

Public Records Request #3133

The following materials have been gathered in response to public records request #3133. These materials include:

- RNC 2020 Security Grant – Checklist of Financial Requirements – Draft
- Republican National Convention Financial Requirements - Draft

This information was provided as a response to a public records request on 1/7/20 and is current to that date. There is a possibility of more current information and/or documents related to the stated subject matter.

Further Information

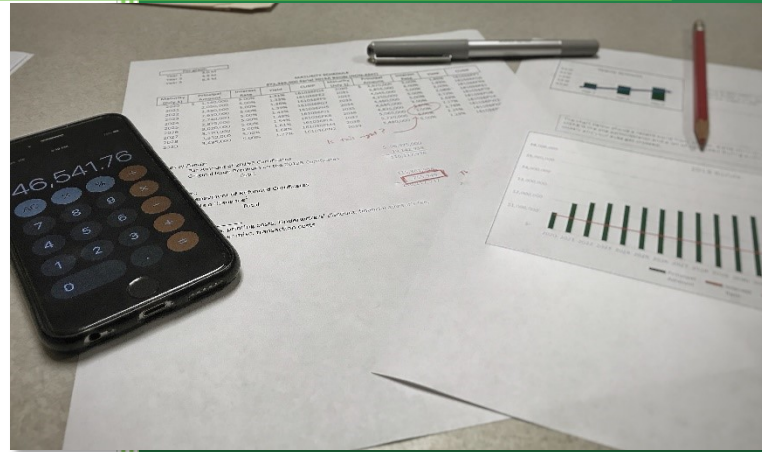
For further information about this request or the Citywide Records Program, please contact:

Cheyenne Flotree
Citywide Records Program Manager
City of Charlotte/City Clerk's Office
600 East 4th Street, 7th Floor
Charlotte, NC 28202
Cheyenne.Flotree@charlottenc.gov

Amelia Knight
Public Records Specialist
City of Charlotte/City Clerk's Office
600 East 4th Street, 7th Floor
Charlotte, NC 28202
Amelia.Knight@charlottenc.gov



Republican National Convention Financial Requirements **draft**



**City of Charlotte
Internal Audit Department
600 E. Fourth St.
Charlotte, NC 28202**

Staff

City Auditor

Gregory L. McDowell, CPA, CIA

Deputy City Auditor

Tina Adams, CPA, CIA

Staff Auditor

Harry K. Graham, CPA, CIA

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November 27, 2019

Republican National Convention Financial Requirements – Executive Summary

Objective

Compile financial requirements for the security grant and determine the City's readiness to comply.

Background

The City will host the Republican National Convention in August 2020. As a designated national security event, the federal government through the Department of Justice (DOJ) is expected to award the City a security grant of \$50 million. The DOJ publishes financial guidelines for security and other grants. Security grants also are subject to post-audits by the DOJ Inspector General (IG). Auditors compiled the financial requirements and past IG findings and recommendations into a checklist format to provide a convenient reference point to the City's staff. Audit staff will be continuing its review as procedures and controls are finalized.

Conclusion (To be completed by Internal Audit following receipt of responses.)

Note: Internal Audit has not received communication or documentation from responsible City staff that outlines the procedures that have been or are being developed to comply with DOJ financial requirements. Internal Audit is not able to conduct a review as to the adequacy of the procedures at this time. We will continue to follow up as City staff readies its departmental plans.

Highlights

- *The following sources were utilized to compile the checklist:*
 - U.S. Department of Justice (DOJ) Financial Guidelines which are published and updated regularly to outline requirements for security grants.
 - Inspector General (IG) audit reports – two each from 2012 and 2016 – for convention security grants detailing the IG's audit approach and procedure, and audit findings and recommendations, including recommendations for disallowance of costs.
- *The checklist was distributed to key City departments with roles in administering the security grant and has been the subject of discussion in a group meeting of department representatives.*
- *The above group meets regularly and a staff member of Internal Audit attends as a resource.*
- *The group will meet with grantor representatives as needed. One such meeting has been planned and other meetings will be arranged going forward. Such interactions will provide an opportunity to fully understand the grantor's interpretation of relevant federal regulations governing the financial administration of such security grants.*

Actions Planned

Internal Audit will continue its efforts to obtain and review relevant procedures that have been developed specifically for this event.

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Background

For national security events, the United States Department of Justice (DOJ) has issued a financial guide that outlines financial requirements that must be adhered to. The following categories describe many of the key requirements:

- Budget Management and Control
- Grant Financial Management
- Grant Drawdowns/Advances
- Procurement
- Payroll-City Employees
- Contract Personnel Costs
- Other Expenses
- Indirect Costs
- Subrecipients
- Property Management
- Grant Special Conditions
- Reporting Requirements

The checklist developed by Internal Audit is 30 pages in length, and accompanies this report as a reference. The following indicates a few of the key elements from each of the above categories:

- Budget Management and Control
 - The DOJ Financial Guide directs grant recipients to submit line item budgets based on the total estimated costs for the event.
 - Recipients should adequately track funds according to budget line item categories.
 - Requirements for submitting grant adjustment notices
 - Types of costs for which advance DOJ approval is required
- Grant Financial Management
 - Keep detailed, separate accounting records and supporting documentation:
 - Federal funds awarded
 - Federal funds drawn down
 - Expenditures and obligations applied to each budget category included within the approved award
- Grant Drawdowns/Advances
 - In addition to reimbursements for expenditures paid out, the City may request advances of grant funds. The DOJ Financial Guide generally requires grant recipients to time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days.

- Procurement
 - Formally document and periodically review procurement procedures to ensure compliance with applicable regulations.
 - Have a documented process to check for organizational conflict of interest with potential contractors.
 - Perform an analysis of the most economical method for obtaining items or services, including equipment lease or rental
 - The City must perform a cost or price analysis in connection with every procurement action for more than the Simplified Acquisition Threshold including contract modifications.
- Payroll-City Employees – Charges made to Federal awards for salaries, wages, and fringe benefits must:
 - be based on records that accurately reflect the work performed
 - comply with the established policies and practices of the City
 - be supported by a system of internal controls that assures charges are accurate, allowable and properly allocated.
- Contract Personnel Costs
 - The City is required to monitor its mutual-aid partners (e.g., other cities' police officers) and is required to develop systems, policies, and procedures to ensure that partners achieve the City's stated performance goals and objectives.
 - All pass-through entities are required to monitor their contractors and are required to develop systems, policies, and procedures to ensure that contractors achieve their stated performance goals and objectives.
 - For payroll costs submitted by the partners, the City must take adequate steps to ensure that mutual-aid partner charges are appropriate by reviewing reimbursement requests for appropriate support.
- Other Expenses
 - For events that include 30 or more individuals, the City must ensure that lodging costs for the attendees do not exceed the prevailing Federal per diem rate for lodging.
 - The total cost of space does not exceed the rental cost of comparable space and facilities in a privately-owned building in the same locality.
- Indirect Costs
 - Grant recipients are required to obtain approval from the awarding agency for all indirect costs and are allowed to use an existing indirect cost allocation plan if the plan is approved.

- Subrecipients
 - The City must have written subrecipient monitoring procedures and is responsible for monitoring the subrecipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled.
 - The City is required to monitor and approve in advance a subrecipient's purchase transactions that commit or expend security grant funds, for compliance with both City and DOJ procurement guidelines.

- Property Management
 - DOJ expects recipients and subrecipients of Federal funds to use good judgment when purchasing, managing, and disposing of property paid for by Federal funds.
 - If a recipient or subrecipient uses award funds to purchase new property when suitable property is already available within the relevant organization, this use will be considered an unnecessary expenditure.
 - The Code of Federal Regulations directs grant recipients to conduct a lease versus purchase analysis or other acquisition alternatives to determine the most economical method for obtaining items or services.

- Grant Special Conditions
 - Failure to comply with special conditions may result in withholding of funds, suspension, or termination, as deemed appropriate.
 - Special conditions must have been met and removed via Grant Adjustment Notice.

- Reporting Requirements
 - A special condition of the security grants may require a city to submit monthly status reports, which are due 15 days after the end of the calendar month.
 - The Federal Financial Report Form (SF-425) is a standard form that grantees must use to report cumulative expenses incurred under the security grant award.
 - The City must ensure that valid and auditable source documentation is available to support all data collected for each performance measure required by the program including those specified in the program solicitation or award.

The checklist developed by Internal Audit also includes common findings in recent Inspector General reports; following are some of those listed as examples:

- The grant recipient did not manage its budget in accordance with terms and conditions of the award
- Accounting system inadequate or not effectively utilized to account for grant funds
- A recipient could not provide a listing of expenditures associated with the drawdown
- Contractor Debarment and Suspension – verification not performed or not properly documented
- Unallowable costs charged to the grant for salaries, overtime, and fringe benefits
- Recipient did not have valid mutual-aid agreements (only a memo) with its partners
- Recipient did not establish clear guidance for its mutual- aid partners as to what could be reimbursed by the grant
- Subrecipient monitoring not being conducted

- Procedures not documented or need improvement
- Identified a grant-funded sport utility vehicle that was used for non-criminal justice purposes after the convention
- Identified numerous instances where a city was not in compliance with special conditions related to Program Performance (Required Performance Reports), Grant Expenditures (Subrecipients), and Drawdowns
- Of 22 monthly reports submitted during the grant period, seven reports were submitted between 1 and 162 days late

Objective

Compile financial requirements for the security grant and determine the City's readiness to comply.

Scope, Methodology, and Compliance

Scope

All City financial policies and procedures pertaining to administration of the expected security grant are subject to review during this audit.

Methodology

After determining DOJ requirements and completing a checklist, audit staff will canvass City responsible staff to ascertain readiness for compliance. A description of procedures in place will be requested and analyzed. Additional inquiries, observations and inspections will be performed to gain assurance that there is a high likelihood that compliance can be achieved with the processes in place.

Compliance (The following reflects our intent, but has not been completed.)

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.

Findings and Recommendations

Responses have not been received from City staff.

Responses have not been received from City staff regarding the requirements listed in the checklist. A City staff group has been meeting periodically to plan and implement procedures. The group members may not be prepared or at a finished stage in development of all the specialized processes needed. Receipt of a status report would have been of assistance, but none received.

Recommendation: As departments continue preparation for the event, they should send Internal Audit documented financial related policies and procedures for review.

Conclusion

Note: Internal Audit has not received communication or documentation from responsible City staff that outlines the procedures that have been or are being developed to comply with DOJ financial requirements. Internal Audit is not able to conduct a review as to the adequacy of the procedures at this time. We will continue to follow up as City staff readies its departmental plans.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, and all City departments. Following issuance, audit reports are sent to City Council via the Council Memo and subsequently posted to the [Internal Audit website](#).

RNC 2020 Security Grant – Checklist of Financial Requirements

The Internal Audit Department has compiled this checklist to summarize into an accessible reference point many of the requirements the City must meet for the upcoming convention. The Department of Justice Financial Guide as well as Inspector General audit reports from the last four nominating conventions were the sources used. The checklist may be helpful to the most-involved City departments as policies and procedures are put in place or refined, or may confirm that planned procedures adequately match the Department of Justice (DOJ) requirements. Audit staff is available to discuss items as needed or DOJ representatives can provide further confirmation as to requirements for the grant. There may be additional requirements in the actual grant agreements, including special conditions, that are not reflected below. Let us know the staff person responsible and we will contact them to discuss readiness for compliance.

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Budget Management and Control

DOJ Guidelines:

- The DOJ Financial Guide directs grant recipients to submit line item budgets based on the total estimated costs for the event.
- All costs are required to be approved prior to the award of grant funds with sufficient justification for how the requested expenditures relate to convention security.
- Recipients should adequately track funds according to budget line item categories.
- Staff approving expenditures against DOJ-approved budget line items must ensure that Federal cost principles, agency program regulations, and the terms of grant and sub-grant agreements are followed in determining the reasonableness, allowability, and allocability of costs.
- Funds specifically budgeted and received for one line item may not be used to support another unless a (GAN) Grant Adjustment Notice to reallocate funds among budget line items has been approved by DOJ.

Recipients must initiate a GAN if:

- Budget funds are transferred between approved line items. (Even if DOJ requires a GAN just for cumulative changes over 10% of the grant, for recordkeeping purposes and audit documentation, it is advised by DOJ to submit a GAN even if the proposed budget modification is less than 10% of the total award amount. This also provides the grant manager with notification.)
- The budget modification changes the scope of the project. Examples include altering the purpose of the project, authorizing use of a subcontractor or other organization that was not identified in the original approved budget, or contracting for or transferring of award-supported efforts.
- A budget adjustment affects a cost category that was not included in the original budget. For example, if the direct cost category "Travel" did not exist in the original budget, the adjustment to transfer funds from Equipment to Travel requires a GAN.

The following are costs that require DOJ's prior written approval:

- Proposal Costs
- Pre-Award Costs
- Publication plans
- Foreign travel
- Consultant rates
- Conference costs
- Confidential funds
- Computer equipment and services
- Other equipment and Capital Expenditures-- If recipients or subrecipients have received prior DOJ approval for expenditures for equipment and other capital assets, including

repairs which materially increase the useful life of equipment, then these expenditures are allowable.

Recent Conventions' Inspector General Audit Procedures

- Determine whether the city adhered to the budget for the expenditure of grant funds
- Review all budget modifications to determine that each was supported by an approved Grant Adjustment Notice.
- Determine if the city attempted to identify and explore resources from other sources to support the grant to ensure costs could not be funded through other means.

Common Inspector General Findings

- Procedures not documented or need improvement
- The city did not manage its budget in accordance with terms and conditions of the award; it requested an additional 54 partners to the previously approved list of 15 participating law enforcement partners/jurisdictions, approximately 8 months after the conclusion of the convention security event.

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Grant Financial Management

DOJ Guidelines:

Keep detailed, separate accounting records and supporting documentation to track the following information for the security grant, if applicable:

- Federal funds awarded
- Federal funds drawn down
- Matching City funds
- Program income
- Sub-awards to sub-recipients (amount, purpose, award conditions, and current status)
- Expenditures and obligations, for both City and any subrecipients
- Expenditures and obligations applied to each budget category included within the approved award
- Expenditures governed by any special and general provisions

Recent Conventions' Inspector General Audit Procedures

- Review of recent Single Audit reports—looking for identified internal control weaknesses and significant non-compliance issues related to federal awards.
- Interview financial staff re policies and procedures
- Examine written policies and procedures
- Inspect the accounting system

Common Inspector General Findings

- Accounting system inadequate or not effectively utilized to account for grant funds
- Procedures not documented or need improvement, which contributed to internal control deficiencies in numerous areas.
- A city assigned a separate project code that was used to track and segregate all financial data within the financial system for the security support grant.
- A city's Single Audit identified deficiencies in the design and operation of certain controls that could affect the city's ability to properly manage grant funds. Specifically, the city did not fully implement policies and procedures related to its year-end financial reporting process and, as a result, financial statements were at risk of being materially misstated.

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Grant Drawdowns/Advances

DOJ Guidelines:

In addition to reimbursements for expenditures paid out, the City may request advances of grant funds. The DOJ Financial Guide generally requires grant recipients to time their drawdown requests to ensure that federal cash-on-hand is the minimum needed for disbursements to be made immediately or within 10 days.

- Advances must be spent within 10 days of receipt
- An adequate cash management system will require following procedures for minimizing the time between the transfer of funds from the U.S. Department of the Treasury and disbursement by the City and its subrecipients whenever advance payment procedures are used. Also, when advances are made by electronic funds transfer, the system should help to make drawdowns as close as possible to the time of making disbursements.

Recent Conventions' Inspector General Audit Procedures

- Determine whether requests for reimbursements or advances were adequately supported and whether the city managed grant receipts in accordance with federal requirements.
- Interviewed city officials responsible for requesting drawdowns and reviewed city accounting records and drawdown procedures.
- Compared drawdowns to the city's accounting records.
- Compared the total amount reimbursed to the total expenditures in the accounting records.

Common Inspector General Findings

- Excess cash-on-hand
- Procedures not documented or need improvement
- A city could not provide a listing of expenditures associated with the drawdown because its reimbursement amount was based on a percentage of the total award amount instead of an amount that reflected payment for reimbursement of actual expenditures.
- A city failed to comply with DOJ requirements for requesting grant funds because, at the time of its drawdowns, it did not receive prior written approval for its expenditures.

Sign Off

City staff responsible: _____

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Procurement

Note: City Procurement policy includes requirements for compliance with the Uniform Guidance for federally funded procurements.

DOJ Guidelines:

The City must:

- Use its own documented procurement procedures consistent with applicable State laws and regulations.
- Formally document and periodically review procurement procedures to ensure compliance with applicable regulations.
- Maintain written standards of conduct covering conflict of interest and employee participation in selection, award and administration of contracts.
- Have a documented process to check for organizational conflict of interest with potential contractors.
- Have a process in place to ensure that contracts are not awarded to contractors or individuals on the List of Parties Excluded from Federal Procurement and Non-Procurement Programs.
- Maintain records that detail the history of all procurements, including:
 - Rationale for the method of procurement;
 - Selection of contract type;
 - Contractor selection and/or rejection process; and
 - Basis for the contract prices.

For the security grant, the City's procedures must:

- Avoid acquisition of unnecessary or duplicative items.
- Perform an analysis of the most economical method for obtaining items or services, including equipment lease or rental
- Use Federal excess and surplus property when possible
- Enter into inter-agency or inter-governmental agreements where appropriate to procure common or shared goods and services.

Types of purchases noted in DOJ Financial Guidelines:

- Micro Purchases—\$10,000 or less—competitive quotes not needed if price is considered fair and reasonable; try to distribute among qualified suppliers
- Small purchases (purchases and construction/repair) from \$10,000 up to Simplified Acquisition Threshold \$250,000 (Note: the NC formal bid requirement applies for purchases of goods and equipment of \$100,000 and above)

- Obtain preferably at least 3 quotes, including MWSBE's. Cost or price analysis not required. Maintain information re quotes in the PO file.
- Formal competitive sealed bid
- Procurement by competitive proposals; and
- Procurement by noncompetitive proposal
 - A Grant Adjustment Notice must be initiated to request to enter into a non-competitive contractual relationship with a contractor under a grant where the contracted cost exceeds the Simplified Acquisition Threshold (\$250,000).
- Sole source purchases must be approved in advance by DOJ if greater than Simplified Acquisition Threshold (\$250,000)
- Small, Minority, Woman Business Enterprises-- take all affirmative steps to use them when possible
- Perform cost analysis – The City must perform a cost or price analysis in connection with every procurement action more than the Simplified Acquisition Threshold including contract modifications. The method and degree of analysis is dependent on the facts surrounding the particular procurement situation, but as a starting point, the City must make independent estimates before receiving bids or proposals.
- Profit – Profit must be negotiated as a separate element of the price for each contract in which there is no price competition and, in all cases, where a cost analysis is performed.
- Consultant Rates--Compensation for individual consultant services is to be reasonable and consistent with that paid for similar services in the marketplace. Prior DOJ written approval is required if the cost exceeds the threshold consultant rate. The current threshold rate for prior approval is a cost greater than \$650 per day or \$81.25 per hour; **the rate in effect at the time of the event should be confirmed with the DOJ contact.**

Recent Conventions' Inspector General Audit Procedures

- Tested the degree to which the city pursued vehicle purchasing alternatives.
- Selected 77 contractors that provided goods or services for the convention to determine if they were included on the Excluded Parties List.
- Noted that the city was required by DOJ to submit a vehicle waiver request to justify why vehicle purchases were necessary.

Common Inspector General Findings

- Procedures not documented or need improvement
- Debarment and Suspension – verification not performed or not properly documented
- Denied a city's request to purchase a specialized armored vehicle for \$296,469 since it already had 2 such vehicles. Additionally, this vehicle had a 10-year useful life that extended well beyond the 4-day convention.
- Despite having weak internal controls, determined that a city established an adequate procurement process. Prior to the convention, the city distributed a formal

memorandum to all relevant departments associated with the grant, detailing how to request equipment, supplies, and services, among other items.

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Payroll-City Employees

DOJ Guidelines:

- Charges made to Federal awards for salaries, wages, and fringe benefits must:
 - be based on records that accurately reflect the work performed
 - comply with the established policies and practices of the City
 - be supported by a system of internal controls that assures charges are accurate, allowable and properly allocated.
- Documentation for charges must be incorporated into the official payroll records of the City, i.e., recorded in Peoplesoft evidencing actual payment.
- Support must reasonably reflect the total activity for which the employee is compensated by the City and cover both security-grant-allocable and all other activities. The records may include the use of subsidiary records as defined in the City's written policies. Examples of items that may support salaries and wages can include:
 - Timesheets, time and effort reports, or activity reports that have been certified by the employee,
 - and approved by a supervisor with firsthand knowledge of the work performed.
- Executive, administrative and professional employees who meet the criteria for an exemption from the overtime requirements of the Fair Labor Standards Act may not be reimbursed for overtime under the security grant

Recent Conventions' Inspector General Audit Procedures

- Tested salary, overtime, and fringe benefit payments to the city's personnel by sampling 352 persons and comparing their payments to supporting documentation
- Reviewed timesheets for personnel costs
- Reviewed published rates for fringes
- Tested the Police Department's overtime costs by selecting 152 overtime transactions for 20 officers and reviewing their daily attendance records and overtime request forms.

Common Inspector General Findings

- Procedures not documented or need improvement
- Unallowable costs charged to the grant for salaries, overtime, and fringe benefits for ineligible employees of a city's fire department.
- Grant was double billed for salaries, overtime, and fringe benefits.
- Overtime and fringe benefits for 22 employees were not approved.
- A city's fire department used weighted averages as the basis for its request for reimbursement related to overtime, instead of using actual overtime rates. Duplicate overtime also was included in the fire department's reimbursement worksheet.

Note: the following two items appeared in an After-Action Report paid for by DOJ but not issued or tested by the inspector general:

- A city's police experienced technical difficulties in the tracking and logging of personnel and equipment throughout the event.

- A city's installed personnel tracking technologies failed or were inconsistent and caused difficulties in processing payroll.

Sign Off

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Contract Personnel Costs

DOJ Guidelines:

- Mutual aid partners, such as other cities' police departments, are considered contractors, rather than sub-recipients.
- The City is required to monitor its mutual-aid partners (e.g., other cities' police officers) and is required to develop systems, policies, and procedures to ensure that partners achieve the City's stated performance goals and objectives.
 - All pass-through entities are required to monitor their contractors and are required to develop systems, policies, and procedures to ensure that contractors achieve their stated performance goals and objectives. Similarly, a grant award special condition specifies that the recipient must collect and maintain data that measures the performance and effectiveness of all activities under this award.
- A mutual-aid agreement with each partner is necessary to establish clear guidance as to what is allowed to be charged for the convention and should include a budget detailing the types of allowable expenditures and citing any grant-related requirements.
- The City must have procedures and controls to ensure that mutual-aid partner expenditures charged to the grant are appropriate.
- For payroll costs submitted by the partners, the City must take adequate steps to ensure that mutual-aid partner charges are appropriate by reviewing reimbursement requests for appropriate support, through both:
 - contemporaneous roll calls during the convention
 - and spot checks of reimbursement request documentation.
- The City should develop a mechanism to appropriately document officer participation – both City of Charlotte and other cities' officers – on-site at the convention.
- Documentation of officer participation is required; for example, if there are verbal rollcalls, those must be documented.

Recent Conventions' Inspector General Audit Procedures

- Tested salary, overtime, and fringe benefits payments to contracted police and public safety officers and guardsmen by sampling 225 persons and comparing their payments to supporting documentation.
- Reviewed reimbursement request forms from a sample of mutual-aid partners that summarized officer hours spent at the convention as well as other reimbursable items.
- Reviewed contracts with vendors and other cities providing manpower
- Interviewed and surveyed several of the mutual-aid partners, including local and State law enforcement agencies

- Reviewed convention planning documentation

Common Inspector General Findings

- Procedures not documented or need improvement
- A city did not have valid mutual-aid agreements (only a memo) with its partners and failed to establish:
 - Guidance for the level of detail needed to support police officers' time:
 - The city required payroll documentation to be submitted for mutual aid reimbursement, such as an employee summary that showed total hours worked each day.
 - IG was able to review summary documentation for each mutual-aid partner in a sample, but the city did not collect or request the underlying supporting documentation, such as official timesheets and paystubs.
 - When the IG requested to review these documents, the city was unable to readily provide the appropriate documentation for four out of seven mutual-aid partners in the sample.
 - The city informed the IG that it did not perform reviews of the summary documentation against official timekeeping records of its mutual-aid partners and based reimbursement payments to the mutual-aid partners on summary invoices.
 - Partners IG spoke with stated that during the convention their officers were under the direct supervision of the city's police department and cannot speak to their specific attendance and activities and relied on the officers to report their time appropriately.
 - The city did not develop a mechanism to appropriately document officer participation on-site at the convention.
 - The city's police department did not take adequate steps to ensure that mutual-aid partner charges were appropriate by reviewing reimbursement requests for appropriate support, through both contemporaneous roll calls during the convention and spot checks of reimbursement request documentation.
 - As a result, IG could not corroborate the mutual-aid partner reimbursement request forms with any other form of supporting documentation, rendering the summary timesheets unreliable for our audit purposes.
 - A budget and description of what other expenses could be charged for the convention:
 - IG found mutual-aid partners submitted a range of items for reimbursement, including law enforcement officer overtime, fringe benefits, travel time, bus rental, equipment purchases, meals, and lodging, despite the city's memorandum only identifying reimbursement for personnel.

- IG spoke with several mutual-aid partners who indicated they were not certain what expenses were allowed to be charged to the city.
- IG found that the city did not establish clear guidance for its mutual-aid partners as to what could be charged.
- A city did not monitor and document the performance of mutual aid partners:
 - The city's police department developed plans detailing where the mutual-aid partners were going to be stationed during the event. For each location, the plans included required levels of expertise or specialization for the area, such as canine units or counterterrorism, and identified the specific individuals who would staff those areas from each jurisdiction.
 - During the IG audit, the IG was not provided with any city policies, procedures, or guidance related to documenting mutual-aid partner attendance during the convention.
 - The city's police department informed IG that verbal rollcalls took place, but they were not documented.

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Other Expenses

DOJ Guidelines:

- **General:** Any costs that are incurred either before the start of the project period or after the expiration of the project period are not allowable. Written DOJ approval may be granted for pre-agreement costs.
- **Travel:** These costs must be reasonable and in accordance with the organization's established travel policy.
- **Lodging:** For events that include 30 or more individuals, the City must ensure that lodging costs for the attendees do not exceed the prevailing Federal per diem rate for lodging.
 - If the lodging rate is not the Federal per diem rate or less, none of the lodging costs associated with the event are allowable costs to the award. As a result, the recipient would be required to pay for all lodging costs for the event with non-award funds, not just the amount in excess of the Federal per diem.
 - For example, if the Federal per diem for lodging is \$78 per night, and the event lodging rate is \$100 per night, the recipient would be required to pay the full \$100 per night, not just the difference of \$22 per night.
- **Space Costs:** The cost of space in privately or publicly owned buildings used for the benefit of the project is allowable subject to the conditions stated below:
 - The total cost of space does not exceed the rental cost of comparable space and facilities in a privately-owned building in the same locality.
 - The cost of space procured for project usage is not charged to the program for periods of non-occupancy without authorization of the grant making component.
 - The rental cost for space in a privately-owned building is allowable.
 - Rental costs may not be charged to the grant if the City owns the building or has a financial interest in the property. However, the cost of ownership is an allowable expense.

Recent Conventions' Inspector General Audit Procedures

- Tested 1,071 transactions totaling \$17,768,363 from the equipment, supplies, travel, and consultants and contracts categories of the grant budget.
- IG tested each transaction by:
 - comparing the purchase order authorizing the transaction to receipts and invoices
 - determining that the transactions were:
 - properly approved
 - accurately recorded
 - supported

Common Inspector General Findings

- IG found that reimbursements for lodging were allowable, properly approved, accurately recorded, and supported.
- IG found that a city paid and was reimbursed by DOJ for hotel rooms not occupied. The city's officials responded that they requested, in advance, a count of the out-of-town officers who would work the convention from each participating law enforcement agency but ultimately had to rely on estimates because of a lack of timely responses. Many contracts with hotels included terms and conditions that prohibited refunds of any kind or prohibited refunds if a notification of cancellation was not received in advance. **(Note: City of Charlotte should have a procedure that requires contract language allowing for refunds with proper notification.)**

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Indirect Costs

DOJ Guidelines:

- Grant recipients are required to obtain approval from the awarding agency for all indirect costs and are allowed to use an existing indirect cost allocation plan if the plan is approved.
- Recipients that have never had an approved Federal indirect cost rate may either negotiate an indirect cost rate with their cognizant Federal agency or elect to charge a de minimis rate of 10% of modified total direct costs.

Common Inspector General Findings

- The DOJ found that a city incorrectly applied its indirect cost rate and overcharged the grant by \$903,923. As a result, the city refunded the amount to DOJ.
- A flat rate of 5% of the grant award amount was agreed upon with the DOJ to reimburse a city for overhead costs related to planning the RNC.

Sign Off

City staff responsible: _____

Please email Internal Audit a copy of any procedural writeups to hgraham@charlottenc.gov; or describe any plans to develop documented procedures.

Subrecipients (Host Committee)

Note: Based on a review of IG audit reports, the Host Committee is considered a grant subrecipient if it is sub-awarded security grant funds.

DOJ Guidelines:

- In the City's agreement with the sub-recipient, clearly identify the federal award information and applicable compliance requirements.
- The City must have written sub-recipient monitoring procedures and is responsible for monitoring the sub-recipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled.
 - To effectively monitor subrecipients, ensure that Federal award information and compliance requirements are identified to the subrecipient at the time of the award and that subrecipient activities are monitored throughout the grant period.
- The City is required to monitor and approve in advance a sub-recipient's purchase transactions that commit or expend security grant funds, for compliance with both City and DOJ procurement guidelines:
 - If the simplified acquisition threshold is to be exceeded, or if certain types of expenses are involved (e.g., equipment, technology, contracts), advance approval from DOJ should be obtained.
- As part of the organization's subrecipient monitoring process, it is important to develop systems, policies, and procedures to ensure that subrecipient reviews are conducted in accordance with Federal program and grant requirements, laws, and regulations.
- Subrecipient monitoring by the City must include reviewing financial and performance reports submitted by the subrecipient.
- An adequate accounting system can be used to generate reports required by award and Federal regulations. The system must support the following:
 - Financial reporting that is accurate, current, complete, and compliant with all financial reporting requirements of the award or subaward.
 - Recipients must establish reasonable procedures to ensure the receipt of reports on subrecipients' cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.

Recent Conventions' Inspector General Audit Procedures

- Reviewed the supporting documentation for invoices submitted by the Host Committee for reimbursement.

Common Inspector General Findings

- Procedures not documented or need improvement
- Subrecipient monitoring not being conducted

- Appearance of Improper Political Influence:
 - We determined that the involvement of the Democratic National Convention Committee, an organization affiliated with a political party, in approving the actions of a grant subrecipient, a city's Host Committee, could have created the appearance of improper political influence in the awarding of contracts pursuant to the subrecipient agreement and had the potential to negatively impact the public's confidence in the integrity of the grant program.
 - The Host Committee allowed the Democratic National Convention Committee (DNCC) to be involved in awarding of 9 contracts. The Host Committee informed us that the DNCC selected the vendors for the provision of facilities, goods, services, and supplies used to put on the convention and the Host Committee in turn contracted with the vendors.
 - The DNCC determined the method of selecting the vendors (competitive bidding vs. sole source) for the contracts.
 - By allowing the DNCC to participate in the awarding of contracts executed under the subrecipient agreement, the Host Committee created the appearance that its contract award decisions could have been subject to improper political influence.
- Advance Approval of a City Not Obtained:
 - The Host Committee failed to comply with federal and local requirements related to its oversight and execution of contracts pursuant to the subrecipient agreement.
 - Federal guidelines state that a recipient must request and receive written approval from DOJ prior to purchasing equipment, technology, or services; obligating funding for a contract; or entering into a contract with award funds related to sole source procurements more than the simplified acquisition threshold.
 - Per DOJ's guidance, the city, as the primary grant recipient, was responsible for the approval of the Host Committee's sole source procurements.
- Policies of a City Not Followed:
 - In addition to the federal guidelines, the city's own policies require every non-competitively bid contract to be appropriately justified and to receive advance approval, in writing, from the city's Finance Director and the City Solicitor. The Host Committee failed to obtain such approval for numerous sole source contracts.
 - The Host Committee was required to adhere to the city's more stringent and restrictive self-imposed procurement policies which require competitive sealed bids when a contract has an expected value of \$32,000 or more. The Host Committee awarded eight contracts to vendors more than \$32,000.
- Consultant Rates Over Thresholds:
 - We found that the city failed to require the Host Committee to obtain prior written approval for the reimbursement for the compensation of consultants whose rates exceeded the federal thresholds. According to DOJ, the city was responsible for passing through federal requirements and special conditions as well as ensuring subrecipient compliance.
- The city's response (in part) to IG audit:

- "National Party conventions are complex and significant international security events that require a substantial amount of time, effort, thought and attention" which necessitated the Host Committee working closely with the DNCC to accomplish this mission. The city also stated that it was not logical or practical to have a separate bidding and contracting process between the Host Committee and the DNCC for these specific security-related contracts."

Sign Off

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Property Management

DOJ Guidelines:

- Organizations may use their own capitalization policy for classification of equipment and supplies, but only where it is less than the Federal policy threshold of \$5,000 per individual item.
- DOJ expects recipients and subrecipients of Federal funds to use good judgment when purchasing, managing, and disposing of property paid for by Federal funds.
 - Avoid acquisition of unnecessary or duplicative items.
 - If a recipient or subrecipient uses award funds to purchase new property when suitable property is already available within the relevant organization, this use will be considered an unnecessary expenditure.
 - Use Federal excess and surplus property when possible
 - Enter into inter-agency or inter-governmental agreements where appropriate to procure common or shared goods and services.
- Federal and DOJ guidelines also require grant recipients to pursue low cost alternatives to the purchase of property such as the use of rentals or leases.
 - The Code of Federal Regulations directs grant recipients to conduct a lease versus purchase analysis or other acquisition alternatives to determine the most economical method for obtaining items or services.
- Recipients and subrecipients must use equipment acquired under an award (or subaward) for the authorized program or project purposes for which it was acquired as long as needed, whether or not the project or program continues to be supported by Federal funds.
 - When no longer needed for the original program or project, the equipment may be used in other activities currently or previously supported by a Federal agency.
- Property records must be maintained to include all of the following information:
 - Description of the property
 - Serial number or other identification number
 - Source of the property, including the federal award identification number
 - Identification of the title holder
 - Acquisition date
 - Cost of the property
 - Percentage of Federal participation in the cost of the property
 - Location of the property
 - Use and condition of the property
 - Disposition data, including the date of disposal and sale price
- Records for equipment, nonexpendable personal property, and real property must be retained for a period of 3 years from the date of disposition, replacement, or transfer at the discretion of the grant-making component.

- When the equipment is no longer needed, grantees must request disposition instructions from the DOJ.

Recent Conventions’ Inspector General Audit Procedures

- Tested 125 items purchased using \$4,812,005 in grant funds to physically verify by comparing a city asset tag number or serial number located on the item to the inventory record; some items were located outside the city’s limits.
- Interviewed city officials about city policies and procedures for the management of equipment and supplies purchased with grant funds and reviewed the city’s inventory records.
- Discussed the city mayor’s use of a vehicle with a DOJ official who told us that the use may not be per se disallowable and would depend on whether the Mayor used the vehicle for personal or official business.
- Tested the degree to which the city pursued vehicle purchasing alternatives.
- Determined if property items acquired with grant funds are tracked in a system of property records, are adequately protected from loss, and are used for grant purposes.

Common Inspector General Findings

- Procedures not documented or need improvement
- Identified a grant-funded sport utility vehicle that was used for non-criminal justice purposes after the convention. As a result, we recommend DOJ remedy \$25,192 in unsupported and unnecessary costs and ensure that all property purchased by the city and reimbursed from grant funds are used for criminal justice purposes.
- A city purchased an armored vehicle for \$272,904. The city stated that it needed the armored vehicle to provide surveillance and transportation for police tactical teams. IG noted that the city’s police department already owned two armored vehicles, with at least one vehicle in operable condition. DOJ had previously denied the city’s request to purchase another specialized vehicle for \$296,469.
- A city expended \$53,676 to purchase two sport utility vehicles that it did not modify in ways previously certified to the DOJ as being necessary, which served as the justification for the purchase. As a result, we recommend DOJ remedy the vehicles’ purchase costs as unallowable or unnecessary grant reimbursements.
 - The city responded that modifications proved not feasible, but DOJ upheld the IG finding and disallowed.
- A city spent approximately \$3.2 million in DOJ grant funds on vehicles, and although the vehicles were added to the property management system, the city did not adhere to DOJ guidance requiring that the vehicles be identified as purchased with federal grant funds.

Sign Off: City staff responsible: _____

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Grant Special Conditions

DOJ Guidelines:

- Special conditions are the terms and conditions that are included with the award.
- The conditions may include additional requirements covering areas such as:
 - programmatic and financial reporting
 - prohibited uses of federal funds
 - consultant rates
 - changes in key personnel
 - proper disposition of program income
- Failure to comply with special conditions may result in withholding of funds, suspension, or termination, as deemed appropriate.
- Special conditions must have been met and removed via Grant Adjustment Notice.

Recent Conventions' Inspector General Audit Procedures

- IG reviewed the city's compliance with the special conditions identified in the security grant award documentation:
 - Evaluated the special conditions for the grant and selected a judgmental sample of the requirements that were significant to the city's performance under the grant and were not addressed elsewhere in our audit.
 - Evaluated compliance with 18 of the 52 special conditions for the grant, including requirements related to food and beverage purchases, development of an operational security plan, accounting procedures, and spending restrictions.

Common Inspector General Findings

- Identified numerous instances where a city was not in compliance with special conditions related to Program Performance (Required Performance Reports), Grant Expenditures (Subrecipients), and Drawdowns.

Sign Off

City staff responsible: _____

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Reporting Requirements

DOJ Guidelines:

Periodic Reports

Monthly Status Reports:

- A special condition of the security grants may require a city to submit monthly status reports, which are due 15 days after the end of the calendar month.

Quarterly SF-425:

- The Federal Financial Report Form (SF-425) is a standard form that grantees must use to report cumulative expenses incurred under the security grant award.
- SF-425s must be submitted every quarter and no later than 30 days after the last day of each reporting quarter.
- DOJ recipients must use the online SF-425 found in the Grants Management System (GMS). The SF-425 should show the actual funds that have been spent (expenditures) and any bills that will be paid (unliquidated obligations incurred) at the recipient/subrecipient level, both for the reporting period and cumulatively.
- Recipients will report the summary information on expenditures, unliquidated obligations incurred, the money from the recipient organization (match), program income, and indirect costs for each quarter of the project.

Progress/Program Reports:

- Progress/program reports provide information relevant to the performance and activities of a plan, program, or project.
- Progress reports are submitted by recipients annually or semi-annually, depending on the award type.
- Semi-annual progress reports must be submitted within 30 days after the end of the reporting periods, which are June 30 and December 31, for the life of the award.
- Unless otherwise indicated, the final report is due within 90 days after the end date of the award. Reporting requirements are specified in the grant solicitation and in the special conditions specified in the award. DOJ Progress Reports must be submitted via GMS.
- Final progress report must be prepared in accordance with instructions provided by the awarding agency's program office.
 - The City must ensure that valid and auditable source documentation is available to support all data collected for each performance measure required by the program including those specified in the program solicitation or award.

Closeout Report FFR/SF-425

- The final FFR is due within 90 days after the end date of the award period, but may be submitted as soon as all outstanding expenditures have been completed.
- On the FFR, recipient must:
 - Report all allowable costs incurred, both at the recipient and subrecipient level.
 - Report any required match.
 - Report correct indirect cost rate and/or base supplied by the cognizant Federal agency.
 - Indicate that it has completed liquidation of all obligations incurred prior to the project period end date.
 - Request final reimbursement (draw down) of Federal expenditures made within the approved project period in conjunction with the final SF-425.
 - Award recipients must conduct a financial reconciliation of their accounting records to the final Federal Financial Report (FFR/SF-425) at closeout.
 - The recipient will initiate the closeout process once programmatic and financial requirements have been met by using the Closeout Module in the Grants Management System (GMS).
 - All award recipients must submit, no later than 90 calendar days after the end date of the period of performance, all financial, performance, and other reports as required by the terms and conditions of the award.

Recent Conventions' Inspector General Audit Procedures

- Determined whether the required periodic Federal Financial and Progress Reports were submitted on time and accurately reflected grant activity.
- Reviewed four quarterly financial reports for timeliness and accuracy by comparing reported grant expenditures to the city's accounting records.
- Reviewed 22 monthly status reports submitted during the grant period.
- Viewed supporting documentation for semi-annual and monthly progress reports.

Common Inspector General Findings

- Procedures not documented or need improvement
- Federal Financial Reports:
 - not accurately prepared
 - not submitted timely or materially late
 - amounts did not reconcile to grantee's accounting system

- Quarterly Reports and Progress Reports:
 - The report for the quarter ended December 31, 2012, was 1 day late. IG does not consider this late report a material finding; therefore, we make no recommendation.
 - We found that one report (for quarter ended June 30, 2012) matched the accounting records. The other three reports (September 30, 2012; December 31, 2012; and March 31, 2013) did not match the accounting records since the city changed to an accrual basis as requested by DOJ. Based on the city's use of accrual-basis accounting, we do not take exception to the accuracy of the three financial reports.
 - We reviewed two progress reports required during the grant period. We found that both reports accurately reflected grant activity and were submitted timely.

- Monthly Status Reports
 - The DOJ required a city to submit monthly expenditure reports by budget category that summarized any actual or anticipated delays to the grant project.
 - We reviewed 22 monthly reports submitted during the grant period and found that 7 reports were submitted between 1 and 162 days late.
 - A city official told us that the city did not submit the 6 monthly reports required from October 31, 2011, to March 31, 2012, because the city was unable to access the Grants Management System used to submit the reports.
 - We found that the remaining report was noted in the Grants Management System as submitted 1 day late. In its response to the draft audit report, city officials said that the report was submitted on time but was recorded in the system 1 day late. We do not consider this report a material finding; therefore, we make no recommendation.

- Program Performance and Accomplishments:
 - There were no performance measures required for the security support grant; consequently, we did not evaluate the city's performance in securing the convention and ancillary events.
 - DOJ released an after-action report that assessed the city police department's convention security operations. The report found that the convention had success in the areas of pre-event planning, regional law enforcement collaboration, criminal intelligence technologies, personnel recruitment, legal affairs, and crowd control.
 - Closeout Report FFR/SF-425: A city failed to report on its final FFR \$852,814 the refunds it received from:
 - the Host Committee (\$839,290)
 - a mutual-aid partner (\$9,000)
 - and a vendor who lost a radio (\$4,525) that were returned to the city.
 - A city did not separate actual expenditures and encumbrances on their FFRs, and therefore, the total federal shares of expenditures were not reported accurately

- According to the grant special conditions, semiannual performance reports were to be submitted within 30 days after the end of the reporting periods for the life of the award, and the city was required to submit in total three semiannual reports. A city did not comply with this reporting requirement, therefore DOJ suspended grant funds for expenditure reimbursement until the delinquent report had been received.

Sign Off

City staff responsible: _____

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