



Metropolitan Government of Nashville and Davidson County

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◆ Monitoring Report of ◆

Metropolitan Nashville Police Department



Issued by



**OFFICE OF SUPPORT SERVICES
DIVISION OF GRANTS MONITORING**

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Director

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Assistant Auditors

May 13, 2002

Our Vision: To be excellent and proficient in monitoring and management services.



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY
DEPARTMENT OF FINANCE
DIVISION OF GRANTS MONITORING**

May 13, 2002

Chief Emmett Turner, Chief of Police
Metropolitan Nashville Police Department
200 James Robertson Parkway
Nashville, Tennessee 37201

Dear Chief Turner:

Please find attached the final Monitoring Report of the Police Department, relating to the contracts for grants and other federal financial assistance contracts for the fiscal year ending June 30, 2002. The Division of Grants Monitoring conducted the review from January 31, 2002 through February 22, 2002. The Police Department reviewed and responded to the findings identified in the preliminary report issued on April 11, 2002. The responses have been incorporated into this final report.

We appreciate the assistance provided by your agency during the course of the review. Thank you for your patience during our review. We hope you find the results of the audit useful for grants administration for the Police Department. If you have any questions, please call me at 615-862-6170.

Sincerely,

Fred Adom
Director

cc: David Manning, Director of Finance
Ken Sanders, Police Executive Administrator
Nancy Whittemore, Assistant Director of Finance
Kim McDoniel, Internal Audit
Joe Holzmer, Division of Accounts
LaShawn N. Barber, Division of Grants Monitoring
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MONITORING REPORT
for the
METROPOLITAN NASHVILLE POLICE DEPARTMENT

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OBJECTIVES, SCOPE AND METHODOLOGY

The Division of Grants Monitoring (hereinafter referred to as “DGM”) has completed a monitoring review of the Federal and State grants and contracts administered by the Metropolitan Nashville Police Department (hereinafter referred to as “Police Department”). The monitoring process included a review of the contracts that were effective during the fiscal year ending June 30, 2002, listed in Appendix A. This review was conducted as part of a comprehensive Performance Audit of the Nashville Police Department, in collaboration with the Internal Audit Division of Metro Government and MGT of America, Inc. The Division of Grants Monitoring conducted its monitoring review along the major compliance areas identified by the Office of Management and Budget (OMB) Circular A-133, and in compliance OMB Circular A-87 Cost Principles. The DGM conducted the review in accordance with Generally Accepted Government Auditing Standards.

A monitoring review is substantially less in scope than an audit. The DGM did not audit the Police Department financial statements and, accordingly, does not express an opinion or any assurance regarding the financial statements of the Police Department or Metropolitan Government (hereinafter referred to as Metro). The DGM is responsible for the internal monitoring of Metro agencies that receive federal and state financial assistance, including cooperative agreements, and non-profit organizations that receive appropriations from Metro government. In summary, any agreement(s) that imposes performance and/or financial requirements on Metro government is subject to review by the DGM.

The overall monitoring objectives were as follows:

- To determine whether the activities and costs of the programs are allowable and eligible under the program regulations and provisions of the contract/grant agreement
- To determine that costs reported under the grant program are consistent with provisions of grantor guidelines and OMB Circular A-87
- To verify that civil rights requirements are met
- To determine whether minimum requirements for local matching contributions and/or adequate level of expenditures by other sources of funds are met
- To determine whether funds received in advance of disbursements exceed the immediate cash needs of the program
- To determine whether the department adheres to grantor guidelines for the purchase of equipment
- To determine whether grant funds were used exclusively during the period the funds were authorized
- To determine that purchases were made in accordance with OMB Circular A-110, the minimum state and local requirements, and grantor guidelines
- To determine the reliability and timeliness of grant financial reporting

This review of the Police Department grants and related federal contracts represents the first local government effort to monitor such grants compliance internally. The scope of the work included a review of the contracts listed in Appendix A. These contracts have grant periods effective for or expiring during fiscal year 2002. Although the review focused on this specific time period, certain analyses required the consideration of financial transactions outside of this time period.

The methodology adopted by the DGM encompassed an objective review of Fiscal files, including:

- financial transactions and supporting documentation,
- contract agreements and related amendments,
- Federal and/or State financial reports, and
- Internal and external correspondence.

EXECUTIVE SUMMARY

Police Department Grants Management

The Fiscal Affairs Division of the Police Department is responsible for managing the grants authorized for the department. Within this division, a Grants Manager records the financial transactions for each grant. The Grants Manager does not process the financial activity for the task force agreements. These agreements are reimbursements from Federal and Local agencies for overtime payments (including salaries, fringe benefits, FICA taxes, and pension) of officers assigned to the specific task forces.

The review covered activities of 21 grants and other financial assistance, including 12 direct Federal grants, 7 direct other federal financial assistance and 2 state grants. (See Appendix A for the list of contracts reviewed.)

Overall Findings and Major Review Highlights

The Police Department appears to be cognizant of the purposes and objectives of the grants authorized for the department. In addition, the department generally appears to be in compliance with most grant requirements, however, the following are the significant individual findings that resulted from our review:

1. Some costs charged to the COPS More 98 grant and the Local Law Enforcement Block Grants (LLEBG) are deemed unallowable, per grant guidelines.
2. Funds requested for the COPS More 98 grant exceeded the immediate cash need for the program.
3. The maximum amounts allowable for reimbursement per officer, as stipulated in the contracts for the Middle Tennessee Drug Enforcement and the Achilles Task Forces, were exceeded.
4. Grant funds for the G.R.E.A.T. program were not used exclusively during the period of availability.
5. Accounting for the funds for the Bulletproof Vest Partnership grant and the Achilles and Violent Crimes Task Force is not consistent and is difficult to review adequately.
6. A current contract was not in effect for the Organized Crime Drug Enforcement Task Force and the Achilles Task Force, which incurred costs.
7. Federal and local agencies were overcharged for reimbursements for overtime expenditures for the Organized Crime Drug Enforcement, Middle Tennessee Drug Enforcement, Judicial Drug, , and MDHA Task Forces due to the application of incorrect overtime, pension, and fringe benefit rates.

These findings are addressed in more detail in the remainder of the report. Immediately following each finding, we have included management's response.

FINDINGS AND RECOMMENDATIONS

1. **Travel costs charged to the Local Law Enforcement Block Grant are not consistent with the purposes of the grant**

Finding

Charges to the Local Law Enforcement Block Grants (LLEBGs) for travel were not in accordance with the specific purposes of the grant. The LLEBGs provide federal funding for seven identified purpose areas, one of which is the support of law enforcement. Specifically, this purpose area directs the grantee to provide for “hiring, training, and employing on a continuing basis, additional law enforcement officers and necessary support personnel.” According to the US Department of Justice, Office of Justice Programs, Bureau of Justice Assistance’s Local Law Enforcement Block Grants Program Guidance Manual-Section 3.3, the LLEBG grant does not cover training, and therefore travel expenses, for existing officers. The manual specifically states that, “the grantee should note that training...should cover training of new employees to perform basic law enforcement functions.”

Tests revealed that travel costs for training purposes have been charged to the 1999, 2000, and the 2001 grants even though the department has acknowledged that the training was not for new Police Department recruits (officers). The following is a summary of the total travel costs charged to each of the three (3) LLEBG grants awarded to the department:

Grant	For FY Ending¹	Total Travel Costs
LLEBG-1999	6/30/01	\$23,938.82
LLEBG-2000	6/30/02	\$42,713.55
	6/30/01	\$23,400.49
LLEBG-2001	6/30/02	\$892.70
Total		\$90,945.56

This total of \$ 90,945.56 for travel is not allowable, according to the Guidance Manual. In addition to noncompliance with the LLEBG grant, the use of LLEBG funds for travel and training for existing officers appears to be an instance of supplanting. BJA guidelines state that funds received under the LLEBG grant are intended to supplement rather than supplant, or replace, operating funds. The use of these funds to provide training for existing officers could be considered supplanting, since the grant was not intended to cover training for existing officers. According to BJA, the BJA may “suspend funding (in whole or in part), terminate funding, or impose other sanctions” where violations of this and other guidelines for the LLEBG occur. During fieldwork, the Police Department provided email correspondence from the federal grants officer assigned to Tennessee that approved these charges. Due the significance of these amounts, they should be reflected in the Program Application as part of the Purpose Area 1.

Recommendation

The Police Department should ensure programmatic and financial compliance with federal guidelines and grant agreements for costs charged to programs. The department should be proactive and consistent in seeking advisement from the federal grantor representative(s) and Division of Grants Monitoring staff where clarification and/or guidance is needed.

Management’s Response

We concur with the position that future LLEBG applications should be more explicit to clarify our intended use. And, to this extent we will embrace DGM’s recommendation. We do agree that after discovering

¹ Figures for fiscal year ending 6/30/02 were obtained as of February 4, 2002.

FINDINGS AND RECOMMENDATIONS

some differences of opinion internally, the guide contains broad general language that can be vague. It certainly is easy to understand how there can be questions. For this reason, when we learned that there was some concern at the local level we contacted the Program Manager for DOJ, Bureau of Justice Assistance to secure an official position on the issue at the federal level. As you know, we received correspondence that validated our use of the LLEBG funds for travel/training.

DGM's Rebuttal

DGM accepts DOJ's permission to charge the costs to the grant. We do recommend, however, that the department seek specific approval for future charges. The department should leave funds already expended as charged, but DGM further recommends that the department seek to include such expenditures in future applications and budgets for LLEBG awards.

2. Grant funds requested exceeded immediate cash needs for the program

Finding

The Police Department did not ensure that federal funds drawn down did not exceed immediate cash needs, as required by the OMB Circular A-133 Compliance Supplement and the Cash Management Improvement Act of 1990. For the 9/30/01 reporting period, the Police Department requested \$537,027.07 in grant funds for expenditures for the COPS More grant. Per the grantor's matching requirements, the department was only due back 75% of this (\$402,770.30) from the Federal government. Subsequently, the excess amount (\$134,256.77) was carried for three months until the next request of grant funds for the 12/30/01 reporting period, when \$122,394.89 was expended.

As a result of the balance of grant funds exceeding the expenditures, or cash need, a total of \$11,861.88 remains unexpended from the 9/30/01 drawdown as of February 4, 2002. The department should only have requested the amount of funds that would cover the expenditures paid by Metro for the COPS More program for the specific period.

Recommendation

The Police Department should regularly and consistently compare total expenditures to total drawdowns to ensure that federal funds are only requested to cover the immediate cash needs. Periodically, the department should review grant account balances to identify excess amounts and the amount of time carried and adjust accounts accordingly via return of funds to the federal government or immediate application of excess amounts to reduce grant expenditures.

Management's Response

We were aware of the error in advance of the review by DGM and were first to bring it to the attention of the COPS Office. The error was a matter of having visually picked up the total grant expenditure and posting to the COPS PAPRS (Phone Activation Paperless Reporting System) as the federal share due the city. The error was discovered as a part of our review process. We immediately notified the federal authorities before receipt of the money. The Federal Accounting Office instructed us the funds would be processed and for the department to apply the funds towards future expenditure claims. We reconciled the error as instructed. We will review our entries more carefully in the future.

FINDINGS AND RECOMMENDATIONS

3. The maximum amounts allowable for reimbursement, per officer, were exceeded for two task forces

Finding

The Police Department's billings to federal agencies for reimbursements of overtime payments exceeded the maximum amounts allowable per officer, according to the task force agreements. The Middle Tennessee DEA Task Force agreement provides for the reimbursement of overtime payments for officers assigned to the task force, "up to a sum equivalent of 25% of the salary of a GS-10, Step 1, Federal employee (currently \$9,212.00)." Tests revealed that reimbursements for overtime for one officer amounted to \$14,552.53, exceeding this limit by \$5,340.53. In addition, the contract for Achilles Task Force states that, "the maximum reimbursement entitlement for overtime worked on behalf of ATF cannot exceed \$13,000 per officer." Tests also showed that reimbursement for overtime for an officer on the Achilles Task force totaled \$14,552.78, exceeding the \$13,000 maximum amount by \$1,552.78. It appears that the Police Department did not monitor these activities to ensure compliance with the task force agreements.

Recommendation

The Police Department should implement a tracking system, by which billings to the federal agencies can be adequately monitored to ensure compliance with task force agreements. This system should, at a minimum, track the total amount billed per officer and per agreement. Further, the Police Department should revise reports and reimburse federal agencies accordingly.

Management's Response

The MPD Fiscal Affairs Division agrees with the findings and will recommend to the Chief of Police that the internal responsibilities be examined and revamped as needed. Furthermore, we will support the audit recommendations and seek to design a tracking system as indicated.

4. Grant funds were not used exclusively during the period of availability

Finding

Tests revealed that grant funds for the G.R.E.A.T. program were used for an activity outside of the effective dates of the grant, or its period of availability. According to OMB Circular A-133, Subpart B.205 (a), an award should be determined expended, "when the activity related to the award occurs." The grant contract is for the reimbursement of expenditures for the G.R.E.A.T. program, such as training expenses and expenses incurred in connection with officers receiving training (i.e., transportation, lodging and per diem). On January 11, 2002, the Police Department purchased four (4) airline tickets, for a total of \$1,758.00, for transportation to a G.R.E.A.T. Conference under the contract that ended January 15, 2002. The conference was not to take place until February 2002. Since the activity was outside of the grant period, the department did not comply with the standards for period of availability.

Recommendation

The Police Department should ensure that all staff involved in grants administration, both programmatic and financial, have an understanding of grants procedures and general policies. The department should also routinely monitor the purchases and activities of the grant programs to ensure that expenditures are charged appropriately and that only costs incurred for an activity within a grant's specified period are charged to the grant period.

FINDINGS AND RECOMMENDATIONS

Management's Response

This finding relates to an annual issue. The G.R.E.A.T. grant ends in January and G.R.E.A.T. conducts a training conference in February. In the previous year 2000-1, we requested and received written approval to use last year's grant to purchase airline tickets. We assumed this would be permissible in 2001-2. We will seek written approval every year we seek to use old grant monies for future event.

5. **Accounting for the Bulletproof Vest Partnership grant and the Achilles and Violent Crimes Task Forces is not consistent with general fiscal procedures and is difficult to review.**

Finding

The fiscal treatment for the revenues and expenditures for three federal contracts for the Police Department is not consistent with general financial procedures and, consequently, complicated the review of financial activity.

The revenues from the three Bulletproof Vest Partnership (BVP) grants were not segregated into unique business units. Each BVP grant was effective for a different grant period, and being as such, should have been assigned different business units. According to correspondence from Metro's Division of Accounts staff, a new business unit is usually set up, "if a grant overlaps a grant period or fiscal year."

The Police Department received instructions from the Division of Accounts to use an existing business unit, which was set up for the 1999 grant, when a new business unit for the 2000 grant was requested. Email correspondence from the Division of Accounts stated that, "separate BU's are not needed for this grant." The same business unit, 31301301, has also been used for the 2001 BVP grant. According to the Financial Guide of the US Department of Justice, Office of Justice Programs, Part II, Chapter 3, recipients are "prohibited from commingling funds on...a project-by-project basis."

In addition, the expenditures and reimbursements for the Achilles and Violent Crimes Task Forces have not been consistently recorded in the designated business units. Tests revealed no FY 2002 expenditures in account number 31107001, the Achilles Task Force business unit, while revenues for the task force have been appropriately recorded in the business unit. On the other hand, expenditures for overtime payments have been charged to an alternate business unit, account 31140001. Similarly for the Violent Crimes Task Force, expenditures were recorded in account numbers 31140103 and 31130270, while revenues were recorded in 31140100.

Due to the recording of these expenditures and revenues in different business units, the audit trail has been compromised and these inconsistencies complicated the review of the account balances and financial activity. Good business practices dictate consistent accounting treatment for revenues and expenditures.

Recommendation

The Police Department should ensure the assignment of unique business units for continuing grants with overlapping grant periods. This will ensure an adequate audit trail and facilitate the department's efforts at monitoring the reimbursements from the federal agencies

The Police Department should also ensure the consistent recording of transactions in the appropriate designated business units. This will also ensure an adequate audit trail and will more accurately reflect Metro's expenditures and those for which federal funds supplement.

FINDINGS AND RECOMMENDATIONS

Management's Response

We concur with DGM's recommendation with respect to the finding and will make a second request of Metro Division of Accounts to establish a separate business unit. Our request for separate business units is documented by the email provided to your staff from DOA to the Police Department.

6. **No current contract was in effect for the Organized Crime Drug Enforcement Task Force and the Achilles Task Force, which also incurred costs**

Finding

There was no current contract in effect two of the task forces, one of which has incurred costs. A current contract for the Organized Crime Task force was not available for our review because, per correspondence with Police Department staff as of the end of fieldwork, there is no current contract.

An agreement for the Achilles Task Force was not complete and signed by all parties until January 25, 2002, almost four months after the end of the previous contract. For the period between October 1, 2001 and that time, the Police Department arranged an agreement with the federal agency to incur the overtime expenditures until the completion of the agreement. As of the end of fieldwork, Metro government has been obligated to pay a total of \$12,620.73 for officers' overtime pay for the Achilles Task Force while no contract was implemented for the current fiscal year. Incurring expenditures for a program without a fully executable contract could result in significant liability for the Police Department and Metro government.

Recommendation

The Police Department should proactively monitor contract periods for special task forces and similar agreements. The department should ensure that contracts are properly executed and in effect prior to incurring expenditures and obtain written correspondence from all parties where a current contract has not been executed.

Management's Response

As stated in the response under finding #3, the Bureau of Investigative Services handled the agreements. Grants and contracts have typically been coordinated with the MPD Fiscal Affairs Division, however, the task force agreements, were decided to be treated differently. Therefore, the only involvement that the MPD Fiscal Affairs Division had was to deposit checks delivered to us by the Bureau of Investigative Services.

It is apparent that this decision was not a good one, and that internal changes should be made to place the financial reporting and monitoring responsibilities in the MPD Division of Fiscal Affairs that would be consistent with grants and contracts.

7. **Federal and local agencies were overcharged for overtime expenditures for task forces due to incorrect billing rates.**

Finding

Incorrect rates for overtime, and pension, and fringe benefits were applied to the billings to federal and local agencies for task force overtime payments, resulting in overcharges. Overtime payments for the task force billings are computed by the Payroll Division of the Police Department and subsequently sent to the Fiscal Affairs Division for billing and subsequent reimbursement. Tests of the supporting documentation for task force billings revealed that the following rate changes were effective as of July 1, 2001, but not

FINDINGS AND RECOMMENDATIONS

appropriately reflected in the billings: overtime (based on individual salary rates), pension (from 7.71% to 6.18%), and fringe benefits (from 31% to 27.84%). The agencies were charged the new, higher salary rate for overtime worked in June although the rate was not effective until July 1, 2001. Likewise, the department charged the old, higher rate for pension and fringe benefits for overtime worked in July although the reduced rates were effective July 1, 2001. In summary, the Police Department's actual cost for the overtime was less than the billed costs for overtime. Tests revealed that, as a result of application of the incorrect rates, the following federal agencies were overcharged:

Task Force	Billing Cycle/Date	Total Amount Overcharged	Reason for Overcharge
Middle TN Drug Enforcement Task Force	6/18/01-7/15/01	\$160.08	Overtime pay rates charged higher than actual cost for overtime worked
Organized Crime Drug Enforcement Task force	7/9/01	\$5.09	Pension rate charged higher than actual costs

Although our tests did not include a complete review of the task force agreements with local agencies, overcharges to the following local agencies were also found during fieldwork:

Task Force	Metro Department	Billing Cycle/Date	Total Amount Overcharged	Reason for Overcharge
Judicial Drug Task Force	District Attorney	6/18/01-7/15/01	\$766.90	Overtime pay rates charged higher than actual costs; also resulted in inaccurate FICA and pension amounts
MDHA Special Task Force	MDHA	7/1/01-7/15/01	\$635.01	Fringe benefit rate charged higher than actual cost

Based on these overcharges, it is apparent that the calculations used for the billings are not adequately reviewed or monitored; therefore it is likely that other errors in manual calculations have occurred.

Recommendation

The Police Department should ensure that billings for overtime payments are based on official payroll records, rather than manual calculations, and review billings to ensure accurate calculations. Also, the department should revise reports and reimburse federal and local agencies accordingly.

Management's Response

See Management's Response to finding #3 and #6.

**APPENDIX A:
POLICE DEPARTMENT GRANTS FOR FY 2002**

This table identifies the grants and contracts reviewed in the course of our monitoring review:

Grants and Other Financial Assistance	<u>Period</u>
Direct Federal Grants	
Local Law Enforcement Block Grant	2000 10/1/99 – 9/30/0
	2001 10/1/00 – 9/30/02
	1999 10/1/99 – 9/30/01
Bullet Proof Vest Partnership Program Grant	7/1/99 – 9/30/03
	5/16/01 – 9/30/05
	8/1/99 – 9/30/04
COPS in Schools	9/1/01 – 8/31/04
Public Safety Partnership & Community Policing (COPS) – Community Oriented Policing Services (MORE)	9/1/98 – 8/31/99
Public Safety Partnership & Community Policing (COPS) – Auto Theft Reduction Project	5/1/97 – 10/31/01
G.R.E.A.T. Cooperative	1/16/01 – 1/15/02
	1/16/02 – 1/15/03
COPS Ahead (No activity during review period)	4/1/95 – 7/31/02
Other Direct Federal Financial Assistance	
Public and Indian Housing Drug Elimination Program - MDHA Special Task Force	10/1/98 – 9/30/03
Middle Tennessee Drug Enforcement Task Force	10/01/01- 9/30/02
Middle Tennessee Drug Enforcement Task Force	10/01/00 - 9/30/01
Achilles Task Force	1/25/02 – 9/30/06
	10/1/00 – 9/30/01
Crime Victim Assistance – Violent Crimes Task Force	Ongoing
Organized Crime Drug Enforcement Task Force	10/1/00 – 9/30/01
Grants Through State of Tennessee	
Crime Victim Assistance - Victims of Crimes (VOCA)	7/1/00 – 6/30/03
Violence Against Women Formula Grant - STOP Violence Against Women Grant	7/1/00 – 6/30/03

Note 1: Grant periods were obtained from the actual contracts and/or Police Department grants files.