



OFFICE OF JUSTICE PROGRAMS NATIONAL LAW ENFORCEMENT AND CORRECTIONS TECHNOLOGY CENTERS

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OFFICE OF JUSTICE PROGRAMS NATIONAL LAW ENFORCEMENT AND CORRECTIONS TECHNOLOGY CENTERS

EXECUTIVE SUMMARY

The Office of the Inspector General, Audit Division, has completed an audit of the National Law Enforcement and Corrections Technology Centers (NLECTC) program. Established in 1994, the program was created to provide a mechanism for facilitating the introduction of new technologies into the law enforcement community and to provide technical assistance to state and local law enforcement in implementing those technologies.¹ The NLECTC program is comprised of 10 technology centers and specialty offices located throughout the country.²

The NLECTC program is managed by the Office of Justice Program's (OJP) National Institute of Justice (NIJ), which is the research, development, and evaluation arm of the U.S. Department of Justice. The NIJ's mission is to advance scientific research, development, and evaluation to enhance the administration of justice and public safety. In fiscal years (FY) 2004 and 2005, Congress allocated \$33.3 million and \$30.2 million, respectively, to fund NLECTC operations.

In this audit, we tested the NLECTC program's accounting records to determine whether reimbursements claimed for award-related costs were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. The OJP awarded NLECTC funds using cooperative agreements and interagency agreements. The mechanism used to award funds is determined by the nature of the receiving entity. Cooperative agreements, which have terms and conditions similar to grants, were used for private organizations and non-federal

¹ As used in this context, the term "law enforcement community" refers to state and local police departments, local jails, and state correctional facilities.

² The 10 sites include NLECTC-National, located in Rockville, MD, which serves as the hub for 5 regional centers: NLECTC-Northeast, located in Rome, NY; NLECTC-Northwest, located in Anchorage, AK; NLECTC-Rocky Mountain, located in Denver, CO; NLECTC-Southeast, located in North Charleston, SC; and NLECTC-West, located in El Segundo, CA. In addition, there are four specialty sites, which include the Border Research Technology Center (BRTC), located in San Diego, CA; the Office of Law Enforcement Standards (OLES), located in Gaithersburg, MD; the Office of Law Enforcement Technology Commercialization (OLETC), located in Wheeling, WV; and the Rural Law Enforcement Technology Center (RULETC), located in Hazard, KY. For the purposes of this report, the term "centers" is used in reference to all of the NLECTC components, including the six technology centers, two specialty centers, and two specialty offices.

agencies, while federal agencies were funded through interagency agreements, which more closely resemble a contract. We tested a sample of financial transactions at the five regional technology centers and the RULETC specialty office. We did not select sample transactions at the National Center and the OLES because, unlike the regional technology centers and the RULETC specialty center, these sites do not provide direct technical assistance to the law enforcement community. At each center, we obtained accounting records for the expenditures charged to the awards issued during the review period. From these accounting records, we judgmentally selected a minimum sample of 25 transactions at each site. We then reviewed supporting documentation to verify that the expenditures were authorized, properly classified, accurately recorded, and properly charged to the award. Our sample included expenditures for personnel, travel, consultants, contractors, other direct costs, and indirect costs.

Of \$43 million in NLECTC funds expended from October 2003 through June 2005, we tested transactions totaling \$2.6 million. In our testing, we noted several weaknesses, as follows:

- We identified \$472,069 in award-related expenditures for personnel costs and payments to contractors that were not adequately supported.
- We also identified \$224,936 in expenditures that we determined to be unallowable, most of which resulted from an over-billing of indirect costs for the RULETC operation.
- Finally, we noted the appearance of a potential conflict of interest involving staff members at the NLECTC-Rocky Mountain operation in Denver, Colorado. Specifically, several employees had private businesses that offered the same products and services that they, as NLECTC employees, were responsible for evaluating in their role in advising local law enforcement on the use or acquisition of available technologies.

Our audit report contains three recommendations to address the weaknesses identified. Specifically, we recommended that the OJP require the NIJ to remedy the \$472,069 in unsupported costs and \$224,936 in unallowable costs. In addition, we recommended that NIJ program management review the activities of center staff at NLECTC-Rocky Mountain to determine whether a conflict of interest exists with regard to staff involvement in for-profit crime-mapping businesses. We discussed the results of our audit with NLECTC and NIJ officials, and their comments are included in this report, where appropriate.

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INTRODUCTION

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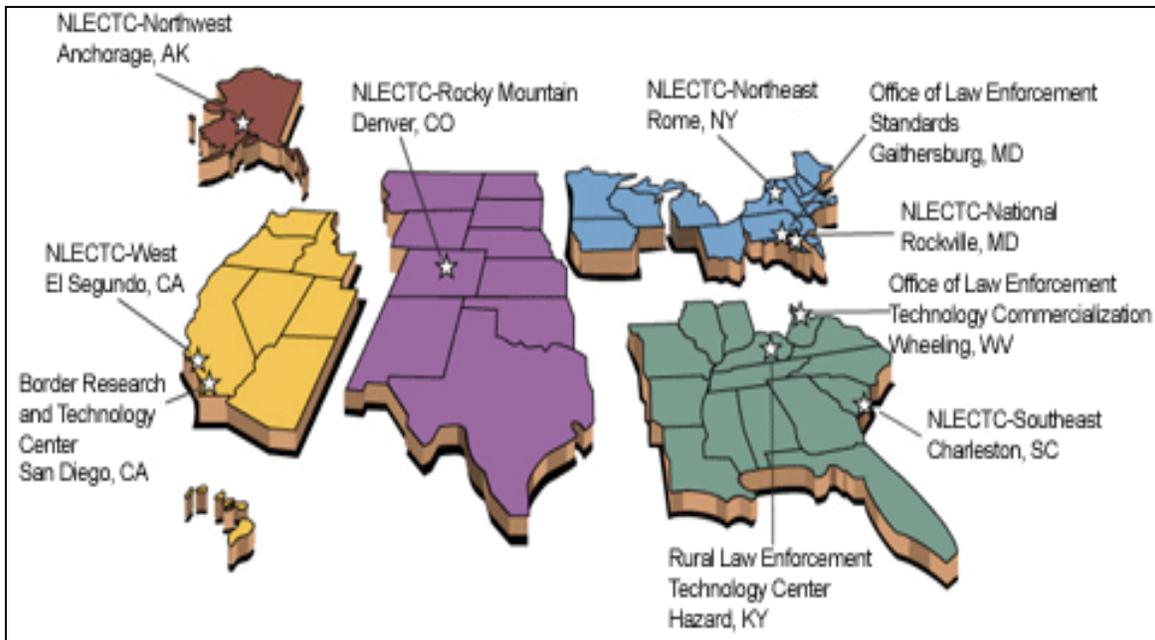
The NLECTC program is managed by the Office of Justice Program's (OJP) National Institute of Justice (NIJ), which is the research, development, and evaluation agency of the U.S. Department of Justice. The NIJ's mission is to advance scientific research, development, and evaluation to enhance the administration of justice and public safety.

There are over 18,000 police departments in the United States, 50 state correctional systems, thousands of prisons, jails, parole and probation departments, and other public safety organizations. Although the law enforcement community relies on various technologies to accomplish its law enforcement functions, not every law enforcement organization is knowledgeable about the latest technologies and whether those technologies will meet its needs.

According to NIJ officials, one of the NIJ's roles is to facilitate the movement of technological advances from the laboratories to law enforcement. To accomplish this, the NIJ established a network of centers located throughout the country to provide assistance to state and local law enforcement by supporting research and development of new technologies and providing information and technical assistance on existing technologies. The NLECTC program is comprised of 10 such centers, including a central hub, 5 regional technology centers, and 4 specialty sites. NLECTC-National, located in Rockville, Maryland, serves as the hub for the five regional centers (NLECTC-Northeast, -Northwest, -Rocky Mountain, -Southeast, and -West) that are located throughout the United States. The four specialty sites include the Border Research Technology Center (BRTC), the Office of Law Enforcement Standards (OLES), the Office of Law Enforcement Technology Commercialization (OLETC), and the Rural Law Enforcement

Technology Center (RULETC).³ The map below shows the location and region for each of the 10 centers.

NLECTC FACILITIES



Source: National Institute of Justice

To facilitate the use and adoption of technologies by law enforcement agencies, the centers offer a wide array of training and technical assistance to local law enforcement in the areas of forensics, body armor, audio analysis, communications, crime mapping, and less-lethal technology. With regard to competing technologies developed by the private sector and marketed to law enforcement agencies, the centers tout as one of their central tenets their role as “honest brokers” in evaluating the relative merits of those products. The centers also serve to facilitate research and development activities through their close relationship with their various “host” agencies.

The technology centers are not standalone operations. Instead they are “hosted” by either a private organization or governmental agency. In general, the host organizations were selected based on the need for technical expertise in a particular area. While more than one center may be involved in a particular technology, each site has a distinct focus area, depending in large part on the expertise of the host organization (see Appendix III). Most of the centers are staffed by professionals from the host agency, which allows for unique access to those agencies’ vast resources. NLECTC-West, for example, is staffed by its host agency, the Aerospace Corporation, and thus is able to leverage the agency’s human and

³ See Appendix III for more information on each NLECTC location.

technological assets for research and development and adapting new or existing technologies for use in law enforcement activities.

These host agencies receive funding through a cooperative agreement or interagency agreement from OJP to staff and operate the NLECTC sites. The funding mechanism is determined by the nature of the entity receiving the funds. Private organizations and non-federal agencies are funded through cooperative agreements, while federal agencies are funded through interagency agreements.⁴ With the exception of the RULETC site, the centers are co-located with their respective host organization.⁵

The objective of this audit was to ensure that the centers are using NIJ funds awarded through cooperative agreements and interagency agreements in accordance with the award requirements and other applicable regulations. To achieve the objective, we tested the NLECTC program's accounting records at six of the eight NLECTC sites visited to determine whether reimbursements claimed for award-related costs were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the awards. We selected only those sites in which NLECTC staff provided direct assistance to the law enforcement community.⁶

Background

The Homeland Security Act of 2002 defines the purpose of the NLECTC program in Section 235, National Law Enforcement and Corrections Technology Centers, which states that "the purpose of the centers shall be to: (1) support research and development of law enforcement technology; (2) support the transfer and implementation of technology; (3) assist in the development and dissemination of guidelines and technological standards; and (4) provide technology assistance, information, and support for law enforcement, corrections, and criminal justice purposes."⁷

⁴ Cooperative agreements are similar to grants in that they are fairly uniform and contain the same reporting requirements and special conditions as grants. Interagency agreements are closer to contracts in structure and may differ from one to the next in reporting requirements and other conditions, depending on the agency and the nature of the work performed.

⁵ The RULETC operation is located in Hazard, KY, approximately 100 miles from its host organization, the Eastern Kentucky University in Richmond, KY.

⁶ We reviewed financial activity at the following NLECTC sites: NLECTC-Northeast in Rome, NY; NLECTC-Northwest in Anchorage, AK; NLECTC-Rocky Mountain in Denver, CO; NLECTC-Southeast in North Charleston, SC; NLECTC-West in El Segundo, CA; and RULETC in Hazard, KY, and Richmond, KY.

⁷ Pub. L. No. 107-296 (2002).

To accomplish this mission, the NIJ established the following five goals for NLECTC:

- be the source of independent, objective standards, information, and evaluation of criminal justice technologies;
- facilitate the introduction, evaluation, implementation, and commercialization of appropriate technologies;
- adapt existing technologies to new applications for the criminal justice community;
- identify technologies to enhance the effectiveness of criminal justice agencies responsible for securing our nation's borders; and
- fill critical technology information gaps throughout the criminal justice community.

The following is a brief discussion of the activities performed by NLECTC program operations. For the most part, these activities include technical assistance, testing and evaluation, and commercialization.

Testing and Evaluation. Through NIJ, OLES publishes minimum performance standards for equipment used by law enforcement and corrections agencies, such as patrol vehicles and bullet-resistant body armor. OLES oversees the development of such standards based on research it conducts.

NLECTC-National oversees the testing of law enforcement equipment by private laboratories. These laboratories test equipment provided voluntarily by manufacturers on either a comparative basis or on a pass or fail basis. For example, the Michigan State Police, in coordination with NLECTC, conducts an annual evaluation of vehicles produced by automobile manufacturers for use as patrol cars. Evaluation factors include a comparative analysis of acceleration, top speed attained, braking, and handling under simulated pursuit conditions, as well as ergonomics and ease of equipment installation. In the case of pass or fail analysis, equipment such as bullet-resistant body armor is tested to see if it meets minimum performance standards.

The NIJ recently directed the OLES to conduct an in-depth analysis of Zylon[®]-based body armor. The study was requested by the U.S. Attorney General in the wake of the wounding of a police officer in the line of duty after his body armor failed to stop a bullet fired during a drug-related arrest. In addition to bullet-resistant body armor studies, OLES also conducts

research and develops standards for stab-resistant body armor, semi-automatic pistols, walk-through metal detectors, and metallic handcuffs.

Technology Assistance. The NIJ identifies technology assistance as a core activity of the NLECTC program. On average, NLECTC receives about 500 requests for general assistance every month, the majority of which involve the dissemination of information and publications such as the annual analysis of patrol vehicles mentioned above.

In addition to the dissemination of information, the centers also provide "hands-on" assistance through what NLECTC terms "scientific and engineering advice and support." This often involves lending expertise in assisting local law enforcement with solving or prosecuting open criminal cases. For example, on March 18, 2004, the Federal Bureau of Investigation and local law enforcement personnel in Las Vegas, Nevada, arrested an individual for a string of shootings and one death in the Columbus, Ohio, area. NLECTC-Southeast assisted in the arrest and prosecution of the sniper by deploying a state-of-the-art gunshot location system.

In another case, NLECTC-Northeast provided technical assistance in the form of audio analysis to a local police department in Ohio to assist in entering a murder suspect's confession into evidence. The defendant's attorney had attempted to suppress the taped confession based on the fact that the reading of the defendant's rights was not audible on the tape. However, NLECTC-Northeast, through audio analysis, was able to confirm that the defendant had been read his rights, and the taped confession was allowed into evidence.

In a third case, NLECTC-West assisted local law enforcement in the apprehension of two suspects in the kidnap and rape of a college student. In this case, a security video camera had captured the suspects' license plate when they attempted to make an ATM withdrawal from the victim's account. The image of the license plate was not initially readable, but center staff members were able to extract six of the characters through video enhancing technology, which led to the suspects' arrest.

Technology assistance may also take the form of hands-on training, such as mock prison riots conducted annually in the former West Virginia Penitentiary in Moundsville. The mock prison riots are hosted by the NIJ in coordination with NLECTC's Office of Law Enforcement Technology Commercialization (OLETC) and the NLECTC-National. The purpose of the annual event is to showcase emerging corrections and law enforcement technologies and to give corrections officers and tactical team members an opportunity to use and evaluate emerging technologies in riot-training scenarios. According to NLECTC, corrections officials from state, local, and

federal institutions, as well as officials from other countries, have attended the event.

Commercialization. According to the NIJ, OLETC is responsible for bringing the research community and private industry together to put affordable technologies into the hands of public safety officials. Toward that end, OLETC has a dedicated staff of law enforcement and corrections professionals, product managers, engineers, and market research specialists who identify new product concepts and help get them manufactured and distributed. Examples of products introduced to the law enforcement community through the OLETC's efforts include: (1) Roadspike, a retractable barrier strip used to stop fleeing vehicles; (2) EyeCheck, a non-invasive drug detection device; (3) Gimble Glove, which provides puncture-resistant protection for public officers; and (4) Tiger Vision, a handheld infrared night vision system.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH AWARD REQUIREMENTS

Out of the \$2.6 million in expenditures that we reviewed, we identified \$472,069 that was not adequately supported and \$224,936 in unallowable expenditures. Most of the unsupported and unallowable expenditures were at the RULETC in Hazard, Kentucky, and its host agency, the Eastern Kentucky University in Richmond, Kentucky. In addition, we identified the appearance of a potential conflict of interest at the Rocky Mountain NLECTC site involving staff engaged in for-profit businesses that offered the type of products and services evaluated by that NLECTC site.

Award Expenditures

We analyzed expenditures charged against the NIJ awards at six of the eight sites visited to determine whether expenses charged were allowable and in compliance with award conditions.⁸ From October 1, 2003, through June 30, 2005, expenditures for the six sites reviewed totaled approximately \$43 million, of which we tested 156 transactions totaling \$2.6 million. At each center, we obtained accounting records for the expenditures charged to the awards during the review period. From the accounting records we judgmentally selected a minimum sample of 25 transactions at each site. We then reviewed supporting documentation to verify that the expenditures were authorized, properly classified, accurately recorded, and properly charged to the award. Our sample included expenditures for personnel, travel, consultants, contractors, other direct costs, and indirect costs.

As a result of our transaction testing, we questioned a total of \$697,005 in award-related expenditures, of which \$472,069 was not adequately supported and \$224,936 was unallowable, as shown in the table below.

⁸ We did not select sample transactions at the NLECTC-National and the OLES locations because these two locations do not provide direct technical assistance to the law enforcement community, as do the regional technology centers and the RULETC specialty center.

RESULTS OF TRANSACTION TESTING

CENTER	DOLLARS AUDITED	UNSUPPORTED	UNALLOWABLE	TOTAL QUESTIONED	DESCRIPTION
Northeast	\$ 138,553	\$ 0	\$ 0	\$ 0	
Northwest	377,031	0	0	0	
Rocky Mountain	225,564	5,494	12,986	18,480	Travel/ Consultant
Southeast	927,613	0	0	0	
West	69,280	0	0	0	
RULETC	868,139	466,575	211,950	678,525	Travel, Gifts, Personnel, Indirect Costs
TOTAL	\$2,606,180	\$472,069	\$224,936	\$697,005	

Source: OIG analysis of NLECTC financial data

NLECTC Northeast – We tested 25 transactions totaling \$138,553 out of total expenditures of \$5.5 million for the review period. Expense categories tested included travel, consultants’ fees, subcontractors’ expenses, and facilities and maintenance. There were no exceptions noted.

NLECTC Northwest – We tested 25 transactions totaling \$377,031 out of total expenditures of \$4.3 million for the review period. Expense categories tested included travel, subcontractor labor costs, consultants’ fees, and office equipment. We initially identified \$86,493 in unsupported costs at the time of fieldwork. This included \$37,720 in subcontractor costs for which either no documents were found or there was no evidence that the invoice was reviewed and approved for payment. In addition, we identified \$12,523 in travel reimbursements for a trip to St. Petersburg, Russia, by the center director and a consultant, in which we could not verify that the travelers actually paid for the costs claimed and reimbursed. Finally, we identified \$36,250 in monthly retainer fees paid to a contractor in which the contract did not stipulate that a monthly retainer fee was authorized. However, subsequent to completion of fieldwork, Chenega Technology Services Corporation, the host organization for NLECTC-Northwest, was able to provide documentation to support the above-mentioned costs. Therefore, no exceptions were noted.

NLECTC Rocky Mountain – We tested 31 transactions totaling \$225,564 out of total expenditures of \$6.4 million for the review period. Expense categories tested included domestic travel, foreign travel, contractor payments, and consultants’ fees. We questioned \$18,480, of

which \$5,494 was unsupported and \$12,986 was unallowable. The unsupported costs included a \$5,394 payment for hotel accommodations for an official function, for which University of Denver officials could not produce an invoice to support the payment. The unallowable costs of \$12,986 included \$11,786 in consultants' fees in excess of the allowable rate, \$630 in per diem in excess of allowable rates for foreign travel, and \$445 for a bus rental used for a non-official function. We solicited comments from the director at the time of fieldwork, and again prior to issuance of the draft report. On both occasions, the director explained that providing adequate support for payments was the responsibility of the University of Denver's Office of Sponsored Programs. We discussed this issue with NIJ managers at our exit conference in October 2006, and they expressed their concern with NLECTC-Rocky Mountain's response to our findings. They added that they would follow up with the University of Denver to ensure that the issues raised are properly addressed.

NLECTC Southeast – We tested 25 transactions totaling \$927,613 out of total expenditures of \$19.8 million for the review period. Expense categories tested included training, equipment, and payments to subcontractors. All transactions were adequately supported. However, we identified \$163 in unallowable travel costs. One traveler was reimbursed for the cost of replacing a car battery. A second traveler claimed expenses for the use of a privately owned vehicle although the traveler used a rental car for transportation. This same traveler also claimed hotel expenses for a 5-night stay while the hotel statement showed charges for only 4 nights. Subsequent to completion of fieldwork, NLECTC-Southeast provided justification for the use of a privately owned vehicle and documentation to support the per diem claimed for the 5th night at the hotel. In addition, NLECTC-Southeast agreed that the reimbursement to replace a car battery was not allowable and would be credited to the grant. Therefore, no exceptions were noted.

NLECTC West – We tested 25 transactions totaling \$69,280 out of total expenditures of \$4.1 million for the review period. Expense categories tested included travel, training, consultants' fees, and office equipment. We initially identified \$506 in unallowable consultant's fees charged against the cooperative agreement because we could not verify that NLECTC-West had obtained prior approval to exceed the allowable rate authorized in the award. In accordance with the OJP Financial Guide, award conditions prohibit awardees from paying more than \$450 for an 8-hour day, or \$56.25 per hour, for consultant fees without obtaining prior approval from OJP. The consultant billed and was paid \$2,025 for 27 hours of work, or \$75 per hour, which resulted in \$506 in excess of the allowable rate. However, subsequent to completion of fieldwork, NLECTC West was able to provide

evidence that it had obtained prior approval from OJP for the exception. Therefore, no exceptions were noted.

RULETC – We tested 25 transactions totaling \$97,822 and an additional \$770,317 in salaries and indirect costs for a total of \$868,139 out of total expenditures of \$3.2 million for the review period. Expense categories included travel, equipment rental, and payments to contractors. We identified \$5,281 in unsupported costs, all of which were travel related. In five individual travel reimbursements reviewed totaling \$4,364, no travel vouchers were available to support the reimbursements to the travelers. In addition, we found no authorization to support a reimbursement of \$917 for travel expenses claimed by another traveler. We also identified \$4,003 in unallowable expenditures incurred by Eastern Kentucky University (EKU) staff identified in the grant application as performing grant-related work on a part-time basis. This included a \$77 claim on a travel voucher for a gift and \$3,926 in consultants' fees charged in excess of the allowable rate of \$450 per day. EKU officials commented that the university was undergoing a major transition in administrative processes and personnel at the time of our fieldwork, which could explain why some documents were not readily available. However, they agreed to take the necessary steps to address the lack of supporting evidence.

In our review of transactions for the RULETC operation, we performed work at the host organization, EKU.⁹ During the course of our testing at the university, we noted that six members of the university staff charged time against the cooperative agreement. We expanded our testing to include costs charged to the cooperative agreement for these individuals. In total we identified \$461,294 in charges, including salary, fringe benefits, and related indirect costs. However, we found no supporting documentation for these charges, such as time cards, timesheets, or work schedules that would indicate that they spent time on RULETC activities. Therefore, we questioned the personnel costs as unsupported.

In addition to personnel costs, we also included in our expanded testing a review of the \$309,023 in indirect costs charged against the RULETC operation in Hazard, Kentucky. According to the cooperative agreement, a two-tiered indirect cost schedule was approved by OJP wherein

⁹ The RULETC specialty office is not co-located with its host organization, EKU. According to grant documents, approximately one-half of the grant funds went to the RULETC operation in Hazard, Kentucky, to provide technical assistance and training to rural law enforcement agencies. The remainder of the grant funds went to EKU's Justice and Safety Center to fund law enforcement-related research projects.

an indirect rate of 48 percent was established for administrative overhead costs at Eastern Kentucky and an indirect rate of 15.7 percent was established for the RULETC operation in Hazard, Kentucky. However, we noted that the 48 percent rate was used to determine administrative costs for the RULETC site. Therefore, we questioned as unallowable a total of \$207,947 in indirect costs charged against the cooperative agreement for the RULETC operation in excess of the allowable indirect rate. Both RULETC and ECU officials indicated that this was an oversight and that the error has been corrected. ECU officials added that the excess funds previously drawn down had subsequently been applied to other allowable expenses.

Potential Conflict of Interest

The OJP Financial Guide, Part I, Chapter 3, states "In the use of agency project funds, officials or employees of State or local units of government . . . shall avoid any action which might result in, or create the appearance of using his or her official position for private gain . . . [or] affecting adversely the confidence of the public in the integrity of the government or the program." In the course of fieldwork conducted at the NLECTC-Rocky Mountain operation at the University of Denver in Colorado, we were informed that several staff members were owners and operators of private, for-profit businesses that offered consulting services in the area of crime analysis. In addition to consulting services, one of the staff members also designed and marketed crime-mapping software to law enforcement agencies. Crime analysis is one of the focuses of the NLECTC-Rocky Mountain operation. The type of assistance provided by center staff in the crime analysis area includes technical assistance, training on techniques and methods used in crime analysis, and training in the use of crime-mapping software. In addition, the center is also responsible for providing law enforcement agencies with unbiased evaluations of crime analysis tools, including crime-mapping software.

We learned from one of the center's clients, a member of the Douglas County Sheriff's Office, that the staff member who designs and markets crime-mapping software was scheduled to lead several sessions on the use of his company's software at an International Association of Crime Analysts (IACA) training conference in Arlington, Virginia. While the IACA conference was not a NIJ-sponsored event, the fact that the staff member has a financial stake in a particular product being evaluated by the NLECTC program raises concerns about a potential conflict of interest. Moreover, the NLECTC program claims as one of its core principles its role as an "honest broker" in advising local law enforcement on the use or acquisition of available technologies. Therefore, even the appearance of bias on the part of center staff towards products that the NLECTC program is responsible for evaluating may damage the credibility of the NLECTC program, and in so

doing compromise its effectiveness as a trusted liaison between the law enforcement community and private industry.

Moreover, two of the NLECTC-Rocky Mountain staff members previously were the subjects of conflict-of-interest allegations concerning their respective businesses that were made by a former employee in a letter to the Denver University Counsel dated February 25, 2001. In response to the allegations, the University hired an independent Certified Fraud Examiner (CFE) to conduct an investigation. In his report, dated September 17, 2001, the CFE concluded that the allegations were without merit. However, the report raised concerns with NIJ management, who then requested that the OIG conduct an investigation into whether NLECTC staff assigned to the crime-mapping program were using their grant-funded positions to conduct private business.

The OIG's Report of Investigation, which was completed in February 2003, concluded that one of the staff members had inappropriately used grant funds to subsidize outside activities related to his private business. The report, which focused mainly on the reimbursement for travel-related expenses, recommended that the NIJ implement stricter controls over the authorization and reimbursement of travel expenses for that particular staff member. Although NIJ management implemented additional controls over the authorization and reimbursement of travel expenses, we found that these controls were rescinded as of February 13, 2004. According to NIJ officials, the additional controls were rescinded because they believed that the problem had been addressed, and that the controls were no longer necessary. Our transaction testing disclosed only minor weaknesses in the reimbursement of travel funds, which lends support to their assertion. The report made no recommendations regarding the potential conflict of interest.

We discussed the conflict-of-interest issue with the NIJ program manager responsible for overseeing the NLECTC-Rocky Mountain operation during a meeting in December 2005. The program manager was aware of the allegations and stated that the appearance of a conflict-of-interest could be a cause for concern. He added that potential for conflicts of interest was particularly problematic at NLECTC-Rocky Mountain because the University of Denver allows and even encourages employees who perform research to be involved in private ventures, including the kind in which the two staff members at the Rocky Mountain NLECTC were engaged.

We again discussed this issue with NIJ managers at our exit conference in October 2006. They reiterated their concern with the conflict-of-interest issue, and stated that they would discuss the matter with NLECTC-Rocky Mountain and the University of Denver to ensure that center

staff adhere to NLECTC policy and OJP financial guidelines with respect to conflicts of interest.

Recommendations

We recommend that OJP:

1. Remedy \$472,069 in unsupported costs.
2. Remedy the \$224,936 in unallowable costs.
3. Our draft report contained a recommendation concerning the delegation of executive authority over one of the centers. After additional research, we decided to remove recommendation number 3 from the final audit report.
4. Require NIJ program management to review NLECTC-Rocky Mountain practices to determine whether a conflict of interest or an inappropriate appearance of a conflict of interest exists, and if so, to ensure that proper controls are established to address such a conflict.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The objective of the audit was to ensure that awardees are using funds in accordance with the award requirements and other applicable regulations.

Scope and Methodology

We conducted the audit in accordance with the *Government Auditing Standards* and included the tests and procedures necessary to accomplish our objective. Our review period was from, but not limited to, October 1, 2003, to September 30, 2005.

The scope of the audit encompassed NLECTC program activity for fiscal years 2004 and 2005. We conducted fieldwork at: (1) OJP Headquarters in Washington, D.C.; (2) NLECTC-National in Rockville, Maryland; (3) NLECTC-Northeast in Rome, New York; (4) NLECTC-Northwest in Anchorage, Alaska, and Alexandria, Virginia; (5) NLECTC-Rocky Mountain in Denver, Colorado; (6) NLECTC-Southeast in North Charleston, South Carolina; (7) NLECTC-West in El Segundo, California; (8) the Border Research Technology Center in San Diego, California; (9) the Office of Law Enforcement Standards in Gaithersburg, Maryland; and (10) the Rural Law Enforcement Technology Center in Hazard, Kentucky, and Richmond, Kentucky.

To accomplish our audit objective we:

- researched and reviewed applicable laws, policies, regulations, manuals, and memoranda;
- interviewed officials at OJP and NIJ headquarters;
- interviewed center directors and staff at technology sites, as well as designated specialists from host organizations;
- reviewed the funding process at each of the sites;
- reviewed 156 expenditures totaling \$2.6 million to determine whether transactions were accurate, complete, and allowable under the terms and conditions of the agreement; and
- reviewed \$461,294 in payroll expenses for October 2003 through June 2005 at Eastern Kentucky University in Richmond, Kentucky, and \$309,023 in indirect costs charged for RULETC in Hazard, Kentucky.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS: ¹⁰	<u>AMOUNT</u>	<u>PAGE</u>
Unsupported Costs	\$ 472,069	8
Unallowable Costs	\$ 224,936	8
TOTAL QUESTIONED COSTS	<u><u>\$697,005</u></u>	

¹⁰ **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.

OVERVIEW OF NLECTC OPERATIONS

SITE	HOST AND LOCATION	AREA OF EXPERTISE	FUNDING TYPE
NLECTC – National	Lockheed-Martin, Rockville, Maryland	Body armor compliance testing, outreach and publications	Cooperative Agreement
NLECTC – Northeast	Air Force Research Laboratory Rome, New York	Wireless communications, electronic crime, concealed weapons detection	Inter-Agency Agreement
NLECTC – Northwest	Chenega Technology Services Corporation Anchorage, Alaska	Cold-weather technology, information sharing and analysis, rural communications	Inter-Agency Agreement
NLECTC – Rocky Mountain	University of Denver Denver, Colorado	Explosive remediation, crime mapping, interoperable communications	Cooperative Agreement
NLECTC – Southeast	South Carolina Research Authority North Charleston, South Carolina	Geospatial profiling, school safety, integrated justice	Cooperative Agreement
NLECTC – West	Aerospace Corporation El Segundo, California	Advanced forensic analytical techniques, less-lethal weapons, sensors and surveillance	Cooperative Agreement
BRTC	Sandia National Laboratories (U.S. Department of Energy) San Diego, California	Sensor systems, corrections technology, wireless networks, law enforcement near the border	Inter-Agency Agreement
OLES	National Institute of Standards and Technology (U.S. Department of Commerce) Gaithersburg, Maryland	Standards development, body armor, ballistics, DNA technology, chemical analysis	Inter-Agency Agreement
OLETEC	West Virginia High Technology Consortium Foundation Wheeling, West Virginia	Technology transfer and commercialization, demonstrations, mock prison riots	Cooperative Agreement
RULETC	Eastern Kentucky University ¹¹ Hazard, Kentucky	Rural law enforcement, distance learning, drug analysis, technology evaluation	Cooperative Agreement

¹¹ The RULETC operation is not co-located with its host organization, Eastern Kentucky University (EKU) in Richmond, Kentucky. Instead, it is located in Hazard, Kentucky, approximately 100 miles from the EKU campus.

AUDITEE'S RESPONSE



U.S. Department of Justice

17 NOV 2006

Office of Justice Programs

Office of the Assistant Attorney General

NOV 08 2006

Washington, D.C. 20531

MEMORANDUM TO: Glenn A. Fine
Inspector General
United States Department of Justice

THROUGH: Guy K. Zimmerman
Assistant Inspector General for Audit
Office of the Inspector General
United States Department of Justice

FROM: *Regina B. Schofield*
Regina B. Schofield
Assistant Attorney General

SUBJECT: Response to Office of the Inspector General's Draft Audit Report,
*Office of Justice Programs National Law Enforcement and
Corrections Technology Centers*

This memorandum responds to the Office of the Inspector General's (OIG's) draft audit report entitled "*Office of Justice Programs National Law Enforcement and Corrections Technology Centers.*" The draft report contains four recommendations and \$697,005 in questioned costs.

The Office of Justice Programs (OJP) agrees with Recommendations 1, 2, and 4, and the related \$697,005 in questioned costs. However, the OJP does not agree with Recommendation 3. The recommendations are restated in bold below, and are followed by the OJP's response.

1. Remedy \$472,069 in unsupported costs.

The Office of Justice Programs agrees with the recommendation. By November 30, 2006, the National Institute of Justice (NIJ) will work with the Rural Law Enforcement Technology Center (RULETC) and the Rocky Mountain Center to remedy unsupported costs of \$5,494 and \$466,575, respectively.

2. Remedy the \$224,936 in unallowable costs.

The Office of Justice Programs agrees with the recommendation. With respect to the \$207,947 related to unallowable indirect costs charged by RULETC, Eastern Kentucky University (EKU) acknowledged that the off-campus rate should have been used to calculate indirect costs. By November 30, 2006, EKU will submit a request to NIJ to

reprogram those funds. In addition, by November 30, 2006, the NIJ will work with the RULETC and Rocky Mountain Center to remedy the remaining unallowable costs of \$4,003 and \$12,986, respectively.

3. Require NIJ to revise RULETC's cooperative agreement so that it complies with NLETC policy regarding the delegation of executive authority over center operations.

The Office of Justice Programs does not agree with the recommendation. NIJ's cooperative agreement with EKU, through which the RULETC is operated, complies with NLETC policy regarding the delegation of executive authority over center operations.

The draft report notes that "The individual delegated authority over the RULETC operation in Hazard, Kentucky was not on the center staff and devoted only 25% of her time to center-related activity." The individual referenced is the Director of the Justice and Safety Center at EKU, not the RULETC Director. The RULETC Director, 100% of whose time is devoted to the RULETC and who has executive authority over it (as required by NLETC policy), reports to the Director of the Justice and Safety Center.

Eastern Kentucky University, the grantee and host organization for RULETC, has the fiduciary responsibility to ensure that the provisions of the agreement with NIJ are followed. The Justice and Safety Center is the operating arm of EKU that is responsible for the RULETC. The Director for the Justice and Safety Center is the individual responsible to EKU to ensure that the operations of the Center comply with the provisions of NIJ's cooperative agreement with EKU. The RULETC Director, in turn, who has executive authority over Center operations, is responsible to the Director of the Justice and Safety Center. Since RULETC is only one part of the Justice and Safety Center, it is reasonable to expect that only 25% of the Justice and Safety Center's Director's time is devoted to overseeing RULETC operations.

All of NIJ's NLETC Centers are part of larger organizations. Center Directors submit their annual operating plans and budgets to their parent organizations, who, in turn, submit them to NIJ. For example, the NLETC-National Center is operated through an agreement between NIJ and Lockheed Martin Aspen Systems. The individual in Lockheed Martin Aspen Systems, under whose purview the NLETC-National Center falls, is listed in the grant documentation as the responsible organizational point of contact, not the NLETC-National Center Director.

4. **Require NIJ program management to review NLECTC-Rocky Mountain practices to determine whether a conflict of interest or an inappropriate appearance of a conflict of interest exists, and if so, to ensure that proper controls are established to address such a conflict.**

The Office of Justice Programs agrees with the OIG recommendation. By November 30, 2006, NIJ will work with the OJP's Office of General Counsel to determine whether a conflict of interest or an inappropriate appearance of a conflict of interest exists. If so, NIJ will issue appropriate correspondence to Denver University, the grantee/host organization with fiduciary responsibility for NLECTC Rocky Mountain, to ensure that proper controls are established to address such a conflict.

Thank you for the opportunity to respond to the draft audit report. If you have any questions regarding this response, please feel free to contact me on (202) 307-5933, or LeToya Johnson, Director, Program Review Office, on (202) 514-0692.

cc: Beth McGarry
Deputy Assistant Attorney General
for Operations and Management

Glenn R. Schmitt
Acting Director
National Institute of Justice

LeToya A. Johnson
Director, Program Review Office

Richard P. Theis
DOJ Audit Liaison

OFFICE OF THE INSPECTOR GENERAL, AUDIT DIVISION SUMMARY OF ACTIONS NECESSARY TO CLOSE REPORT

Recommendations:

1. **Resolved.** In its response, the Office of Justice Programs (OJP) stated that by November 30, 2006, the National Institute of Justice (NIJ) will work with the Rural Law Enforcement Technology Center (RULETC) and the Rocky Mountain National Law Enforcement and Corrections Technology Center (NLECTC-Rocky Mountain) to remedy unsupported costs. This recommendation can be closed when we receive from OJP evidence that the proposed corrective actions have been implemented.
2. **Resolved.** In its response, the OJP stated that by November 30, 2006, the NIJ will obtain from RULETC host organization, Eastern Kentucky University, a request to reprogram funds in the amount of unallowable indirect costs charged against the grant, and will work with RULETC and NLECTC-Rocky Mountain to remedy the remaining unallowable costs. This recommendation can be closed when we receive from OJP evidence that the proposed corrective actions have been implemented.
3. Our draft report contained a recommendation concerning the delegation of executive authority over one of the centers. After additional research, we decided to remove recommendation number 3 from the final audit report.
4. **Resolved.** In its response, the OJP stated that by November 30, 2006, the NIJ will work with OJP's Office of General Counsel to determine whether a conflict of interest or inappropriate appearance of a conflict of interest exists. If a problem is found to exist, NIJ will require the host organization, University of Denver, to establish the controls necessary to address the problem. This recommendation can be closed when we receive from OJP results of the Office of General Counsel's review and evidence that proposed corrective actions, if warranted, have been implemented.