



# Department of Homeland Security Office of Inspector General

**Ohio Law Enforcement Terrorism  
Prevention Program  
Subgrants Fiscal Years 2004–2006**





Homeland  
Security

MAR 23 2011

Preface

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the department.

This report addresses the accountability and proper use of grant funds of the Federal Emergency Management Agency Law Enforcement Terrorism Prevention Program, subgranted by the state of Ohio during fiscal years 2004–2006. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

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## Abbreviations

DHS	Department of Homeland Security
OIG	Office of Inspector General
FEMA	Federal Emergency Management Agency
FY	fiscal year

# OIG

*Department of Homeland Security  
Office of Inspector General*

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## **Executive Summary**

At the request of the Federal Emergency Management Agency Grant Programs Directorate, the Department of Homeland Security Office of Inspector General audited the Law Enforcement Terrorism Prevention Program funds subgranted by the Ohio Emergency Management Agency to the Ohio Association of Chiefs of Police. The audit focused on approximately \$21,500,000 awarded during fiscal years 2004 through 2006.

We reviewed questioned costs of \$1,992,209 in non-payroll and \$2,851,945 in payroll costs totaling \$4,844,154 previously identified by the accounting firm Crowe Horwath. We verified these costs were either not allowable or did not have proper supporting documentation, and confirmed the findings in the Crowe Horwath report. The expenditures were unallowable because they were unrelated to the grant activity, misclassified, outside the period of performance, or not supported by receipts or invoices. We also reviewed a judgmental sample of the remaining grant funds expended by the Ohio Association of Chiefs of Police, and agreed with Crowe Horwath's determination of compliance with grant requirements for those funds.

We made two recommendations to the Federal Emergency Management Agency to request reimbursement of \$1,992,209 from the Ohio Emergency Management Agency for non-payroll expenditures that were unallowable or did not have proper supporting documentation, and \$2,851,945 in unallowable payroll expenditures, for a total of \$4,844,154.

The Federal Emergency Management Agency concurred with the recommendations and is taking action to implement them.

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## Background

As part of the Federal Emergency Management Agency (FEMA) Law Enforcement Terrorism Prevention Program, the Ohio Emergency Management Agency awarded the Ohio Association of Chiefs of Police more than \$21 million over 3 fiscal years (FYs) (2004–2006) to establish a computer network to improve communication among law enforcement agencies by linking Ohio's 900+ police agencies. The Ohio Local Law Enforcement Information Sharing Network developed with these funds has been implemented and is currently operated by the Ohio State Attorney General's Office.

In 2005, the Ohio Emergency Management Agency conducted a review of the Ohio Association of Chiefs of Police that identified questioned and unsupported costs. The Ohio Emergency Management Agency requested assistance and guidance from FEMA on how to proceed owing to ongoing concerns with the Ohio Association of Chiefs of Police grant administration. As a result, the Ohio Emergency Management Agency retained the accounting firm Crowe Horwath LLP to conduct a comprehensive review of the Ohio Association of Chiefs of Police financial records for FYs 2004–2006. Crowe Horwath found \$4,844,154 in questionable costs.

In November 2009, the FEMA Grant Programs Directorate reviewed the accounting firm's report and the Ohio Emergency Management Agency's subsequent analysis of this report. In March 2010, FEMA requested that the State of Ohio reimburse \$4,498,996 for expenditures that were either not allowable or did not have proper supporting documentation. The FEMA request for reimbursement was \$345,158 less than the Crowe Horwath amount because FEMA considered expenditures that had been misclassified by the Ohio Association of Chiefs of Police as allowable.

In April 2010, FEMA requested that the Department of Homeland Security Office of Inspector General (DHS-OIG) conduct an audit of the Ohio Emergency Management Agency's Law Enforcement Terrorism Prevention Program, from which the Ohio Association of Chiefs of Police received its funding, for FYs 2004–2006, to ensure that Crowe Horwath provided the most thorough and expert review of its grant activities and financial accounting.

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## Results of Audit

During FYs 2004–2006, the Ohio Association of Chiefs of Police spent \$4,844,154 in Law Enforcement Terrorism Prevention Program funds that were not allowable or did not have proper supporting documentation. The expenditures (\$1,992,209 in non-payroll-related grant funds and \$2,851,945 in payroll-related grant funds) were not permitted for several reasons, including that they were unrelated to the grant activity, misclassified, outside the period of performance, or not supported by receipts or invoices. We also reviewed a judgmental sample of the remaining grant funds expended by the Ohio Association of Chiefs of Police, and agreed with Crowe Horwath’s determination of compliance with grant requirements for those funds.

### Non-Payroll Expenditures

To determine the unallowable expenditures the Ohio Association of Chiefs of Police charged to the Law Enforcement Terrorism Prevention Program from FYs 2004–2006, we evaluated Crowe Horwath’s questioned non-payroll costs, such as vendor invoices. We reviewed grant funds awarded and expended from the FYs 2004–2006 grants to ensure all expenditures were in accordance with federal laws, agency regulations, and grant agreements and guidelines. There were five categories of questioned costs: unsupported allocations, transactions outside of the period of performance, misclassification of expenditures, unsupported transactions, and unrelated to grant activity.

Table 1 summarizes the results of our review of the non-payroll transactions in comparison with the Crowe Horwath review. We were unable to review 100% of the questioned costs because the Ohio Association of Chiefs of Police was unable to locate supporting documentation. Since hard copies of these records had been available for previous reviews, we believe these records were misfiled. We were still able to verify more than 90% of the questioned costs.

**Table 1. Law Enforcement Terrorism Prevention Program  
Questioned Costs for FYs 2004–2006**

<b>Questioned Costs</b>	<b>Crowe Horwath</b>	<b>DHS-OIG Verified</b>	<b>Not Verified</b>
Unsupported Allocations	\$365,528	\$318,166	\$47,362
Transactions Outside of Period of Performance	\$789,846	\$782,313	\$7,533
Misclassification of Expenditures	\$345,158	\$307,332	\$37,826
Unsupported Transactions	\$269,480	\$227,701	\$41,779
Unrelated to Grant Activity	\$222,197	\$185,840	\$36,357
<b>Totals</b>	<b>\$1,992,209</b>	<b>\$1,821,352</b>	<b>\$170,857</b>

Unsupported Allocations

The transactions that represented the costs categorized as unsupported allocations included utilities and building maintenance allocated across several funds. Transactions in this category either had no support for the basis of allocation or had no allocation noted. No documentation was provided to explain how allocation percentages to the Law Enforcement Terrorism Prevention Program were derived. We were able to review \$318,166 of the \$365,528 questioned by Crowe Horwath as unsupported allocations, and we concurred with its finding. Additional details are provided in Appendix C.

Transactions Outside of Period of Performance

Each grant awarded to the Ohio Association of Chiefs of Police had a period of performance, and the transactions representing these costs were allocated over this period of performance. For example, the Internet maintenance contracts were three-year contracts, whereas the period of performance for the Law Enforcement Terrorism Prevention Program grant was two years. The contract must have been completed within the grant’s two-year period of performance to be allowable. We were able to verify \$782,313 of the \$789,846 questioned by Crowe Horwath as transactions outside the period of performance, and we concurred with its finding. Additional details are provided in Appendix C.

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### Misclassification of Expenditures

These costs include those that would be allowable had the cost been properly classified at entry in the accounting records, or costs that were included on the Ohio Association of Chiefs of Police's budget worksheet, but were not assigned to the appropriate accounting code. For example, legal fees should have been classified as miscellaneous support and not as contractual support. The Ohio Association of Chiefs of Police maintained a Budget Detail Worksheet for each grant year. According to the budget worksheet, legal costs should have been classified and assigned to the administrative/miscellaneous costs account rather than the planning costs account; the planning costs were specifically classified for subject matter experts (contractors) to undertake program development. We were able to verify \$307,332 of the \$345,158 questioned by Crowe Horwath as misclassified expenditures, and we concurred with its finding. Additional details are provided in Appendix C.

### Unsupported Transactions

Transactions that had no supporting documentation or insufficient supporting documentation were included in this category. This category also includes transactions for which prior authorization by the Ohio Emergency Management Agency was required, but not received, under Office of Management and Budget Circular A-87, Cost Principles for State, Local and Indian Tribal Governments. For example, representatives from the Ohio Association of Chiefs of Police traveled to Turkey for training. There was no documentation supporting the approval of the trips. All international travel should have been approved before the trip. We were able to verify \$227,701 of the \$269,480 questioned by Crowe Horwath as unsupported transactions, and we concurred with its finding. Additional details are provided in Appendix C.

### Unrelated to Grant Activity

This category included transactions for which we were unable to determine how the costs incurred benefited the grant program. For example, items in this category include printing books, award plaques, and lapel pins that were not related to the grant objective. We were able to verify \$185,840 of the \$222,197 questioned by Crowe Horwath as costs unrelated to grant activity, and we concurred with its finding. Additional details are provided in Appendix C.

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## **Conclusion**

Crowe Horwath identified \$1,992,209 in non-payroll questionable costs, and we verified \$1,821,352 of this amount. Based on our review of available documentation and confirmation of the Crowe Horwath analysis, we agreed with its findings.

## **Recommendation**

We recommend that the Assistant Administrator, Grant Programs Directorate:

**Recommendation #1:** Request reimbursement of \$1,992,209 from the Ohio Emergency Management Agency for non-payroll expenditures that were unallowable or did not have proper supporting documentation.

## **Management Comments and OIG Analysis**

The FEMA Grant Programs Directorate concurred with the recommendation and will request reimbursement from the Ohio Emergency Management Agency for non-payroll expenditures totaling \$1,012,043. The FEMA Grant Programs Directorate will consider the remaining \$980,166 in non-payroll costs as unallowable, unless within 90 days of the date of this report, the Ohio Emergency Management Agency provides supporting documentation that demonstrates the expenditures noted were allowable and in accordance with grant program guidance.

FEMA's proposed actions address the intent of the recommendation, and we consider this recommendation resolved and open. Once FEMA has fully implemented the recommendation and submits a formal close-out memorandum, including evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts, we will close the recommendation.

## **Payroll Expenditures**

To determine the unallowable payroll expenditures the Ohio Association of Chiefs of Police charged to the Law Enforcement Terrorism Prevention Program from FYs 2004–2006, we evaluated Crowe Horwath's questioned payroll costs. We reviewed the Ohio Association of Chiefs of Police timesheets, payroll allocation forms, and health insurance documents for compliance with federal laws, agency regulations, and









**Appendix A**  
**Purpose, Scope, and Methodology**

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The audit was not a financial statement review and we did not provide an opinion on whether the subgrantee's financial statements were presented in conformity with generally accepted accounting principles.

We conducted this compliance audit between May and December 2010 pursuant to the *Inspector General Act of 1978*, as amended, and according to 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.



## Appendix B Management Comments to the Draft Report

### **Response to the Draft Report OIG-10-140-AUD-FEMA: Ohio Law Enforcement Terrorism Prevention Program Subgrants FY 04-06**

**OIG Recommendation #1:** Request reimbursement of \$1,992,209 from Ohio Emergency Management Agency (OEMA) for unallowable non-payroll expenditures, in some cases lacking proper documentation.

**FEMA Response to OIG recommendation #1:** Based on the DHS OIG audit, FEMA Grant Programs Directorate (GPD) concurs with the recommendation that FEMA request reimbursement from OEMA and will do so for non-payroll expenditures deemed unallowable by FEMA. In its recommendation #1, the OIG agreed with the Crowe Horwath audit findings which identified unallowable costs as follows:

- (a) unsupported allocations \$365,528
- (b) transactions outside of performance period \$789,846
- (c) misclassification of expenditures \$345,158
- (d) unsupported transactions \$269,480, and
- (e) unrelated to the grant activity \$222,197

#### **Discussion about OIG Recommendation #1:**

**Unallowable costs (b) and (e).** FEMA GPD concurs with the audit that costs for both of these categories, totaling \$1,012,043 are unallowable.

**Unallowable costs (a), (c) and (d), above.** FEMA GPD will consider the \$980,166 in costs as unallowable, unless OEMA provides supporting documentation within 90 days of the date of this report that demonstrates the expenditures noted were allowable and in accordance with grant program guidance.

By way of example, the DHS OIG verified a total of \$227,201 in unsupported transactions associated with international travel that members of the Ohio Association of Chiefs of Police (OACP) made to the country of Turkey. In order to avoid this from occurring, GPD had established a policy whereby grantees are required to submit, prior to arranging overseas travel, a written request to document and justify grant related travel to a foreign country. Prior to announcing the new policy that grantees must submit a request to authorize travel overseas, these costs were in fact considered allowable, but only within the scope of the fiscal year (FY) 2004 through FY 2006 Law Enforcement Terrorism Prevention Program.

In order to assist FEMA GPD with making its determination for allowability of these expenses the grantee must submit the following information within 90 days:

- Name of State and/or local agency requesting travel;
- Number of individuals requesting travel, including rank/title and agency affiliation

## Appendix B Management Comments to the Draft Report

- Travel location, dates of travel, and purpose of travel (i.e., participation in a training, conference, meeting, etc.);
- Cost of travel per person, to include airfare, lodging and per diem;
- Source of funding to support travel (grant program name and grant number); and
- State homeland security strategy goals and objectives and/or project that the travel will directly support.

Failure to provide the requested documentation within 90 days will be considered as a debt and referred to FEMA's Office of Chief Financial Officer (OCFO) for collection. At that time, FEMA GPD will relinquish all responsibility to collect the debt to FEMA OCFO.

**OIG Recommendation #2:** Request reimbursement of \$2,851,945 from Ohio Emergency Management Agency for payroll expenditures that were unallowable or did not have proper supporting documentation.

### **FEMA Response to OIG Recommendation #2:**

FEMA GPD concurs with the recommendation that FEMA request reimbursement from OEMA and will do so for payroll expenditures deemed unallowable by FEMA. In its recommendation #2, the OIG agreed with the Crowe Horwath audit findings which identified unsupported costs in the following categories:

- (a) Director's payroll: \$803,678
- (b) Staff payroll: \$1,832,791
- (c) Other expenses and adjustments: \$45,072
- (d) Health insurance: \$170,404

### **Discussion about OIG recommendation #2:**

Although the OIG report did not specifically identify costs for category (a) as belonging to the Director's salary, it is clear that their assessment of the Crowe-Horwath report and their own findings concluded that the expenditures for the Director's salary were unreasonable and unallowable, and inconsistent with grant guidance. On this matter, OEMA must reimburse the Federal government.

Both audits, conducted by Crowe-Horwath and the DHS OIG found that certain adjustments and expenditures in category (c) above, may also be unallowable. It is less clear however, whether staff payroll costs were unallowable. While it is reasonable to assume that some staff costs would be allowable, the lack of, or absence of documentation makes it impossible for FEMA GPD to determine if these costs were eligible according to grant program guidance. However, the DHS OIG indicated in their report that 85 timesheets do exist. Without these documents FEMA GPD cannot make a further determination on eligibility.

## Appendix B Management Comments to the Draft Report

OEMA should provide sufficient documentation including position descriptions, salaries, and fringe benefits in sufficient detail, including certifications by executives in charge of the funding, that certain work was carried out and performed. By providing this documentation and level of detail, FEMA GPD will be able to make a determination as to the eligibility and allowability for payment of staff salaries related to the 85 timesheets mentioned in the DHS OIG report.

This information and all other documentation substantiating costs must be submitted within 90 days to FEMA GPD for consideration. If approved by FEMA GPD, these costs may be considered allowable in accordance with grant program guidance. Failure to provide the requested documentation within 90 days will be considered as a debt and referred to FEMA's Office of Chief Financial Officer (OCFO) for collection. At that time, FEMA GPD will relinquish all responsibility to collect the debt to FEMA OCFO.

It is evident that proper administrative and cost principles of grants management were severely lacking at the State level. The State has, however, taken steps to mitigate these findings identified through FEMA monitoring and by the OIG. It is evident that the State is taking the necessary steps to put in place sound financial management practices and tools to mitigate and avoid this from occurring in the future.

**Appendix C**  
**Non-payroll Questioned Costs**

The following tables display the five categories of questioned costs for non-payroll expenditures. Three transaction codes were used to post the invoices to the correct account: 5124, 5126, and 5127, representing the individual grant years.

Table C-1 displays the total amount of the Ohio Association of Chiefs of Police expenditures Crowe Horwath identified as questionable costs. Table C-2 displays the total amount of expenditures DHS-OIG was able to confirm. We verified \$1,821,352, of the \$1,992,209 questionable costs.

**Table C-1. Non-Payroll Questionable Costs – Crowe Horwath**

<b>Crowe Horwath Questioned Costs Reviewed</b>	<b>Account 5124 FY 2006</b>	<b>Account 5126 FY 2004</b>	<b>Account 5127 FY 2005</b>	<b>Totals</b>
Unsupported allocations	129,200	119,006	117,322	365,528
Transactions outside of period of performance	42,157	195,743	551,946	789,846
Misclassification of expenditures	64,108	193,982	87,068	345,158
Unsupported transactions	112,679	106,409	50,392	269,480
Unrelated to grant activity	69,740	58,443	94,014	222,197
<b>Total Costs Identified by Crowe Horwath</b>	<b>417,884</b>	<b>673,583</b>	<b>900,742</b>	<b>\$1,992,209</b>

**Table C-2. Non-Payroll Questionable Costs – DHS-OIG**

<b>DHS-OIG Questioned Costs</b>	<b>Account 5124 FY 2006</b>	<b>Account 5126 FY 2004</b>	<b>Account 5127 FY 2005</b>	<b>Totals</b>
Unsupported allocations	108,707	93,269	116,190	318,166
Transactions outside of period of performance	37,957	192,410	551,946	782,313
Misclassification of expenditures	35,155	191,811	80,366	307,332
Unsupported transactions	96,218	85,745	45,738	227,701
Unrelated to grant activity	50,202	44,328	91,310	185,840
<b>Total Costs Identified by OIG</b>	<b>328,239</b>	<b>607,563</b>	<b>885,550</b>	<b>\$1,821,352</b>

**Appendix D**  
**Major Contributors to this Report**

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**Appendix E**  
**Report Distribution**

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