendation. We will coordinate with SAT to remedy the \$23,065 in unsupported indirect costs.

7. **We recommend that OJP coordinate with SAT to remedy the \$72,776 in unsupported equipment costs.**

We agree with the recommendation. We will coordinate with SAT to remedy the \$72,776 in unsupported equipment costs.

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

cc: Jeffery A. Haley
Deputy Director, Audit and Review Division
Office of Audit, Assessment, and Management

Portia Graham
Acting Office Director, Office of Operations
National Institute of Justice

cc: Charlene Hunter
Program Analyst
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Jack Hame
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Michael O'Shea
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Louise Duhamel, Ph.D.
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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number 20121653

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

The Department of Justice (DOJ), Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and the Sheriffs' Association of Texas (SAT). The SAT's response is incorporated in Appendix V of this final report. OJP's response is incorporated in Appendix VI of this final report. The following provides the OIG analysis of the response and summary of actions necessary to resolve the report.

Summary of Actions Necessary to Close the Report

1. **Resolved.** OJP agreed with our recommendation that the SAT implement adequate formal accounting procedures in the event that SAT receives future awards. OJP stated in its response that it will coordinate with the SAT to obtain a copy of its formal accounting procedures which have been implemented by the organization. In its response SAT officials concurred with this recommendation. The SAT stated that while management believes that accounting procedures for SAT's current activities are adequate, SAT's management would implement adequate formal accounting procedures should SAT plan on receiving future federal awards.

This recommendation can be closed when we receive evidence that the SAT has implemented adequate formal accounting procedures in the event that SAT receives future awards.

2. **Resolved.** OJP agreed with our recommendation that the SAT establish a general ledger that is capable of categorizing expenditures in order to compare to the approved budget in the event that SAT receives future awards. OJP stated in its response that it will coordinate with SAT to obtain a copy of its revised general ledger, which is capable of categorizing expenditures by approved budget category. In its response, the SAT stated that the general ledger is currently capable of categorizing expenditures in order to compare to the approved budget. The SAT also stated in their response that budget versus actual expenditure reports were not prepared for cooperative agreement 2009-IJ-CX-K017. The SAT provided a budget

versus actual expenditures report for cooperative agreement 2009-IJ-CX-K017 in their response.

We reviewed this documentation and determined that it does not adequately address our recommendation. The report provided appears to be contrary to explanations provided by SAT officials during our analysis. This recommendation can be closed when we receive evidence that the SAT has established a general ledger that is capable of categorizing expenditures in order to compare to the approved budget in the event that SAT receives future awards.

3. **Resolved.** OJP agreed with our recommendation to remedy \$177,517 in unsupported direct costs. OJP stated in its response that it will coordinate with the SAT to remedy the \$177,517 in unsupported direct costs. In its response, the SAT concurred with recommendation and provided additional support for the six unsupported transactions. Our responses for these transactions and the additional supporting documentation submitted by the SAT in their response are detailed below.

Employee A

In the SAT's response, it explained that the \$4,167 transaction for Employee A was a payroll transaction and attached documentation showing the transaction journal entries. However, the SAT did not provide a timesheet supporting the time that should have been charged to cooperative agreement 2006-IJ-CX-K016. Therefore, we determined that the \$4,167 in payroll charges to be unsupported.

ELSAG North America

In regards to the transaction for ELSAG North America, we questioned this transaction as unsupported because we only received a quotation and did not receive an invoice for the transaction. In the SAT's response, it included supporting documentation including the invoice for the transaction. However, we noted inconsistencies between the delivery date of the equipment provided, the date of the quotation, and the date of the invoice. Therefore, without any further documentation or explanation from SAT officials regarding this transaction, we determined that the \$23,030 in charges were unsupported.

Hyatt Regency

In regards to the transaction for Hyatt Regency, we questioned this transaction as unsupported because we only received a quotation and did not receive an invoice for the transaction. In the SAT's response, it included supporting documentation including the invoice for the transaction. In the invoice, the amount paid is shown based on the amount in the quotation. However, there were no detailed invoices showing what was paid for, including the dates that the goods and services were incurred, in comparison with the quotation that was already provided. Therefore, without further detailed information regarding what was provided and the dates that they were provided, we determined that the transaction charges, totaling \$148,319 were unsupported.

Individual A

In SAT's response, it included a travel advance for Individual A to transport aviation equipment. However, there was no documentation indicating the dates of travel or any confirmation that the aviation equipment had been delivered. Therefore, without this documentation, we determined that the \$2,002 travel advance charges were unsupported.

After considering the SAT's response to questioned costs for unsupported direct costs, we determined that the SAT has not provided adequate documentation to support the reduction of any of the questioned costs noted in our audit due to unsupported expenditures. This recommendation can be closed when we receive evidence that the OJP has remedied the \$177,517 in questioned costs identified as unsupported.

4. **Closed.** We recommended that OJP remedy the \$303,995 in unsupported contractor costs. OJP agreed with our recommendation to remedy \$303,995 in unsupported contractor costs. OJP stated in its response that it will coordinate with the SAT to remedy the \$303,995 in questioned telephone and computer costs. The SAT also concurred with the recommendation and provided documentation supporting the nine contracts included in questioned costs.

We reviewed this documentation and determined that it adequately addresses our recommendation. Therefore, this recommendation is closed.

5. **Resolved.** OJP agreed with our recommendation to remedy \$5,907 in unallowable telephone and computer costs. OJP stated in its response that it will coordinate with the SAT to remedy the \$5,907 in questioned telephone and computer costs. The SAT stated in its response that it did not concur with this recommendation. In their response, SAT stated that the approval of the expenditures by NIJ grant management was demonstrated by their continued acceptance and use of the equipment. The SAT also stated that these costs were within 10 percent of the cooperative agreement budget, the expenditures were in full compliance with the wishes of the NIJ program manager, and that all equipment purchased through these expenditures had been returned. However, we do not consider the "use of equipment" to be adequate documentation that the equipment was approved to be used in a manner different than that specified in the approved grant budget. Because SAT officials did not provide documentation showing that the revised use of the equipment was officially approved by OJP, we continue to question the \$5,907 in telephone and computer costs that were not used in accordance with the use specified in the grant budget.

This recommendation can be closed when we receive evidence that OJP has remedied the \$5,907 in unallowable telephone and computer costs.

6. **Resolved.** OJP agreed with our recommendation to remedy the \$23,065 in unsupported indirect costs. OJP stated in its response that it will coordinate with the SAT to remedy the \$23,065 in unsupported indirect costs. In its response, the SAT concurred with the recommendation and explained that the SAT misinterpreted the direct cost base to which the indirect cost rate was applied. The SAT also stated in their response that on August 29, 2012, the SAT refunded \$11,156 in indirect costs to OJP pursuant to the closeout of cooperative agreement 2009-IJ-CX-K017. However, the SAT did not provide documentation relating to the \$11,156 refund. Therefore, we determined that the \$23,065 in indirect costs were still unsupported.

This recommendation can be closed when we receive evidence that OJP has remedied the \$23,065 in unsupported indirect costs.

7. **Closed.** We recommended that OJP remedy the \$72,776 in unsupported equipment costs. OJP agreed with our recommendation to remedy the \$72,776 in unsupported equipment costs. OJP stated in

their response that it will coordinate with the SAT to remedy the \$72,776 in unsupported equipment costs. In its response, the SAT concurred with the recommendation and provided documentation demonstrating the disposal of the equipment included in questioned costs.

We reviewed this documentation and determined that it adequately addresses our recommendation. Therefore, this recommendation is closed.