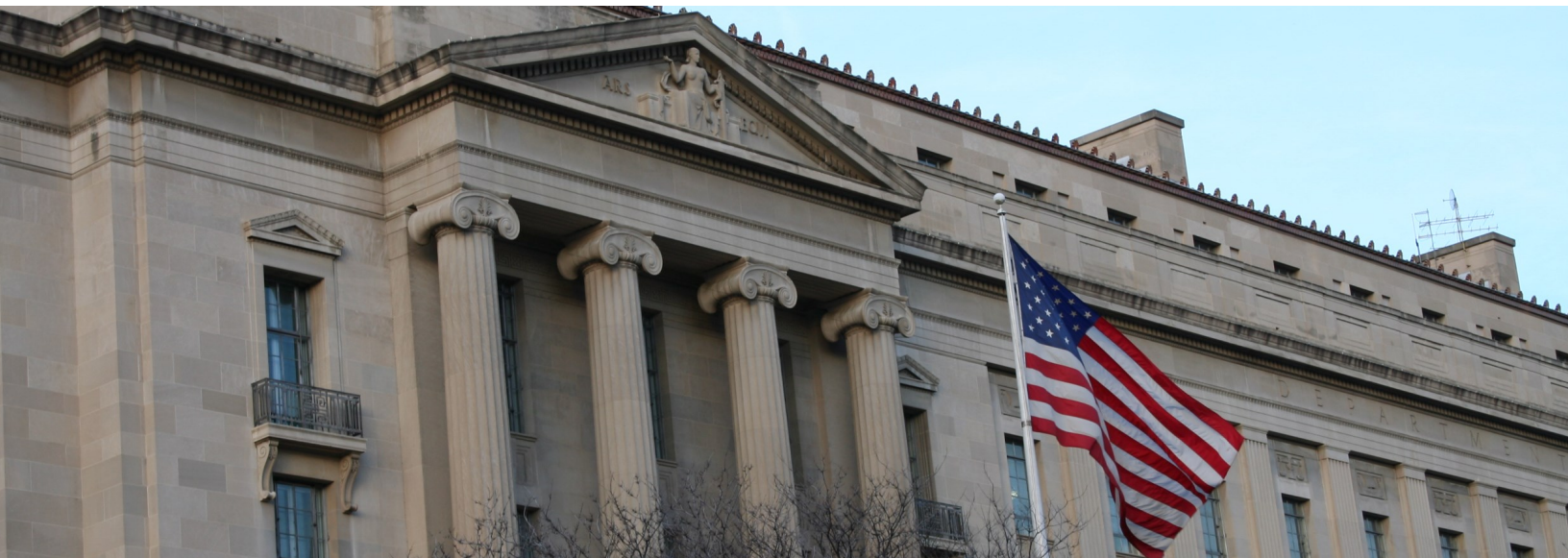




Office of the Inspector General

U.S. Department of Justice

OVERSIGHT ★ INTEGRITY ★ GUIDANCE



Audit of the Bureau of Justice Assistance Grant Awarded to the City of Philadelphia, Pennsylvania, for the 2016 Democratic National Convention



Executive Summary

*Audit of the Bureau of Justice Assistance Grant
Awarded to the City of Philadelphia, Pennsylvania, for the
2016 Democratic National Convention*

Objectives

In April 2016, the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) awarded a grant totaling \$49,900,000 to the city of Philadelphia, Pennsylvania to provide security to delegates, visitors, and residents of the city during the 2016 Democratic National Convention (DNC). The objectives of this audit were to determine whether: (1) costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the award; and (2) the grantee demonstrated adequate progress towards achieving program goals and objectives.

Results in Brief

While Philadelphia achieved the grant's program goal of providing security support for the DNC convention, based on our review of Philadelphia's grant activities, we identified significant deficiencies in the city's grant management and questioned \$14,876,759 in expenditures as unallowable and unsupported. We found that Philadelphia did not have effective internal controls for grant administration and identified issues related to a lack of policies and procedures for fiscal administration, including budget management, drawdowns, and federal financial reports. We also took issue with expenditures charged to the grant for personnel and fringe benefits and subrecipients.

Recommendations

Our report contains 13 recommendations to OJP. We provided our draft audit report to OJP and Philadelphia, and their responses can be found in Appendices 5 and 6, respectively. Our analysis of those responses is included in Appendix 7.

Audit Results

The overall goal of the BJA grant was to provide support for law enforcement and related security costs associated with the DNC. The project period for the grant was from October 2015 through March 2017. The approved grant budget provided funds for law enforcement and related security costs, including personnel, necessary equipment, and overtime costs associated with the 2016 DNC.

Program Goals and Accomplishments - Based on our review of Philadelphia's grant activities, we determined that Philadelphia achieved the aforementioned goal of the grant.

Grant Financial Management - We determined Philadelphia did not develop and implement adequate or effective internal controls for grant administration.

Personnel and Fringe Benefit Expenditures – Philadelphia Fire Department (PFD) – We found that the PFD did not use its actual costs as the basis for submitting requests for reimbursement of overtime personnel costs. Instead, Philadelphia allowed PFD to utilize a weighted average to calculate overtime personnel costs, which led to PFD being reimbursed for unsupported costs and prevented us from determining whether certain costs were allowable. We also identified instances where PFD's non-civilian overtime was charged to the award more than once resulting in duplicate charges. As a result, we questioned \$1,039,496 as unallowable and \$9,530 as unsupported duplicate costs.

Subrecipient Expenditures – Mutual Aid Partners – We determined that Philadelphia lacked adequate internal controls over its subrecipients. Specifically, we found that Philadelphia did not establish clear guidance for its subrecipients as to what mutual-aid partners could charge for the convention, did not take adequate steps to ensure that mutual-aid partner charges were appropriate, and did not reimburse mutual-aid partners on a timely basis. Further, we questioned \$7,635,591, the total amount awarded to the mutual-aid partners as unsupported because Philadelphia did not have a valid subrecipient agreement in effect.



Executive Summary

*Audit of the Bureau of Justice Assistance Grant
Awarded to the City of Philadelphia, Pennsylvania, for the
2016 Democratic National Convention*

Subrecipient Expenditures – Host Committee – 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, the Philadelphia 2016 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. In addition, we found several instances of noncompliance related to other contracts executed by the Host Committee. We questioned \$6,387,404 as unallowable.

Budget Management and Control – We determined that Philadelphia did not manage its budget in accordance with terms and conditions of the award and did not maintain accountability of funds, both disbursed and returned. As a result, Philadelphia increased the risk of grant funds being subject to fraud, waste and abuse.

Drawdowns – We found that Philadelphia 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. In addition, Philadelphia based its drawdown on 95 percent of the initial grant award amount, instead of an amount that reflected payment for reimbursement of actual expenditures.

Federal Financial Reports (FFRs) – We found that Philadelphia did not separate actual expenditures and encumbrances on their FFRs, and therefore, the total federal shares of expenditures were not reported accurately.

Audit Delays and Lack of Records – Our audit work was significantly delayed for two reasons. First, Philadelphia did not drawdown any grant funds until June 2017, when it received \$40,997,384 from OJP for expenditures associated with the convention. Second, Philadelphia failed to respond to OIG document requests between June 2016, when we initiated the audit, and October 2017. Only after the OIG issued a Warning Letter to Philadelphia in September 2017 did the city begin to produce records to the OIG later that month. Even then, the records were incomplete and

unreliable. It was not until November 2017 that Philadelphia advised the OIG that its accounting records had been properly reconciled.

**AUDIT OF THE BUREAU OF JUSTICE ASSISTANCE GRANT
AWARDED TO THE CITY OF PHILADELPHIA, PENNSYLVANIA,
FOR THE 2016 DEMOCRATIC NATIONAL CONVENTION**

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AUDIT OF THE BUREAU OF JUSTICE ASSISTANCE GRANT AWARDED TO THE CITY OF PHILADELPHIA, PENNSYLVANIA, FOR THE 2016 DEMOCRATIC NATIONAL CONVENTION

INTRODUCTION

The U.S. Department of Justice (DOJ) Office of the Inspector General (OIG) completed an audit of a grant awarded by the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA) to the City of Philadelphia, Pennsylvania, for the 2016 Democratic National Convention (DNC). The City of Philadelphia (hereafter Philadelphia) was awarded an initial grant and a supplement totaling \$49.9 million, as shown in Table 1.

Table 1
Grant Awarded to Philadelphia

Award Number	Program Office	Award Date	Project Start Date	Project End Date	Award Amount
2016-ZC-BX-0002	BJA	4/19/2016	10/1/2015 ^a	3/31/2017 ^b	\$43,155,141
2016-ZC-BX-0002 Supplement	BJA	9/30/2016	10/1/2015	3/31/2017 ^c	\$6,744,859
Total:					\$49,900,000

^a Although the grant was awarded on April 19, 2016, according to OJP, it set the project start date as October 1, 2015, to provide the city with an opportunity to request reimbursement for allowable convention planning activities dating back to the start of the federal fiscal year.

^b The original project end date was December 31, 2016; however, Philadelphia applied for and received a 3-month extension.

^c OJP extended the liquidation period of the award until August 31, 2017.

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

Background

Since 2004, Congress has consistently awarded public funds to cover security-related expenses of state and local law enforcement that assist in securing the sites of major party presidential nominating conventions. In December 2015, Congress appropriated \$100 million for grants for law enforcement activities associated with the 2016 presidential nominating conventions.¹ Congress required the funds be used solely for extraordinary law enforcement expenses and called for the development of clear guidelines to govern allowable expenses.² Congress also requested the DOJ OIG to perform an audit of convention payments and reimbursements to ensure efficiency and accountability. This report is limited to our audit of the grant awarded for the DNC in Philadelphia, which occurred in July

¹ Consolidated Appropriations Act of 2016.

² House Report, *Commerce, Justice, Science, and Related Agencies Appropriations Bill* (Accompaniment to H.R. 2578), 2016. H. Rept. 114-130.

2016. The DOJ OIG also performed a separate audit of the grant awarded for the Republican National Convention (RNC). The results of the RNC audit, can be found in a separate report.³

In February 2015, the Democratic National Committee chose Philadelphia as the host city for its nominating convention to be held in July 2016. From the Congressional appropriation, Philadelphia submitted an initial budget of \$43.2 million and received the approved award on April 19, 2016. After the DNC convention, Philadelphia was approved for a supplemental award of \$6.7 million for a total award amount of \$49.9 million.⁴

The Grantee

Philadelphia is the largest city in the Commonwealth of Pennsylvania and the sixth most populous city in the United States.

Philadelphia's Managing Director's Office (MDO) was charged with oversight of Philadelphia's operating departments. The MDO provides support, assistance, and coordination to build sustainable infrastructure within and across departments, ensuring the efficient delivery of quality services to the public.

Within the MDO, the Public Safety division is a grouping of departments and independent offices that deal directly with the public safety or criminal justice systems. This division is designed to provide coordination between the Police Department, Fire Department, Prison System, Office of Emergency Management, and Department of Licenses & Inspections. Responsibility for this grant resided with the Public Safety Division.

OIG Audit Approach

The objectives of this audit were to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

We tested compliance with what we consider to be the most important conditions of the grants. The DOJ Grants Financial Guide and the award documents contain the primary criteria we applied during the audit.

³ U.S. Department of Justice, Office of the Inspector General, *Audit of the Bureau of Justice Assistance Presidential Candidate Nominating Convention Grant Awarded to Cleveland, Ohio for the 2016 Republican National Convention*, Audit Report GR-70-18-004 (February 2018).

⁴ The supplement was awarded by OJP to Philadelphia on September 23, 2016, for additional staffing by law enforcement during the convention.

The results of our analysis are discussed in detail later in this report. Appendix 1 contains our Objectives, Scope, and Methodology. The Schedule of Dollar-Related Findings appears in Appendix 2.

Delays in Audit Progress and OIG Warning Memorandum

The OIG initiated this audit on June 29, 2016, and held an entrance conference on July 6, 2016, with key personnel from various managing and operating departments within Philadelphia, as well as with other grant-related participants. Following the end of the DNC convention, we attempted to complete fieldwork with Philadelphia; however, we were informed by a Philadelphia official that Philadelphia was still working through its budget, finalizing various expenditures, and obtaining supporting documentation from participants. Philadelphia had also not requested any of its grant funding. As shown in Table 1, Philadelphia's original project end date was December 31, 2016, but later extended to March 31, 2017, with an additional 90-day grace period to June 30, 2017, to close out the project award. It was not until June 16, 2017, that Philadelphia received grant funds, with another request made on June 23, 2017, for a total of \$40,997,384 received as reimbursement to be applied by Philadelphia to the expenditures associated with the convention.

On September 13, 2017, the OIG issued a 20-day Warning Letter to Philadelphia requesting specific documentation for grant records, including the over a dozen requests we had made during the 14 months since the audit was initiated. The purpose of the Warning Letter was to advise Philadelphia that because it had not provided critical records, we were unable to complete our audit. The Warning Letter set a deadline of October 3, 2017 for Philadelphia to provide the critical records we needed to complete the audit, and that the records needed to be provided in an auditable form. We noted that failure to comply with the data request would result in the issuance of an OIG report questioning the full amount of funding reimbursements received, totaling \$40,997,384 as of June 2017.

On October 3, 2017, Philadelphia provided several separate emails with attachments that included incomplete documentation in support of its grant funding reimbursements to date. On October 5, 2017, we received accounting records, but were informed that the records could not be reconciled with Philadelphia's final quarterly Federal Financial Report (FFR) ending March 31, 2017, or the grant funding reimbursements made in June 2017.

To discuss our concerns with the accounting records and accompanying documentation provided, we met with Philadelphia's First Deputy Managing Director on October 16, 2017. At this meeting we discussed the current status of our audit and said that the grant documentation received to date had been reviewed and determined to be unreliable. During this meeting, to support our position we provided the First Deputy Managing Director with examples of unorganized and piecemeal data that we received. This Philadelphia official acknowledged that the accounting records and documentation we received were unreliable. Additionally, at this meeting our Philadelphia point of contact for the audit was changed and we were assured that this audit was now a top priority.

Through the end of October 2017, we worked with Philadelphia's new point of contact to establish an auditable universe of expenditure transactions. During this time, Philadelphia removed transactions from their accounting records that were recorded inaccurately, either from oversight or human error. On November 6, 2017, Philadelphia assured the OIG that its accounting records were now reconciled.

From November 2017 and through January 2018, we completed our fieldwork for this grant award.

AUDIT RESULTS

Program Performance and Accomplishments

To determine whether Philadelphia met grant-funded performance goals, we reviewed required performance reports, accounting records, grant documentation, and interviewed officials. We also reviewed required monthly progress reports to determine accuracy and if the reports were submitted timely. Finally, we reviewed Philadelphia's compliance with the grant special conditions identified in the award documentation.

Program Goals and Objectives

Based on our review of Philadelphia's grant activities, we did not find any indication that Philadelphia failed to achieve the overall goal of the grant, which was to keep residents and visitors, including dignitaries, safe and execute the DNC and related events without any major security incidents. According to a Philadelphia official, after the announcement of the convention location, law enforcement officials, along with state and federal law enforcement partners, began security preparations for the convention and related events.

In its after-action analysis report following the DNC, Philadelphia stated that significant planning, consistent coordination and communication between all levels of government and partners involved, as well as adaptability by all involved prior to the event, facilitated Philadelphia's operations during the 2016 DNC – particularly in the functional areas of training, tactical operations, logistics, communications/technology, crowd control, and transportation/traffic. While the after-action report did not specifically cite the federal grant by name, we acknowledge that the award represented a significant source of funding that contributed to what Philadelphia described as a successful convention without any major incidents.

Required Performance Reports

We found that Philadelphia did not fully comply with DOJ requirements to submit performance and progress reports. According to the 2015 DOJ Grants Financial Guide, the funding recipient should ensure that valid and auditable source documentation is available to support all data collected for each performance measure specified in the program solicitation. While OJP required that the grantee submit semiannual performance reports, the Presidential Nominating Convention grants had an added requirement to submit progress reports on a monthly basis. Both the semiannual and monthly reports were narrative in nature and did not contain numerical metrics. Instead, the reports focused on questions and responses related to the overall timeline, budget items, and progress of the grantee's convention-related activities.

According to the grant special conditions, the semiannual performance reports were to be submitted within 30 days after the end of the reporting periods for the life of the award, and Philadelphia was required to submit in total three semiannual reports. Because Philadelphia did not comply with this reporting

requirement, OJP suspended grant funds for expenditure reimbursement until the delinquent report had been received.

Further, Philadelphia did not submit monthly progress reports as required by a grant special condition. However, we determined that Philadelphia did submit a report in July 2016 that covered 3 months from April 2016 through June 2016, a follow-on report in September 2016 that covered an additional 2 months from July 2016 and August 2016, and another report in November 2016 that covered September 2016 and October 2016. We believe Philadelphia should develop and implement grant administration policies and procedures to ensure compliance with all award required reporting requirements.

Compliance with Special Conditions

As discussed in greater detail below, we found that Philadelphia failed to adhere to federal grant terms and conditions on multiple occasions. Special conditions are additional terms and conditions that are included with a grant award. Special conditions may include additional requirements covering areas such as programmatic and financial reporting, prohibited uses of federal funds, consultant rates, changes in key personnel, and proper disposition of program income, and failure to comply with special conditions may result in withholding of funds, suspension, or termination, as deemed appropriate. Philadelphia's award included 57 special conditions associated with the initial grant award and 66 special conditions associated with the supplemental award.⁵

For our audit, we judgmentally selected seven special conditions that were not captured in other sections of this report and did not identify any instances where Philadelphia was not in compliance with the special conditions we tested.⁶ However, we identified numerous other instances where Philadelphia was not in compliance with special conditions that are discussed in the Program Performance (Required Performance Reports), Grant Expenditures (Subrecipients), and Drawdowns sections of this report.

Additionally, we noted several significant grant extensions and retroactive approvals provided by OJP on these special conditions. We discuss these extensions and approvals further in the OJP Oversight section of this report.

Grant Financial Management

As detailed below, we determined Philadelphia did not have adequate or effective internal controls in place to ensure that the DNC grant would be administered in compliance with applicable laws, regulations, and award terms and conditions. According to the DOJ Grants Financial Guide, all grant recipients and

⁵ The initial grant award and the supplemental award had 49 special conditions in common. The initial grant award had 8 unique special conditions and the supplemental award had 17 unique special conditions.

⁶ All seven special conditions appeared in both the initial award and supplemental award special conditions.

subrecipients are required to establish an accounting system with adequate internal controls that accurately account for funds awarded to them. To assess Philadelphia's financial management of the DNC grant, we interviewed responsible grant officials, inspected accounting system records, and reviewed grant documents to determine whether Philadelphia adequately safeguarded the grant funds we audited. We also reviewed Philadelphia's Single Audit Reports for 2014 and 2015, as well as the results of OJP's Office of the Chief Financial Officer's (OCFO) site visit to identify internal control weaknesses and significant non-compliance issues related to federal awards. Finally, we performed testing in the areas that were relevant for the management of this grant, as discussed throughout this report.

Single Audit

We reviewed Philadelphia's Single Audit Reports for 2014 and 2015 and did not identify any issues significant within the context of our audit objectives. Non-federal entities that receive federal financial assistance are required to comply with the *Single Audit Act Amendments of 1996*. The Single Audit Act provides for recipients of federal funding above a certain threshold to receive an annual audit of their financial statements and federal expenditures. Under 2 C.F.R. 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), such entities that expend \$750,000 or more in federal funds within the entity's fiscal year must have a "single audit" performed annually covering all federal funds expended that year.

Internal Controls over Grant Administration

We determined Philadelphia did not develop and implement adequate or effective internal controls for grant administration to ensure compliance with applicable laws, regulations, and award terms and conditions. Specifically, Philadelphia did not have adequate policies and procedures related to grant administration.

Policies and Procedures

In performing our review, we found that Philadelphia did not implement adequate policies and procedures for the grant we audited in the following areas of grant management; expenditures, drawdowns, Federal Financial Reports, and subrecipient monitoring. We also determined that Philadelphia failed to develop effective controls to ensure compliance with award requirements. Despite having weak internal controls, we determined that Philadelphia established an adequate procurement process. Prior to the convention, Philadelphia distributed a formal memorandum to all relevant departments associated with the grant, detailing how to request equipment, supplies, and services, among other items. According to a grant official, notifying departments is not a common practice; however, Philadelphia wanted to ensure that the procurement process which included requesting, receiving, and making payment was properly organized and classified. Based on our review, we did not take issue with the design of the procurement process.

In February 2017, the OJP OCFO performed an on-site review of the DNC grant, as well as five other DOJ grants awarded to Philadelphia. The resulting OJP OCFO report for this site visit contained 13 recommendations from OJP to Philadelphia, 10 of which were related to the DNC grant we audited.

In their report, OCFO determined that Philadelphia had weak or absent internal controls. Specifically, OCFO found that Philadelphia's procedures lacked a provision of federal grants management requirements to administer federal grants. Additionally, the OCFO found Philadelphia's federal grants management procedures were not finalized and incorporated in Philadelphia's formal policies.⁷

As the OCFO noted, Philadelphia must document and improve its procedures. During our audit, we also determined Philadelphia's lack of policies and procedures contributed to the internal control deficiencies in the following areas: drawdowns, financial reporting, and subrecipient oversight. As a result, we recommend OJP ensure that Philadelphia implements and widely disseminates among all affected personnel policies and accompanying procedures to ensure appropriate grant administration, including drawdowns, federal financial reports, and subrecipients to ensure Philadelphia is in compliance with grant award requirements.

As of August 2018, recommendations remained open in the OCFO report. OCFO placed a hold on Philadelphia's remaining DNC grant funds, totaling \$8,902,616, and restricted Philadelphia from making any additional reimbursement requests until the OCFO's recommendations are closed. Accordingly, Philadelphia has not received the full amount spent for the convention for grant reimbursement.

Grant Expenditures

Philadelphia's approved budget for the DNC grant and supplemental award included personnel, fringe benefits, travel, equipment, supplies, contractors, and other costs. Philadelphia initially budgeted \$43.2 million to cover convention expenses; however, according to a Philadelphia official, the city underestimated the overtime expenses of law enforcement personnel that would be needed for the event, and therefore requested the total amount of available award funds through a supplemental award. Out of the \$49.9 million amount awarded, according to its records, Philadelphia spent \$46,453,904 in grant-related expenditures.⁸

The final grant expenditures, which includes a description of each category, is shown in Table 2, which follows.

⁷ This is a repeat finding from a previous OCFO financial monitoring site visit, conducted in December 2015, which was not addressed.

⁸ As discussed later in the report, Philadelphia received grant funding reimbursements from OJP of approximately \$41 million in June 2017. The remainder of the funds were on hold as a result of OCFO's site visit report with open recommendations as of July 2018.

Table 2
Final Grant Expenditures DNC Grant
As of February 2018

Budget Category	Expense Overview	Expended Amount^a	Percentage of Final Grant Expenditures^a
Personnel	Overtime pay for Philadelphia Police, Fire, Emergency Management, and other Offices	\$12,474,780	26.9%
Fringe Benefits	Benefits associated with overtime pay	\$871,938	1.9%
Travel	Visit to Cleveland for RNC	\$247,470	.5%
Equipment	Bikes, Motorcycles, Tools for Police	\$6,891,103	14.8%
Supplies	Radios and radio accessories	\$9,003,931	19.4%
Subrecipients	Mutual-Aid Partners, Host Committee	\$15,406,863	33.2%
Contracts	Liability Insurance	\$1,338,675	2.9%
Other	Training, Portable Restrooms, Trash Receptacles	\$219,143	.5%
Total:		\$46,453,904	

^a Differences in total are due to rounding.

Source: OJP's Grants Management System

To determine whether costs charged to the awards were allowable, supported, and properly allocated in compliance with award requirements, we tested a sample of transactions. We judgmentally selected 30 transactions that totaled \$32.2 million, or 69 percent of the total grant expenditures. We reviewed documentation, accounting records, and performed verification testing related to grant expenditures. Based on our testing, we did not identify significant issues with expenditures related to travel, equipment, and supplies. However, we did take issue with some costs associated with personnel and fringe benefits and subrecipients. As a result of our testing, we recommend that OJP remedy \$14,878,384 in questioned costs. The following sections describe our results.

Personnel & Fringe Benefits

Philadelphia charged the grant \$13,346,718 in personnel and fringe benefit costs for uniform and civilian employees. According to Philadelphia's accounting records, approximately 99 percent or \$13,211,321 of the personnel and fringe benefit costs related to the grant were associated with the Philadelphia Police (\$12,171,825) and the Philadelphia Fire Department (PFD) (\$1,039,496). As a result, our testing focused primarily on these two departments. To determine whether the Philadelphia Police Department's overtime costs were allowable and supported, we judgmentally selected 152 transactions totaling \$65,846, which represents overtime hours for 20 officers. We reviewed daily attendance records and overtime request forms for these officers. We did not identify any issues related to the transactions we tested. However, for PFD, we found significant issues that resulted in \$1,039,496 in questioned costs as unallowable. We describe these issues in greater detail below.

Philadelphia Fire Department

According to the DOJ Grants Financial Guide, allowable costs (for all non-federal entities, other than for-profit entities and hospitals) are those costs consistent with the principles set out in the Uniform Guidance 2 C.F.R. § 200, Subpart E, and those permitted by the grant program's authorizing legislation. To be allowable under federal awards, costs must be reasonable, allocable, and necessary to the project, and they must also comply with the funding statute and agency requirements.

To determine whether personnel costs related to the PFD were allowable and supported, we met with grant officials to gain a better understanding of the process used by PFD in its completion of a reimbursement request worksheet that was submitted to and paid by Philadelphia. According to grant officials, PFD used weighted averages as the basis for its request for reimbursement related to PFD overtime (OT), instead of using actual overtime rates for the firefighters and Emergency Medical Technician (EMT) personnel that performed award-funded activities, as shown in Table 3.

Table 3
PFD Weighted Average
Overtime Hourly Rates Used for the DNC

Rank	OT Hourly Rate
EMT	\$29.95
Fire Paramedic Captain	\$63.74
Fire Paramedic Deputy Chief	\$81.28
Fire Paramedic Lieutenant	\$56.02
Fire Paramedic Services Chief	\$73.95
Fire Services Paramedic	\$49.99
Fire Paramedic Infection Control Officer	\$63.71
Battalion Chief	\$74.12
Captain	\$63.25
Deputy Chief	\$84.17
Fire Boat Engineer	\$54.65
Firefighter	\$45.07
Lieutenant	\$55.05
Pilot	\$55.92

Source: Philadelphia Fire Department

PFD officials told us that in an event similar in scale to the DNC, the process used to determine OT costs, based on individualized OT rates, was an administrative and technical burden. To minimize this burden, PFD implemented the weighted average rather than determining each actual hourly rate used to calculate OT expenditures.

We were told that the weighted average used was based on an incremental payroll report that Philadelphia distributes every quarter. The payroll report provides each department a breakdown, by division, of a weighted average by

position. PFD officials told us that one of the main reasons why PFD decided to use a weighted average was because, for specific events it did not have the capability to identify and separate individualized salary information such as longevity and other payroll entitlements which makes the process of determining the actual rate extremely laborious. In our review, we determined that the supporting documentation we received that included the weighted averages did not adequately document the actual rates charged for the award-funded activities.

To examine the overall process PFD used in submitting its reimbursement request for the convention, we also selected 15 transactions to determine if the number of overtime hours reported for both civilians and firefighters were adequately supported. For this testing, we evaluated how PFD tracked the number of hours reported for reimbursement. We found instances where PFD submitted overtime requests for reimbursement on days they were scheduled to work regular hours, and instances where duplicate overtime was included in PFD's reimbursement worksheet. These issues, specifically the duplicate submissions, were first identified by payroll clerks who corrected these issues in PFD's payroll system based on one OT event. However, these errors were not corrected on the worksheet PFD used as its basis for reimbursement for the convention. According to a grant official, these duplicate costs were inputted by inexperienced clerical staff. We did not find any indication that PFD or Philadelphia ensured that the cumulative number of OT hours worked was accurate.

We expanded our initial sample to include the entire universe of transactions related to PFD overtime. In total, we identified \$9,530 in duplicate costs. By not having adequate controls in place, the potential risk of fraud, waste, and abuse increases. We recommend that Philadelphia develop policies and procedures to ensure that award funds are reviewed by responsible officials for accuracy, and that all necessary corrective action is taken immediately.

In summary for the PFD's costs reimbursed by Philadelphia, because PFD was allowed to utilize a weighted average instead of actual rates for overtime personnel costs, we were unable to determine whether the portion of PFD's reimbursement, specific to non-civilians, was allowable. As a result, we questioned \$1,039,496 as unallowable. We also identified instances where PFD's non-civilian OT was charged to the award more than once. As a result of the duplicate payments that were identified by PFD, but no funds returned by PFD to Philadelphia, we also question \$9,530 in unsupported duplicate payments, and recommend Philadelphia develop and implement policies and procedures to ensure award funds are accounted for properly.

Subrecipients

As detailed below, we determined that Philadelphia lacked adequate controls over its subrecipients, which included local and state law enforcement partners and the local public transit agency (or "mutual-aid partners") and the 2016 Philadelphia

Host Committee (Host Committee).⁹ As a result, we identified multiple issues with the subrecipient expenditures relating reimbursements made to the mutual-aid and other law enforcement partners, and contracts executed by the Host Committee.

Mutual-Aid Partners

We found that Philadelphia did not have a valid subrecipient agreement in effect with its mutual-aid partners. We also found that Philadelphia did not provide clear guidance to its mutual-aid partners as to what constituted allowable costs, did not take adequate steps to ensure that mutual-aid partner charges were appropriate, and did not reimburse mutual-aid partners on timely basis. As a result, we question the total amount of the award to these entities, or \$7,635,591, as unsupportable.

To ensure the convention was carried out safely and securely, Philadelphia collaborated with mutual-aid partners to fulfill the security goals of the event. Philadelphia initially budgeted for and planned on utilizing a limited number of supporting partners for the event; however, this amount grew from 15 partners to 69 partners.¹⁰

One special condition within the award required Philadelphia to submit to OJP, 30 days prior to the start of the convention, documentation identifying all state and local law enforcement agencies/jurisdictions that were to be reimbursed with grant funds for security and related costs, including overtime, associated with the convention. Additionally, no grant funds were to be used for reimbursement of a state or local law enforcement agency/jurisdiction that was not included on this list without specific approval by the Director of OJP's BJA.

For this special condition, Philadelphia requested and received an extension for providing the final list of partners, and subsequently identified 15 partner agencies prior to the start of the convention.¹¹ In March 2017, Philadelphia requested an amendment of its initial list of 15 partners by 54 additional partners for a total of 69 partners. In a letter explaining the increase, Philadelphia stated that upon final end of grant reconciliation, the mutual aid number increased because assistance provided came in small cohorts from a multitude of jurisdictions, rather than larger cohorts from a small number of jurisdictions.¹²

The DOJ Grants Financial Guide requires a recipient, when making an award to a subrecipient, to clearly identify the federal award information and applicable

⁹ According to the Federal Election Commission, a host committee works to encourage commerce in the convention city and project a favorable image of the host city to the convention attendees.

¹⁰ The numbers 15 and 69 do not include the Host Committee as a subrecipient. Of the 69, 9 were categorized as non-municipal emergency medical service (EMS).

¹¹ The grant adjustment was approved by OJP July 13, 2016.

¹² The grant adjustment was approved by OJP June 13, 2017, nearly a year after the DNC was held.

compliance requirements, including applicable special conditions, in the subrecipient award agreement, among other required items.¹³

As part of our audit, we interviewed and surveyed several of the mutual-aid partners, reviewed convention planning documentation, tested a sample of transactions, and reviewed the accompanying supporting documentation for those transactions. Based on our review, we determined that Philadelphia lacked adequate internal controls over its mutual-aid partner subrecipients.

Philadelphia and its surrounding suburbs are partners in the Southeastern Pennsylvania Regional Task Force (SEPA RTF), which was established to manage risks through an integrative, collaborative, and cooperative program that builds, maintains, and enhances preparedness capabilities amongst stakeholders in the region. The regional partners entered into a Mutual Aid and Intergovernmental Cooperation Agreement (Mutual-Aid Agreement), signed in 2009 by representatives from Philadelphia and the regional counties with an understanding that, in the event of an emergency, support would be provided when needed.¹⁴ For the convention, Philadelphia considered the Mutual-Aid Agreement the equivalent of a subrecipient agreement between Philadelphia and all of the mutual-aid partners. Philadelphia officials confirmed that the Mutual-Aid Agreement did not cover all of partners and these partners did not receive any separate subrecipient agreements. Additionally, the Mutual-Aid Agreement was not executed between Philadelphia and each individual subrecipient and it did not include representatives from the underlying local jurisdictions from each county. Rather, Philadelphia told us that it considered the document to be an umbrella agreement covering all parties involved with the convention. After our review of the Mutual-Aid Agreement, we determined that it did not include any language related to federal award information or applicable compliance requirements, including applicable special conditions.¹⁵ Therefore, Philadelphia awarded subgrants to recipients without valid subaward agreements that met federal requirements.

Less than 2 weeks prior to the start of the convention, Philadelphia released a memorandum to the mutual-aid partners informing them of the required documentation needed to receive reimbursement for law enforcement participation in support of the convention. The memorandum required mutual-aid partners to submit an invoice no later than August 31, 2016, for all personnel that worked the event, payroll documentation for all participants, and documentation that outlined the rate of pay for all participants working the event. This memorandum did not mention any other cost category expense outside of reimbursement for participant

¹³ A grant award special condition also indicated any agreements with the jurisdictions engaged in the performance of work under this grant should include a certification by those participating jurisdictions affirmatively acknowledging grant funds will not be used to supplant local and/or state funds.

¹⁴ See Appendix 3 for the full Mutual-Aid Agreement.

¹⁵ See Appendix 4 for the full-list of subrecipient agreement requirements.

time spent assisting with the convention, nor did it include any of the federally-required conditions for subaward agreements.

In testing our sample of expenditures, we 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 Philadelphia's memorandum only identifying reimbursement for personnel. As mentioned earlier, there was no subrecipient agreement in place that specified a budget, detailed the types of allowable expenditures, or cited any grant-related requirements. We were not provided any other form of documentation, outside of the memorandum, that discussed other allowable reimbursable expenses. We spoke with several mutual-aid partners who told us they were not certain what expenses were allowed to be charged to Philadelphia. For example, one jurisdiction charged officer travel time to and from the event locations; whereas others did not, and were not made aware whether that expense was eligible for reimbursement.

In our view, because Philadelphia did not provide valid and sufficient subrecipient agreements to each of its mutual-aid partners, grant award funds were applied inconsistently by the varying partners. Additionally, these subrecipients were not made aware of the grant award special conditions as required by the DOJ Grants Financial Guide and the award documents.

According to the DOJ Grants Financial Guide, all recipients and subrecipients are required to establish and maintain adequate accounting systems and financial records and to accurately account for funds awarded to them. This includes maintaining source documentation to support accounting records (e.g., canceled checks, paid bills, payrolls, and time and attendance records).

As mentioned earlier, Philadelphia required payroll documentation to be submitted for mutual aid reimbursement, such as an electronic time card or employee summary that showed total hours worked each day. From our sample of expenditures, we reviewed several summary reports from multiple jurisdictions. Some of these summaries were more robust than others in the detail provided with their reimbursement request. While we were able to review summary documentation for each mutual-aid partner in our sample, Philadelphia did not collect or request the underlying supporting documentation, such as official timesheets and paystubs. When we requested to review these documents, Philadelphia was unable to readily provide us with appropriate documentation for four out of seven mutual-aid partners in our sample.¹⁶ In addition, Philadelphia informed us 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. Based on our review, we identified errors in our sample, including over-reporting time during the event. In addition, one of the mutual-aid partners in our sample was overpaid. Specifically, the amount reported in the partner's summary invoice did not match

¹⁶ Philadelphia informed us that those jurisdictions would either have a difficult time to recreate official payroll information or it would take an inordinate amount of time to collect.

the amount reported in its summary documentation. Philadelphia paid the mutual-aid partner based on its summary invoice. Subsequently, the mutual-aid partner discovered the error and repaid Philadelphia for the overpayment amount.

A special condition of the award required Philadelphia to provide timely reimbursements to those jurisdictions that provided security-related support at the convention. Six of the seven mutual-aid partners were reimbursed approximately 4 months after submitting their invoices. We do not consider these reimbursements to be timely, potentially causing jurisdictions to carry these expenses with their own funds several months after the convention ended.

According to the DOJ Grants Financial Guide, all pass-through entities are required to monitor their subrecipients and are required to develop systems, policies, and procedures to ensure that subrecipients 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. As stated by a Philadelphia Police Department official, prior to the convention, a meeting was convened with the SEPA RTF to discuss plans and resources with regional, state, and federal partners. As part of the planning process, the Philadelphia 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.

While we were made aware of and provided with a sample of the detailed plans for mutual-aid attendance at the convention, Philadelphia did not develop a mechanism to appropriately document officer participation on-site at the convention. During our audit, we were not provided with any Philadelphia policies, procedures, or guidance related to documenting mutual-aid partner attendance during the DNC. When we spoke with the Philadelphia Police Department, they informed us that verbal roll-calls took place, but they were not documented. Furthermore, we 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. However, partners we spoke with stated that during the convention their officers were under the direct supervision of the Philadelphia Police Department and cannot speak to their specific attendance and activities, and relied on the officers to report their time appropriately. As a result, we 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. Charges made to the grant award must be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Specifically, we found that Philadelphia did not establish clear guidance for its subrecipients as to what mutual-aid partners could charge for the convention, 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 or spot checks of reimbursement request documentation, and did not reimburse mutual-aid partners on timely basis. As a result, we recommend that Philadelphia develop and implement a system of internal controls to ensure compliance and accountability of its subrecipients. We also question \$7,635,591, the total amount awarded to the mutual-aid partners as unsupported as Philadelphia did not have an active subrecipient agreement in effect and did not take appropriate actions to ensure that reimbursements to the partners were allowable and appropriately supported.

Host Committee

We found that the Host Committee failed to comply with federal and local requirements related to its awarding of contracts pursuant to the subrecipient agreement. In addition, we determined that the participation of the Democratic National Convention Committee (DNCC), a politically-affiliated organization, in the Host Committee's contracting activity, including in the selection of vendors, could have negatively impacted the public's confidence in the grant program.

In a June 2016 Grant Adjustment Notice (GAN), OJP authorized Philadelphia to provide grant funds to the Host Committee as a subrecipient of the DNC grant award. As part of its GAN authorization process, OJP's General Counsel's Office determined that it was acceptable for the Host Committee to be a subrecipient of the grant award. In its request to OJP, Philadelphia sought this designation so that it could assign responsibility to the Host Committee for procuring and managing other vendors in furtherance of security needs associated with the convention. According to a Philadelphia official, the Host Committee was in a better position to oversee certain contracts as the contracts were more closely related to the Host Committee's roles and responsibilities. A subrecipient agreement was executed between Philadelphia and the Host Committee. According to the subrecipient agreement, the Host Committee was responsible for selecting and managing contracts related to a secure bus system for delegate movement, credentials and background checks for convention volunteers, parking lot leases around the event venue, private security at the event venue, and other matters. The subrecipient agreement required that the Host Committee observe and comply with all federal, state, and local laws and regulations. Philadelphia budgeted \$8.6 million in grant funds for the Host Committee and ultimately reimbursed approximately \$7.8 million in grant funds for actual expenses resulting from the convention.

We found that 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 OJP 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 in excess of the simplified acquisition threshold, as determined by the Uniform Guidance (currently \$150,000).¹⁷ Per

¹⁷ Award recipients may conduct sole source procurement through solicitation of proposals from only one source when one or more of the following circumstances apply: the item/service is

OJP's guidance, Philadelphia, as the primary grant recipient, was responsible for the approval of the Host Committee's sole source procurements. In addition to the federal guidelines, Philadelphia's own policies require every non-competitively bid contract to be appropriately justified and to receive advance approval, in writing, from Philadelphia's Finance Director and the City Solicitor.

In a letter dated July 11, 2016, to Philadelphia's First Deputy Managing Director, the Host Committee requested sole source approval for, among other things, contracts relating to the parking lots that surround the perimeter of the event venue, hotels and transportation for security, and the master provider of event services for the convention. While Philadelphia did not provide a formal letter of approval to the Host Committee, the Philadelphia Grant Manager informally approved the Host Committee's ability to proceed with these vendors on the same day. We asked Philadelphia officials to provide us with documentation demonstrating that Philadelphia's policies for non-competitively bid contracts were followed, however, we were not provided any documentation as Philadelphia's Grant Manager stated that the approval process was not fully documented. However, the Grant Manager explained that the City Solicitor's signature on the subrecipient agreement between the Host Committee and Philadelphia served as Philadelphia's approval of this and other contracts executed by the Host Committee. The subrecipient agreement included the names of the vendors, the types of services provided, and the anticipated amount of grant funds they would receive.

In our review, we found that the Host Committee entered into sole source contracts with one of the parking lot providers, various hotels for security consultants, and the master provider of event services prior to Philadelphia's sole source approval, thereby violating the sole source federal guidelines. Executing contracts and incurring costs without advance approval undermines OJP's effectiveness in oversight and monitoring, and it could jeopardize other critical and essential contractually-funded grant activities. Also, as mentioned earlier, Philadelphia could not demonstrate that these sole source contracts adhered to its own policies. As a result, we question all costs associated with these contracts, \$349,232, as unallowable.

For the remaining contracts, the Host Committee was required to adhere to Philadelphia'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 in excess of \$32,000 (excluding those approved for sole source).

Of the eight contracts, we found two contracts that were not competitively bid and were not in compliance with Philadelphia's own sole source procurement policies, federal guidelines, and a grant award special condition. The first contract was a security service consultant that handled the perimeter between zones worked by the Secret Service and Philadelphia Police Department. According to a

available only from one source, the public exigency or emergency for the requirement will not permit a delay resulting from competitive solicitation, or competition is determined inadequate after solicitation of a number of sources.

Philadelphia official, this vendor had specialized knowledge with respect to interfacing with the Secret Service and local law enforcement, had been a part of the past four DNCs (Boston, Denver, Charlotte, and Philadelphia), and no other firm was considered for this role because of the vendor's extensive experience and ability.

Our review found that this first contract established a flat fee, broken into an installment plan, and did not disclose any information related to payment based on time and effort. The contract was also signed by the Host Committee following the end of the convention. The invoices submitted by this vendor lacked any information on the services rendered. Philadelphia, as the primary grantee, was responsible for ensuring the Host Committee's compliance with these policies. The absence of competition and sufficient and appropriate reporting undermines OJP's ability to ensure reasonableness and consistency with current market value for services. Based on the above reasons, we question the total amount of the contract, \$61,500, as unallowable.

The second noncompetitive contract was for emergency medical services. According to a Philadelphia official, the provider was an approved vendor of the event venue and had a dedicated work space where it stored equipment for its contracted services within the facility. We reviewed the contract between the Host Committee and the vendor as well as the \$108,330 invoice it submitted for reimbursement. As with the other sole source contracts awarded by the Host Committee, Philadelphia could not demonstrate that the Host Committee received the appropriate approvals in accordance with Philadelphia policies. However, based on further review of this vendor and its relationship to the venue, we did not take issue with this specific contract.

In addition, as part of our expenditure testing, we reviewed supporting documentation for invoices submitted by the Host Committee for reimbursement, including contracts awarded less than \$32,000. We found that Philadelphia 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. As mentioned earlier, according to OJP, Philadelphia was responsible for passing through federal requirements and special conditions as well as ensuring subrecipient compliance. If any consultant rate exceeded the daily maximum threshold, Philadelphia would be required to review and approve/deny as necessary to ensure compliance.

In our review, the vendor that provided cybersecurity reinforcements charged a rate of \$200 per hour for each employee for website cybersecurity updates, and an additional \$200 per hour per employee for an on-site website security retainer. Although the \$200 per hour rate was included in Philadelphia's approved budget, there was no evidence of written prior approval granted by Philadelphia, and this rate exceeds the maximum hourly rate allowed by OJP (\$81.25/hour for consultants). Based on this information, we are questioning \$11,875 as unallowable representing the excess paid to the cybersecurity consultant above the OJP maximum allowable rate.

We also found that the Host Committee allowed the Democratic National Convention Committee (DNCC) to be involved in awarding of contracts. The DNCC is affiliated with the Democratic National Committee, a partisan, political organization. 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. Furthermore, 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.

As seen in the table below, our review revealed that nine contracts were selected by the DNCC, in consultation with the Host Committee.

Table 4
Subcontracts Selected by DNCC in Consultation
with the Host Committee

Subcontract Service	Cost
Background Checks for Volunteers	\$34,788
Credentials/Scanning Equipment	\$129,368
Fireproof Cabinet	\$103,190
Secure Bus System	\$5,276,138
Radio Programming	\$88,923
Private Security	\$146,658
Security Service Consultant	\$61,500
Event Service Provider	\$76,386
Hotels	\$47,846
Total:	\$5,964,797

Source: OIG Analysis of Host Committee Documentation

In addition, we reviewed the contract between the Host Committee and the DNCC and determined that there was language in the contract that indicated the DNCC required express written prior approval on expenditures made by the Host Committee. As part of our audit, we reviewed the supporting documentation for invoices submitted by the Host Committee for reimbursement. With each invoice, we found a "Security Grant Expenditure Request Form," which included information on the vendor, the amount of the invoice, internal accounting information, and various signature lines for approvals. Of the six signature lines, five were positions from within the DNCC. When asked why the form existed in relation to contracts executed between the Host Committee and its vendors, a Philadelphia official told us that the Host Committee used the standard form for all transactions. According to a Philadelphia official, the form was established to ensure the proper monitoring and contract fulfillment between the Host Committee and the DNCC. Even though the DNCC was not a party to the contracts in question, signature approval was received from the DNCC for Host Committee expenditures that were reimbursed from grant funds.

The DOJ Grants Financial Guide states that award funds cannot be used to establish, administer, contribute to, or pay for the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcome of elections. While this provision of the DOJ Grants Financial Guide relates to the prohibition on using grant funds for lobbying purposes, we believe it identifies the adverse effect that perceived or actual political influence can have on DOJ grant programs. Further, the DOJ Grants Financial Guide states that decisions on the use of DOJ grant funds must be free of undisclosed personal or organizational conflicts of interest, both in fact and in appearance. In our view, the involvement of the DNCC approving a DOJ grant subrecipient's actions, in this case the Host Committee, created an appearance that contracts could have been awarded as a result of partisan political influence. As stated earlier, the DNCC is a politically-affiliated organization, and while the contracts we reviewed were executed between the Host Committee and various vendors, the insertion of the DNCC in the approval process could allow for inappropriate political influence in the award process. In our view, Philadelphia should have ensured that none of the subrecipients of the grant funds participated in any activities that could negatively affect the confidence of the public in the integrity of the grant program. We recommend that OJP ensures that policies be established to prevent any such matters in the future. Based on our review of the procurement processes for certain contracts executed by the Host Committee and given the Host Committee's relationship with the DNCC, we question the amount of those contracts, \$5,964,797, as unallowable.

Budget Management and Control

We determined that Philadelphia did not manage its budget in accordance with the terms and conditions of the award, and did not maintain accountability of funds, both disbursed and returned.

According to the DOJ Grants Financial Guide, award recipients are responsible for establishing and maintaining an adequate accounting system, which includes the ability to compare actual expenditures, or outlays, with budgeted amounts for each award. Additionally, recipients must initiate a GAN for a budget modification that reallocates funds among budget categories if the proposed cumulative change is greater than 10 percent of the total award amount. We compared grant expenditures to the approved budgets to determine whether Philadelphia transferred funds among budget categories in excess of 10 percent. We determined that the cumulative difference between category expenditures and approved budget category totals were not greater than 10 percent.

As part of the terms and conditions of the award, OJP required Philadelphia to submit any budget adjustments for approval and reserved discretion to deny any expenditure that appeared unreasonable, unnecessary, or otherwise unrelated to the purpose of the grant. We believe these requirements were intended to safeguard award funds from being misappropriated. In total, we identified five budget revisions, as well as a final budget that was modified as a result of our audit. Based on our review, we found that the budget revisions addressed changes such as additional personnel and subrecipient costs that were not anticipated.

Although these revisions were eventually approved, we found instances where Philadelphia modified its budget, awarding funds to additional local law enforcement partners without prior OJP approval. Specifically, as discussed in the Subrecipient section of this report, we found that Philadelphia requested an additional 54 partners to the previously approved list of 15 participating law enforcement partners/jurisdictions for reimbursements associated with security and related costs, including overtime. This request was made on March 31, 2017, approximately 8 months after the conclusion of the DNC event.

Based on our audit, Philadelphia resubmitted a revised final budget to OJP to account for reimbursements provided to the Host Committee and other mutual-aid partners that were later returned to the City. During our audit, we determined that Philadelphia's federal share of expenditures included on its final Federal Financial Reports (FFR) did not accurately reflect the total amount recorded in the accounting records to include the amount returned to the City. In total, Philadelphia failed to accurately report on its final FFR \$852,814 in reimbursements made 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 Philadelphia. As a result, Philadelphia revised and resubmitted its budget to account for the returned reimbursement funds to accurately reflect actual expenditures.

By not managing its budget in accordance with terms and conditions of the award, not maintaining accountability of funds, both disbursed and returned, we believe that Philadelphia increased the risk of grant funds exposure to potential fraud, waste, and abuse. As a result, we recommend Philadelphia develops policies and procedures to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and grant funds are adequately safeguarded.

Drawdowns

Based on our review, we found that Philadelphia, at the time of the drawdowns: (1) did not receive prior approval from OJP to draw down the funds and (2) did not receive prior written approval for its expenditures.¹⁸ We also found that Philadelphia did not base its drawdowns on its actual expenditures.

According to the DOJ Grants Financial Guide, an adequate accounting system should be established to maintain documentation to support all receipts of federal funds. If, at the end of the grant award, recipients have drawn down funds in excess of federal expenditures, unused funds must be returned to the awarding agency. As discussed in the Grant Financial Management section of this report, Philadelphia did not have adequate policies and procedures related to grant administration.

On June 16, 2017, Philadelphia drew down \$40 million. One week later, on June 23, 2017, Philadelphia drew down an additional \$997,384. According to

¹⁸ Philadelphia's First Deputy Managing Director stated in a letter to OJP dated July 26, 2017, that Philadelphia, "misunderstood the necessity for written explicit approval on actual expenditures," despite the award documents and special conditions plainly stating this requirement.

Philadelphia's accounting system, as of the date of the last drawdown, Philadelphia incurred approximately \$47 million in grant-related expenditures. To assess whether Philadelphia managed grant receipts in accordance with federal requirements, we compared the total amount reimbursed to the total expenditures in the accounting records.

While the cumulative drawdown amount was less than the cumulative expenditures associated with the grant, Philadelphia failed to properly allocate the expenditures it specifically intended to fund with the \$41 million in funding reimbursements received in June 2017. A Philadelphia official confirmed that Philadelphia could not establish a listing of expenditures associated with the award funds because its reimbursement amount was based on a percentage of the total award amount, 95 percent, instead of an amount that reflected payment for reimbursement of actual expenditures. As a result, we determined that Philadelphia failed to comply with the DOJ Grants Financial Guide related to drawdowns because it did not maintain documentation to support all receipts of federal funds.

Philadelphia was also required to satisfy all of the mandated withholding special conditions and have all expenditures approved in advance by OJP prior to requesting grant funds.

Lastly, we found it took Philadelphia approximately a year to reimburse its general fund for expenditures related to the grant. Philadelphia incurred most, if not all of its grant related expenditures, either prior to or during the DNC event. Although the timing of the drawdowns do not violate the DOJ Grants Financial Guide, it does raise concerns regarding Philadelphia's cash management practices given Philadelphia self-financed approximately \$41 million for over a year when grant funds were available for reimbursements.

As a result of the findings associated with Philadelphia's drawdown practices, we recommend OJP ensures Philadelphia develops and implements written policies and procedures for drawdown funding requests to ensure federal cash on hand complies with the DOJ Grants Financial Guide.

Federal Financial Reports

We found that Philadelphia did not separate actual expenditures and encumbrances on its FFR and, therefore, the total federal share of expenditures were not reported accurately. According to the DOJ Grants Financial Guide, recipients shall report the actual expenditures and unliquidated obligations incurred for the reporting period on each financial report, as well as cumulative expenditures.¹⁹ To determine whether Philadelphia submitted accurate FFRs, we reviewed the three most recent reports and compared them to the accounting

¹⁹ In Federal accounting, unliquidated obligations means, for financial reports prepared on a cash basis, obligations incurred by the entity that have not been paid (liquidated). For reports prepared on an accrual expenditure basis, these are obligations incurred by the entity for which an expenditure has not been recorded. As fully defined later in this report, an encumbrance, used predominately in state and local accounting, has a comparable meaning.

records, including Philadelphia's final FFR. As part of our testing, we attempted to replicate the total federal share of expenditures, quarterly and cumulatively, beginning on July 1, 2016, and ending on March 31, 2017.

On October 6, 2017, we received accounting records to support the amount listed on the federal share of expenditures for the final FFR. We were informed that it could not be reconciled with their final quarterly FFR, ending March 31, 2017, because it was off by approximately \$100,000. Based on our review, we found the discrepancy between Philadelphia's accounting records and the amount listed on the final FFR was significantly greater, by approximately \$1 million. A Philadelphia official informed us that this discrepancy was a result of revenue (refunds associated with the grant) that was not properly accounted. Revenue included: a \$9,000 refund from an invoice that was incorrect due to a typographical error, an \$839,289 refund from the Host Committee for security, and a \$4,525 reimbursement from a vendor who lost a City provided radio while working the convention. As a result, Philadelphia revised and resubmitted their final FFR to reflect these adjustments. While corrective actions were implemented, it raises concerns that Philadelphia did not identify these issues prior to our audit. Based on our review, there was no indication that Philadelphia performed periodic reconciliations to identify discrepancies in the accounting records.

In addition to analyzing the final FFR, we also reviewed quarterly reports to see whether the federal share of expenditures were accurate. For the quarter ending September 30, 2016, we found Philadelphia reported actual expenditures (\$10,445,734) and encumbrances (\$15,660,206) collectively totaling \$26,105,940 as the federal share of expenditures. According to the DOJ Grants Financial Guide, the FFR should show the actual funds you have spent (expenditures) and any bills the recipient is going to pay (unliquidated obligations incurred) at the recipient/subrecipient level, both for the reporting period and cumulatively, for each award. Based on our review, we determined that these amounts were not reported in accordance with DOJ Grants Financial Guide. Philadelphia reported expenditures and unliquidated obligations incurred as federal share of expenditures, instead of reporting the federal share of expenditures and federal share of unliquidated obligations, separately. As a result, the amount reported on this FFR for federal share of expenditures was not accurate.

Additionally, for the quarter ending December 31, 2016, Philadelphia provided us with a cumulative listing of expenditures totaling \$27,200,759. Although the cumulative amounts between the listing of expenditures to support the amount reported on the FFR matched, we identified a discrepancy between the amounts reported on the FFR and accounting records for this period. We found that the listing of expenditures provided to support the FFR total included actual expenditures and encumbrances. According to the FFR submission, during this period Philadelphia spent \$1,094,819 on the federal share of expenditures. To determine whether this amount was accurate, we sorted the listing of expenditures by date and isolated all of the expenditures that were made during this reporting period. Based on Philadelphia's accounting records, we identified \$1,741,340 in expenditures, a difference of \$646,521. In the previous quarter, we found that Philadelphia underreported the total federal share of expenditures totaling

\$646,521. As a result, we determined that the FFRs for these two quarter were not accurate. We performed the same steps to evaluate the amounts reported on FFR ending March 31, 2016, and found the same issues.

Moreover, in a separate review by the OJP's OCFO, similar issues related to Philadelphia's FFRs were identified. In a follow-up response, OCFO explained the difference between encumbrance and actual expenditures, as follows;

An Encumbrance - funds that have been reserved when a purchase requisition is finalized and encumbered. When a requisition is processed, funds are placed aside for that transaction. Those funds are no longer available for use in other transactions, but also have not been included in the Actual Funds balance because a payment has not yet been generated. The purpose and main benefit of encumbrance accounting is avoiding budget overspending. However, when the vendor is paid, the encumbrance is reversed and the funds will appear under the Actual funds balance instead of as an Encumbrance balance.

In summary, by not separating actual expenditures and encumbrances on the FFRs, the total federal shares of expenditures were not reported accurately. By reporting inaccurate totals, it reduces OJP's effectiveness to manage and oversee the award. Therefore, we recommend that OJP ensure Philadelphia implement and adhere to written policies and procedures to ensure FFRs are prepared accurately.

OJP Oversight

We believe OJP, as the oversight entity, could have exercised greater control over the grant funds awarded to Philadelphia. As the awarding agency, OJP was charged with direct oversight of grant 2016-ZC-BX-0002 and designated a Grant Manager to oversee grant activities. As part of their monitoring activities, prior to the start of the convention, the Grant Manager went on-site to Philadelphia for a monitoring visit to help with advance preparation and to review Philadelphia's course of action for the grant. Throughout the duration of the grant award period, the Grant Manager served to assist Philadelphia with grant-related questions. As part of our audit, we maintained contact with the Grant Manager for relevant updates and additional information.

As mentioned earlier, the initial grant award received by Philadelphia contained 57 special conditions and the supplement contained 66 special conditions. Several of these special conditions needed to be satisfied prior to the start of the convention on July 25, 2016, and some before the grant period ended on March 31, 2017. OJP approved multiple extensions and retroactively approved several items submitted by Philadelphia to maintain Philadelphia's special condition compliance. Table 5 summarizes these actions.

Table 5
Extensions and Retroactive Approvals

Special Condition Number (Initial, Supplement)	Description	Extension/Retroactive Approval	Date in Compliance (by GAN)
48, 55	A list of all jurisdictions participating in DNC required 30 days prior to start of the convention (Due Date: 6/25/16).	Extension	6/13/2017
47, 54	All grant funded equipment to be purchased and operational 14 days prior to start of the convention (Due Date: 7/11/16).	Extension	9/21/2016
37, 37	Approval for Controlled Expenditures in Advance of Purchase (Buses, SUV)	Retroactive Approval	11/8/2016
52, 59	Closeout plan to be submitted less than 90 days before the end of the grant period (Due Date: 1/1/2017).	Extension	4/14/2017
43, 50	Drawdown without Prior Approval, Drawdowns on a Reimbursement Basis Only	Retroactive Approval	8/3/2017

Source: OIG analysis

As described above, and throughout this report, the grantee, on multiple occasions, did not adhere to federal grant terms and conditions. In our judgment, special conditions are added to grants to further safeguard and protect federal funds from misuse.

Other Reportable Matters

As mentioned earlier in this report, following the end of the grant award period (March 31, 2017), OJP's OCFO informed us that it had placed a hold on Philadelphia's remaining DNC grant funds, totaling \$8,902,616, and restricted Philadelphia from making any additional reimbursement requests until the OCFO's recommendations are closed. Accordingly, Philadelphia has not received the full amount spent for the convention for grant reimbursement. A GAN detailing this hold was approved in March 2018.

In a GAN from July 2017, OJP extended the liquidation period of the award until July 31, 2017. In a separate GAN from August 2017, OJP further extended the liquidation period of the award until August 31, 2017. As of March 2018, no subsequent GANs have been issued to extend the liquidation period of the award.

CONCLUSION AND RECOMMENDATIONS

As a result of our audit testing, we conclude that Philadelphia did not adhere to all of the grant requirements we tested, but achieved the grant's stated goal despite several discrepancies or instances of noncompliance. We found that Philadelphia did not comply with essential award conditions related to overall grant administration, personnel and subrecipient expenditures, budget management and control, drawdowns, and federal financial reports. We provide 13 recommendations to Philadelphia to address these deficiencies.

We recommend that OJP:

1. Ensures Philadelphia implements and adheres to written policies and procedures for grant administration, including drawdowns, federal financial reports, and subrecipients, to ensure compliance with the applicable laws, regulations, and award terms and conditions.
2. Remedy \$1,039,496 in unallowable personnel costs for the Philadelphia Fire Department.
3. Remedy \$9,530 in unallowable duplicate personnel costs for the Philadelphia Fire Department.
4. Ensures Philadelphia develops and implements policies and procedures to ensure award funds are accounted for properly.
5. Ensures Philadelphia develop and implement a system of internal controls to ensure compliance and accountability of its subrecipients.
6. Remedy \$7,635,591 in unsupported subrecipient expenditures awarded to the mutual-aid partners.
7. Remedy \$349,232 in unallowable subrecipient sole source contract expenditures executed by the subrecipient Host Committee.
8. Remedy \$61,500 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.
9. Remedy \$5,964,797 in unallowable subrecipient expenditures for contracts executed by the subrecipient Host Committee.
10. Remedy \$11,875 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.
11. Ensures Philadelphia develops policies and procedures to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.

12. Ensures Philadelphia develops and implements written policies and procedures for drawdown requests to ensure federal cash on hand complies with the DOJ Grants Financial Guide.
13. Ensures Philadelphia implement and adheres to written policies and procedures to ensure FFRs are prepared accurately.

OBJECTIVES, SCOPE, AND METHODOLOGY

Objectives

The objectives of this audit were to determine whether costs claimed under the grants were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant; and to determine whether the grantee demonstrated adequate progress towards achieving the program goals and objectives. To accomplish these objectives, we assessed performance in the following areas of grant management: program performance, financial management, expenditures, budget management and control, drawdowns, and federal financial reports.

Scope and Methodology

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 objective.

This was an audit of an OJP, BJA grant awarded to the city of Philadelphia, Pennsylvania for the 2016 Democratic National Convention. Grant 2016-ZC-BX-0002, including a supplement, awarded \$49.9 million to Philadelphia, and as of July 2018, had drawn down \$40,997,384 of the total grant funds awarded. Our audit concentrated on, but was not limited to October 1, 2015, the award date for Grant Number 2016-ZC-BX-0002, through May 2018, the last day of our audit work. Philadelphia is unable to draw down any remaining funds until all recommendations from a February 2017 OCFO site visit report are closed. In August 2018, we gave the Host Committee, a subrecipient of this grant award, an opportunity to review a section of the draft report to provide a technical review. We received their comments in September 2018.

To accomplish our objectives, we tested compliance with what we consider to be the most important conditions of Philadelphia's activities related to the audited grants. We performed sample-based audit testing for grant expenditures including payroll and fringe benefit charges, subrecipient, equipment, supplies, and others expenditures, financial reports, special conditions, and performance reports. In this effort, we employed a judgmental sampling design to obtain broad exposure to numerous facets of the grant reviewed. This non-statistical sample design did not allow projection of the test results to the universe from which the samples were selected. The DOJ Grants Financial Guide and the award documents contain the primary criteria we applied during the audit.

During our audit, we obtained information from OJP's Grants Management System as well as Philadelphia's accounting system specific to the management of

DOJ funds during the audit period. We did not test the reliability of those systems as a whole, therefore any findings identified involving information from those systems were verified with documentation from other sources.

APPENDIX 2

SCHEDULE OF DOLLAR-RELATED FINDINGS

<u>Description</u>	<u>Amount</u>	<u>Page</u>
Questioned Costs:		
Unallowable Personnel and Fringe Benefits – Philadelphia Fire Department	\$1,039,496	9
Unallowable Duplicate Personnel and Fringe Benefits – Philadelphia Fire Department	9,530	10
Unallowable Subrecipient Sole Source Contracts Expenditures	349,232	17
Unallowable Subrecipient Contract Expenditure	61,500	18
Unallowable Subrecipient Contracts – DNCC Selected	5,964,797	19
Unallowable Subrecipient Contract Expenditure	<u>11,875</u>	18
Unallowable Costs	\$7,436,430	
Unsupported Subrecipient Expenditures - Mutual Aid Partners	<u>\$7,635,591</u>	15
Unsupported Costs	\$7,635,591	
<i>Gross Questioned Costs</i> ²⁰	\$15,072,021	
Less Duplicate Questioned Costs ²¹	<u>(195,262)</u>	
Net Questioned Costs	\$14,876,759	

²⁰ **Questioned Costs** are expenditures that do not comply with legal, regulatory, or contractual requirements; are not supported by adequate documentation at the time of the audit; or are unnecessary or unreasonable. Questioned costs may be remedied by offset, waiver, recovery of funds, or the provision of supporting documentation.

²¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amount, which includes \$195,262 in duplicate unallowable subrecipient expenditures.

MUTUAL AID AND INTERGOVERNMENTAL COOPERATION AGREEMENT²²

Southeastern Pennsylvania Mutual Aid and Intergovernmental Cooperation Agreement

THIS MUTUAL AID AGREEMENT (hereinafter "Agreement"), made and entered into on September ____, 2009 among the following Counties, all of which are political subdivisions of the Commonwealth of Pennsylvania, by their duly elected Board of Commissioners (or County Council), Chief Executive or Managing Director (or Chairman of County Council): Bucks, Chester, Delaware, Montgomery, and the City of Philadelphia (hereafter referred to as "Political Subdivisions").

WHEREAS, Pursuant to Emergency Management Services Code, 35 Pa. C.S.A. §7101, et seq., as amended, (hereinafter the "Code") and the Counterterrorism Planning, Preparedness, and Response Act, 35 P.S. §§ 2140.101-2140.33 (Act No. 227 of 2002) (hereinafter the "Act"), county emergency management coordinators of political subdivisions are required to develop Mutual Aid Agreements with adjacent political subdivisions for reciprocal disaster preparedness and prevention as well as emergency response and recovery,

AND

WHEREAS, The Code authorizes political subdivisions to enter into intergovernmental cooperative agreements pursuant to the Intergovernmental Cooperation Law, 53 Pa. C.S.A. §2301, et seq. (hereinafter the "Cooperation Law"; the Code; the Act; and the Cooperation law are hereinafter referenced collectively as "State Law"),

AND

WHEREAS, the Parties recognize that the people and communities in this Region are vulnerable to damage, injury, and loss of life and property from a disaster and that these events present equipment and manpower requirements beyond the capacity of each individual Party,

AND

WHEREAS, the governing officials of the Parties desire to secure for each Party the benefits of mutual aid and protection of life and property in the event of a disaster and/or civil emergency,

AND

WHEREAS, the Parties wish to provide for a body to coordinate the region's emergency preparedness and to furnish mutual aid to cope with disasters, and are so authorized to make this Agreement pursuant to State Law.

NOW, THEREFORE, WITNESSETH, that, for and in consideration of mutual promises and agreements contained herein, the Political Subdivisions hereby agree as follows:

1. The above is expressly incorporated herein as material part of the Agreement.

²² We excluded the signature pages 7-12 of this agreement.

**Southeastern Pennsylvania
Mutual Aid and
Intergovernmental Cooperation Agreement**

2. Capitalized terms used herein but not defined herein shall have the meanings ascribed to such terms under State Law.

**Creation and Management of the Southeastern Pennsylvania Regional Task Force
by an Executive Board**

3. The Political Subdivisions hereto do hereby create the Southeastern Pennsylvania Regional Task Force (hereinafter the "SEPA RTF").
4. The mission of the SEPA RTF is to establish a strategic partnership to manage the risks created by all hazards through an integrative, collaborative and cooperative program that builds, maintains, and enhances preparedness capabilities amongst stakeholders in the region. This partnership respects the primary operational responsibility and authority to respond to emergencies vested in county and municipal governments.
5. SEPA RTF shall be governed by an executive board of five (5) members, consisting of the County Emergency Management Coordinator from each of the Political Subdivisions (hereinafter the "Board"). Any member may designate in writing a qualified representative to serve and vote in that member's stead.
6. Each member of the Board shall appoint a solicitor for counsel on issues relevant to the mission of the SEPA RTF. The five solicitors, or their agents, shall meet at least twice a year.
7. The Board shall establish, by majority vote, certain policies to carry out the mission of SEPA RTF (hereinafter "Operating Policies").
8. All decisions of the Board, as specified in this Agreement and in the Operating Policies, shall be determined by a simple majority vote of the Board.
9. The Board may appoint an executive director to assist it in the oversight and operations of the SEPA-RTF and any agents or contractors appointed by the Board.

Management of SEPA RTF through an Agent

10. For the purposes of receiving United States Department of Homeland Security (hereinafter the "US DHS") Homeland Security Grant Program funds (hereinafter the "HSGP funds"), SEPA RTF shall serve as the Urban Area Working Group (hereinafter the "UAWG").
11. Grants to an individual Political Subdivision, regardless of the source, are not part of the contemplated funding of SEPA RTF under this Agreement.

**Southeastern Pennsylvania
Mutual Aid and
Intergovernmental Cooperation Agreement**

12. The expenditure of HSGP funds and the location of facilities and equipment to support the mission of SEPA RTF shall be determined by a majority vote of the Board.
13. The Board shall appoint an agent (hereinafter the "Agent") to manage, through the SEPA-RTF executive director and Board, the programmatic, financial and grant-related activities of SEPA RTF in accordance with State Law and with policies and guidelines set by the Board, the Commonwealth of Pennsylvania, and US DHS.
14. The Board shall select the Agent through a competitive process managed by the Pennsylvania Emergency Management Agency (hereinafter "PEMA"). Qualified organizations and individuals, as well as the Political Subdivisions, may compete through this process to be the Agent.
15. The Agent shall establish special interest bearing account(s) for SEPA RTF to carry out the mission of SEPA RTF and its responsibilities as the Agent.
16. The Agent shall conduct financial audits as required by State Law and with policies and guidelines set by the Board, the Commonwealth of Pennsylvania, and US DHS.
17. The controller or auditor of any participating Political Subdivision may audit the finances of SEPA RTF.
18. The Agent, within the budget allotted for such costs, shall establish a management and administrative structure to carry out the mission of SEPA RTF, with approval of the Board and in accordance with the Operating Policies.
19. The Political Subdivisions shall cooperate with the Agent in a timely manner in providing programmatic, financial and other grant-related information consistent with Operating Policies.

Cooperation in Emergency Planning, Training, and Exercise Activities

20. The Political Subdivisions, through the Board and SEPA RTF, agree to cooperate in the prevention of and preparation for emergencies and disasters through coordinated planning, training and exercise activities.
21. The Political Subdivisions, through the Board and SEPA RTF, agree to share information to support the prevention of and preparation for emergencies and disasters. Information includes, but is not limited to, documents whether in paper or electronic form and/or electronic data.

**Southeastern Pennsylvania
Mutual Aid and
Intergovernmental Cooperation Agreement**

Cooperation in Emergency Response and Recovery Operations

22. This Agreement is not intended to preclude, nor shall it apply to, the longstanding practice among the Political Subdivisions that share a border to routinely assist one another for incidents that occur on, in or about these borders.
23. The procedures and protocols set forth herein shall guide the response to requests for mutual aid, but shall not give rise to liability on the part of any party for failure to comply with such procedures and protocols or for actions taken or not taken in response to a request for mutual aid.
24. The Board shall establish policies and procedures, consistent with State and Local Law and this Agreement, to affect mutual aid responses.
25. The procedures and protocols set forth in this Agreement may be activated for catastrophic events or other emergencies, disasters, or events that require the response of resources above and beyond the capacity of the affected Political Subdivision.
26. The Responding Political Subdivision shall make its best effort to respond to Mutual Aid requests, subject to the needs (whether immediate or anticipated) of the Requesting Political Subdivision, as determined solely by the responsible officials of the Requesting Political Subdivision.
27. Each Political Subdivision shall be responsible for developing standard operating procedures within its Political Subdivision for determining who has the authority to request or provide Mutual Aid pursuant to this Agreement; by what process requests are made to the authorized Communications Center; and which communications center within the Political Subdivision will internally coordinate the assembly of Resources provided in Mutual Aid.
28. Each Political Subdivision shall provide copies of these procedures to the other Political Subdivisions.
29. In accordance with the Code, Chapter 73, Subchapter C, §7337: A Responding Political Subdivision shall ensure that adequate insurance protection is in effect covering all vehicles and equipment used in response to an intrastate mutual aid request.
30. In accordance with the Code, Chapter 73, Subchapter C, §7338: Notwithstanding any other provision of law, a Responding Political Subdivision shall provide appropriate workers' compensation insurance protection for municipal employees and volunteers duly dispatched by the Responding Political Subdivision when responding to a request under this system. Personnel of a responding political subdivision who sustain injury or death in the course of and arising out of their employment shall be entitled to all applicable benefits normally available to personnel while performing their

**Southeastern Pennsylvania
Mutual Aid and
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duties for their employer. Responders shall receive any additional Federal and State benefits that may be available to them for line-of-duty deaths.

31. Pursuant to the Act, participation by a Political Subdivision, an individual, or employer on SEPA RTF, specialized regional response teams or task forces, specialized statewide response teams, or Urban Search and Rescue task forces, shall not be construed to permit an insurer to raise workers' compensation insurance premiums. 35 P.S. §2140.207(b).

Liability

32. In accordance with the Code, Chapter 73, Subchapter C, §7339: All activities performed under the intrastate mutual aid system are deemed to be governmental functions. For the purposes of liability, all persons responding under the operational control of the Requesting Political Subdivision shall be deemed to be employees of the Requesting Participating Political Subdivision. Except in cases of willful misconduct, gross negligence or bad faith, neither the Participating Political Subdivisions nor their employees shall be liable for the death of or injury to persons or for damage to property when complying or attempting to comply with the system. This subchapter shall provide no immunity, rights or privileges for any individual responding to an incident where the response has not been requested by a Participating Political Subdivision.
33. In accordance with the Code, Chapter 73, Subchapter C, §7339: no Political Subdivision, its governing body, employees, agents, representatives, responding emergency personnel and/or their heirs, representatives, administrators or agents shall present any claim of any nature against the other for compensation for any loss, damage, personal injury, or death occurring in consequence of the performance of the services called for in this Agreement.
34. In accordance with State Law, the provisions of 42 Pa. C.S. §8331 (relating to medical good Samaritan civil immunity), §8332 (relating to non-medical good Samaritan civil immunity), or §8332.4 (relating to volunteer-in-public service negligence standard) shall apply to members of specialized regional response teams or taskforces, specialized statewide response teams, or Urban Search and Rescue task forces and individuals who provide logistical, material, or other forms of support to such teams during activation or deployment to a potential or actual emergency/disaster or while engaged in drill or exercise activities.
35. In accordance with State Law, the Commonwealth of Pennsylvania shall indemnify a county or Political Subdivision for any costs related to damaged county or municipal property which results from participation in specialized regional response teams or taskforces, specialized statewide response teams, or Urban Search and Rescue task forces. 35 P.S. §2140.208.

**Southeastern Pennsylvania
Mutual Aid and
Intergovernmental Cooperation Agreement**

36. Nothing herein is intended to abrogate, divest or limit the immunities available to each participating municipality and/or its employees subject to this Agreement provided pursuant to the Pennsylvania Political Subdivision Torts Claim Act (42 Pa C.S. Section 8541, et seq.).

Term

37. This Agreement shall continue in force and remain binding on each participating Political Subdivision for one year with an automatic renewal for additional one year terms on the execution date of the Agreement, unless and until the Board of Commissioners (or County Council), Chief Executive or Managing Director (or Chairman of County Council) of a participating Political Subdivision shall take action to withdraw from the Agreement. Such action shall not be effective until thirty (30) days after written notice of withdrawal has been sent by the Political Subdivision desiring to withdraw to the other participating Political Subdivisions to this Agreement.

Notices

38. Any notices required hereunder shall be given as follows:

If to the County of Bucks, to:

Chief Operating Officer
55 East Court Street
Doylestown, PA 18901

Director, Emergency Services
911 Freedom Way
Ivyland, PA 18947

If to the County of Chester, to:

Chief Administrative Officer
2 North High Street
West Chester, PA 19382

Director, Department of Emergency Services
601 Westtown Road
West Chester, PA 19380

If to the County of Delaware, to:

County Council
Government Center Building
Media, PA 19063

2015 DOJ GRANTS FINANCIAL GUIDE SUBRECIPIENT AGREEMENTS

When you, as a pass-through entity, make an award to a subrecipient, you must clearly identify the Federal award information and applicable compliance requirements, including applicable special conditions, in the subrecipient award agreement. Pass-through entities must ensure subaward documents include the following information at the time of the subaward. If any of these data elements change during the period of performance, the changes must be included in subsequent subaward modifications. The subaward must include the following information:

- Federal Award Identification;
- Subrecipient Name (which must match the registered name in DUNS);
- Subrecipient DUNS number;
- Federal Award Identification Number (FAIN);
- Federal Award Date
- Subaward Period of Performance Start and End Date;
- Amount of Federal Funds Obligated in this action/agreement;
- Total Amount of Federal Funds Obligated to the Subrecipient;
- Total amount of the Federal Award;
- Federal Award Project Description;
- Name of the Federal Awarding Agency, Pass-through entity, and contact information for the awarding official;
- Catalog of Federal Domestic Assistance (CFDA) number and name;
- Identification of whether the award is Research and Development (R&D);
- Indirect cost rate for the Federal award;
- All requirements imposed by the pass-through entity on the subrecipient so that the Federal award is used in accordance with federal statutes, regulations and the terms and conditions of the Federal award;
- Any additional requirements that the pass-through entity imposes on the subrecipient in order for the pass-through entity to meet its own responsibility to the DOJ grant-making component including identification of required financial and/or performance reports;
- Indirect cost rate to be used by the subrecipient (either a federally-approved rate, a rate negotiated between the pass-through entity and the subrecipient, or the de minimis indirect cost rate);
- A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the pass-through entity to meet the requirements of 2 C.F.R. § 200; and
- Appropriate terms and conditions concerning closeout of the subaward.

APPENDIX 5

OFFICE OF JUSTICE PROGRAMS' RESPONSE TO THE DRAFT AUDIT REPORT



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

SEP 18 2018

MEMORANDUM TO: Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General

FROM: Ralph E. Martin 
Director

SUBJECT: Response to the Draft Audit Report, *Audit of the Office of Justice Programs, Bureau of Justice Assistance (BJA), Grant Awarded to the City of Philadelphia, Pennsylvania, for the 2016 Democratic National Convention (DNC)*

This memorandum is in reference to your correspondence, dated July 24, 2018 transmitting the above-referenced draft audit report for the City of Philadelphia, Pennsylvania (Philadelphia). We consider the subject report resolved and request written acceptance of this action from your office.

The audit pertained to Grant Number 2016-ZC-BX-0002 awarded to Philadelphia by the Office of Justice Programs (OJP) Bureau of Justice Assistance (BJA), in the amount of \$49,900,000, to provide security to delegates, visitors, and residents of Philadelphia during the 2016 Democratic National Convention (DNC), held in July 2016. The audit found that Philadelphia did not comply with essential award conditions related to overall grant administration, personnel and subrecipient expenditures, budget management and control, drawdowns, and federal financial reports.

In anticipation of complexities and risks associated with the administration of the grant, OJP required that key Philadelphia personnel participate in grant fraud training, which was provided by the OIG's Fraud Detection Office. During the award period, BJA increased its oversight efforts and worked closely with Philadelphia on several grant-related matters, and conducted on-site monitoring visits on three occasions. OJP has received Philadelphia's formal response, dated September 10, 2018, to the draft audit report recommendations, and will work closely with Philadelphia to ensure that all recommendations are fully addressed as quickly as possible.

The draft report contains **13** recommendations and **\$14,876,759¹** in net questioned costs. The following is OJP's analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP ensure Philadelphia implements and adheres to written policies and procedures for grant administration, including drawdowns, Federal Financial Reports (FFR), and subrecipients, to ensure compliance with the applicable laws, regulations, and award terms and conditions.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure compliance with grant administration requirements, and applicable laws, regulations, and award terms and conditions.

2. **We recommend that OJP remedy \$1,039,496 in unallowable personnel costs for the Philadelphia Fire Department.**

OJP agrees with this recommendation. We will review the \$1,039,496 in questioned costs, related to unallowable personnel costs for the Philadelphia Fire Department, and will work with Philadelphia to remedy, as appropriate.

3. **We recommend that OJP remedy \$9,530 in unallowable duplicate personnel costs for the Philadelphia Fire Department.**

OJP agrees with this recommendation. We will review the \$9,530 in questioned costs, related to unallowable duplicate personnel costs for the Philadelphia Fire Department, and will work with Philadelphia to remedy, as appropriate.

4. **We recommend that OJP ensure Philadelphia develops and implements policies and procedures to ensure award funds are accounted for properly.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of written policies and procedures, developed and implemented, to ensure award funds are accounted for properly.

5. **We recommend that OJP ensure Philadelphia develops and implements a system of internal controls to ensure compliance and accountability of its subrecipients.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure compliance and accountability of its subrecipients.

¹ Some costs were questioned for more than one reason. Net questioned costs exclude the duplicate amounts.

6. **We recommend that OJP remedy \$7,635,591 in unsupported subrecipient expenditures awarded to the mutual-aid partners.**

OJP agrees with this recommendation. We will review the \$7,635,591 in questioned costs, related to unsupported subrecipient expenditures awarded to the mutual-aid partners, and will work with Philadelphia to remedy, as appropriate.

7. **We recommend that OJP remedy \$349,232 in unallowable subrecipient sole source contract expenditures executed by the subrecipient Host Committee.**

OJP agrees with this recommendation. We will review the \$349,232 in questioned costs, related to unallowable sole source contract expenditures executed by the subrecipient Host Committee without prior approval, and will work with Philadelphia to remedy, as appropriate.

8. **We recommend that OJP remedy \$61,500 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.**

OJP agrees with this recommendation. We will review the \$61,500 in questioned costs, related to unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee that lacked information on the services rendered, and will work with Philadelphia to remedy, as appropriate.

9. **We recommend that OJP remedy \$5,964,797 in unallowable subrecipient expenditures for contracts executed by the subrecipient Host Committee.**

The OIG questioned the subrecipient Host Committee's contracts and expenditures because the Democratic National Convention Committee's (DNCC) involvement in "the approval process could allow for inappropriate political influence in the award process" and "created an appearance that contracts were awarded as a result of partisan political influence." The OIG was concerned that such involvement was contrary to the DOJ Grants Financial Guide, which states "that award funds cannot be used to establish, administer, contribute to, or pay for the expenses of a political party, campaign, political action committee, or other organization established for the purpose of influencing the outcome of elections."

In its response, dated September 10, 2018, Philadelphia stated that "National Party conventions are complex and significant international security events that requires [sic] a substantial amount of time, effort, thought and attention" which necessitated the Host Committee working closely with the DNCC to accomplish this mission. Philadelphia 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" and, in fact, "the U.S. Secret Service security requirements called for this shared approach." In addition, the Host Committee commented that the involvement of the DNCC with the Host Committee's expenditure approval process was in the nature of coordination by obtaining from the DNCC "confirmation that the expenditure would

count towards the [Host Committee's] budget commitment in the Master Contract.” (emphasis in the original)

OJP has no factual basis on which to challenge the foregoing factual assertions. Additionally, OJP observes that the fiscal year 2016 Department of Justice Appropriations Act authorized and appropriated grant funds for both the Democrat and Republican National Conventions “for law enforcement activities associated with the presidential nominating conventions,” which appropriation, practically speaking, would necessitate a close working relationship between the grantees and the organizers of the presidential nominating conventions. Accordingly, by its very nature, the appropriation appears to contemplate, at least some appearance of partisan political involvement, if only because the grantees receiving these funds would have to work closely with the partisan political entity. Moreover (and bearing in mind the close relationship between the grantees and the organizers of the conventions that the appropriations act appears to contemplate), because a statute necessarily trumps a mere rule, the DOJ Grants Financial Guide prohibition on grant funds’ being used for political or campaign purposes would apply only if the funds were used for activities that were not “law enforcement activities associated with the presidential nominating convention.” Thus, OJP respectfully requests closure of this recommendation, or removal from the final audit report.

- 10. We recommend that OJP remedy \$11,875 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.**

OJP agrees with this recommendation. We will review the \$11,875 in questioned costs, related to subrecipient expenditures for a contract executed by the subrecipient Host Committee for a cybersecurity consultant, and will work with Philadelphia to remedy, as appropriate.

- 11. We recommend that OJP ensure Philadelphia develops policies and procedures to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.

- 12. We recommend that OJP ensure Philadelphia develops and implements written policies and procedures for drawdown requests to ensure Federal cash on hand complies with the DOJ Grants Financial Guide.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure Federal cash-on-hand complies with the DOJ Grants Financial Guide.

13. **We recommend that OJP ensure Philadelphia implements and adheres to written policies and procedures to ensure FFRs are prepared accurately.**

OJP agrees with this recommendation. We will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure Federal Financial Reports are prepared accurately.

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

cc: Maureen A. Henneberg
Deputy Assistant Attorney General
for Operations and Management

LeToya A. Johnson
Senior Advisor
Office of the Assistant Attorney General

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

Jon Adler
Director
Bureau of Justice Assistance

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cc: Samuel Beamon
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Internal Review and Evaluation Office
Justice Management Division

OJP Executive Secretariat
Control Number IT20180724165905

**CITY OF PHILADELPHIA'S RESPONSE TO THE DRAFT AUDIT
REPORT²³**



CITY OF PHILADELPHIA

OFFICE OF THE MANAGING DIRECTOR

MICHAEL DIBERARDINIS
Managing Director

1401 John F. Kennedy Boulevard
Suite 1430
Philadelphia, PA 19102-1683

September 10, 2018

Thomas O. Puerzer
Regional Audit Manager
Philadelphia Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
701 Market Street, Suite 2300
Philadelphia, PA 19106

RE: AUDIT OF GRANT 2016-ZC-BX-002

Dear Mr. Puerzer:

The City of Philadelphia ("City") has carefully reviewed the draft audit report and accepts in full or part ten of the 13 findings. The City proposes corrective actions and looks forward to working with your office and the Office of Audit, Assessment, and Management at the U.S. Department of Justice.

The City appreciates the report's assessment that the City achieved the overall goals of the grant: to keep residents and visitors safe, and to execute the 2016 Democratic National Convention ("convention") and related events without any major security incidents. The City is proud of the work and dedication of thousands of municipal staff, volunteers, and residents to showcase Philadelphia to the world and successfully host the convention. Further, the expertise and dedication of law enforcement and emergency services from across Philadelphia and the region, working closely with U.S. Secret Service, to deliver a secure and safe event, including multiple civic protests, without incident is notable.

The City also appreciates the acknowledgment by the Office of the Inspector General that the U.S. Department of Justice, Office of Justice Programs either granted extensions or retroactively permitted actions to occur. Accordingly, given that the City received approval for several of the actions that are now cited as findings in this audit report, the City was acting in good faith, reasonably, and within the expectations and grant conditions of the U.S. Department of Justice.

The City acknowledges that the timing of the grant 2016-ZC-BX-002 in April 2016 for a high-profile security event in July 2016 complicated the execution of some aspects of the grant. As the report acknowledges, the U.S. Department of Justice issued the Notice of Financial Assistance in February 2016, and did not award the funds to the City until April 2016, leaving just three months to plan and execute the entirety of the grant. Additionally, the DOJ issued approximately

²³ Attachments to this response were not included in this final report.

66 Special Conditions with the grant award. Federal grants of this complexity typically have a multi-year performance period to both execute the goals of the grant and fulfil all of the Special Conditions. Nevertheless, despite the extremely truncated timeline, the Special Conditions, and the high security demands of the convention, the City was able to achieve the goal of the grant.

The City also appreciates that the auditors did not take issue with the design of the procurement process. The auditors also acknowledged that prior to the convention, Philadelphia distributed a formal memorandum to all relevant departments to ensure that the procurement process -- which included requesting, receiving and making payment -- was properly organized and classified.

Overall, the City is proud that it achieved the overall goal of the grant and, as demonstrated by the audit, ensured that there was no waste, fraud or abuse of federal funds. The City looks forward to continually improving its policies, procedures and practices and an expeditious resolution to the findings.

Yours sincerely,



Brian Abernathy
First Deputy Managing Director
Office of the Managing Director

CC: Linda Taylor, Office of Audit, Assessment, and Management, U.S. Department of Justice

City of Philadelphia Finding Response:

Policies and Procedures Findings

- #1: Policies and Procedures - Federal Grants Management**
- #4: Policies and Procedures and Internal Controls over Award Funds**
- #11: Policies and Procedures to Ensure Budget is Maintained Properly**
- #12: Compliance with Federal Cash on Hand Policies**
- #13: Policies and Procedures for FFRs**

The City accepts finding #1 and acted immediately to develop and adopt new written policies and procedures, submitted in October 2017 to, and accepted on June 27, 2018 by, the Office of Justice Programs ("OJP")'s Office of the Chief Financial Officer ("OCFO") (Attachment #1A and #1B). The City is awaiting further direction from the OCFO on receiving full reimbursement as initially requested on August 28, 2017 and in multiple follow-up requests. The City seeks closure of finding #1.

The City accepts finding #4 and, as a remedy, has developed and shall implement a new policy and procedure for the Philadelphia Fire Department (Attachment #1B). The City seeks closure of finding #4.

The City accepts finding #11. The budget was adjusted multiple times as the event grew in complexity and additional security personnel and requirement were required by law enforcement, including U.S. Secret Service. The final budget as it currently stands was submitted to OJP on November 14, 2017, as part of additional review performed during the audit. Additionally, on May 5, 2018, the City submitted a revised budget, where it proposed the removal of \$16,151 in costs as a preemptive remedy to finding #2. As a remedy, the City will submit a final budget as the remedy to Finding #2 is completed.

The City accepts finding #12. The City immediately provided a retroactive drawdown justification at the request of OJP in July, 2017, which was approved as a GAN in GMS (Attachment #12A). Regardless, as a remedy per Finding #1, new written policies and procedures have been developed and implemented (Attachment #1B). The City seeks closure of finding #12.

The City accepts finding #13. The City did report both expenditures and unliquidated obligations (encumbrances) for just two quarters (ending September 30 and December 31, 2016) on the FFRs, and has adopted a policy to ensure FFRs are prepared accurately (Attachment #1A), as well as filed amended reports for the two quarterly FFRs in question (Attachments #13A and #13B). The City seeks closure of finding #13.

Personnel Costs – Philadelphia Fire Department

#2: Unallowable Personnel Costs - Philadelphia Fire Department

#3: Duplicate Personnel Costs - Philadelphia Fire Department

The City partially accepts finding #2 and accepts finding #3. As the auditor found, 99 percent or \$13,211,231 of the personnel and fringe benefits costs related to the grant were associated with the Philadelphia Police Department and there were no issues related to the transactions tested. The City acknowledges it adopted a weighted average procedure to determine the allowable personnel and fringe benefit costs of \$1,039,496 related to the Fire Department personnel assigned to the safety and security for the event. The Fire Department accurately allocated all personnel and benefits costs associated with the event in accordance with the City's standard compensation procedures and accurately compensated individuals in accordance with all applicable union contract agreements.

The City strongly disagrees that the Fire Department's entire personnel and benefits costs of \$1,039,496 are unallowable as a result of the Department's use of a weighted average procedure. The weighted average procedure was the most reasonable, prudent and cost effective option available to compensate for the reporting limitations in the Fire Department's legacy payroll system. Additionally, to supplement the payroll system, the Fire Department maintained a detailed worksheet and verified timesheets of all personnel assigned to the event and maintained records for all actual individualized overtime expenditures. Accordingly, the City has determined that the Fire Department met all reasonable federal cost objectives and properly documented all personnel and benefits costs. The central issue was the administrative burden at the time necessary to collate and provide all documentation to satisfy the finding.

To remedy finding #2, the Fire Department will assign staff to provide the individualized rates and collate all documentation for overtime personnel costs assigned to the convention to satisfy and support \$1,039,496. The City seeks closure of finding #2 following the submission of documentation to the Office of Audit, Assessment, and Management Audit and Review Division (OAAM) of the U.S Department of Justice.

The City accepts finding #3 that duplicate costs identified at \$9,530 were inputted into the tracking worksheet. These clerical errors were caught by payroll clerks when reviewing and inputting data into the City's payroll system, accordingly all personnel were paid accurately. The City seeks closure of finding #3.

#5: Internal Controls - Subrecipients - Mutual-Aid Partners

The City accepts finding #5. The City had an active agreement Mutual Aid and Intergovernmental Cooperation Agreement ("Mutual Aid Agreement"), which is further

described under response 6, with all of the Mutual Aid partners and set forth expectations for documentation, reviewed reimbursement requests, and had adequate measures in place for ensuring personnel was deployed and active in its role of helping secure the convention and related activities. The City has adequate subrecipient monitoring policies and procedures per the City of Philadelphia Subrecipient Monitoring Guide (2017), and agrees to augment internal controls in the Office of the Managing Director, which will include adherence to any regulations or specifications of a federal award to ensure compliance and accountability of subrecipients. The City seeks closure of finding #5 following consultation on internal controls with OAAM of the U.S Department of Justice.

#6: Unsupported Subrecipient Expenditures - Mutual-Aid Partners

The City strongly disagrees with finding #6. The audit report acknowledges the City achieved the overall goals of the grant: to keep residents and visitors, including dignitaries, safe, and to execute the convention and related events without any major security incidents. To successfully execute the event and meet the goals of the grant, the City utilized its longstanding and proven operating procedure, Mutual Aid Agreement. The Mutual Aid Agreement has been successfully utilized for regional emergencies and security events such as the World Meeting of Families (2015) and Eagles' Super Bowl Champions parade (2018).

Philadelphia is the core city of a five-county Urban Area Working Group ("UAWG") that includes Montgomery, Bucks, Chester, and Delaware Counties. This UAWG is the Southeastern Pennsylvania Regional Task Force ("SEPA RTF") responsible for managing Homeland Security grant funding and regional disaster planning and coordination. The UAWG utilized the Mutual Aid Agreement to request law enforcement personnel from across the five-county region to fulfill highly skilled and prescriptive special assignments, including bomb disposal, hazardous material detection and interdiction, Special Weapons and Tactics ("SWAT") and Major Incident Response Team ("MIRT"). The Mutual Aid Agreement enabled multi-county personnel to be continuously assigned as the U.S. Secret Service requirements and security needs of the event increased right up to the day of the convention. Additionally, the City communicated the utilization of the Mutual Aid Agreement with the OJP and received approval July 7, 2016 as part of an in-person, pre-Convention monitoring visit.

The City had strong operational and control mechanisms in place, supported by documentation, to account for all Mutual Aid personnel who were under the jurisdiction of the Philadelphia Police Department ("PPD"). These included daily roll calls, inspections of all personnel for appropriate equipment before and after events each day, direct supervision by PDP of all Mutual Aid team members embedded within units and highly detailed operational plans led by the Office of Emergency Management and the PPD. The daily roll call was used to ensure officer safety and accountability at the end of each operational period and any shortfall in Mutual Aid

personnel would be reported to PDP Commanders and the Emergency Operations Center. Additionally, the Mutual Aid partners utilized their standard operating documentation (timesheets, payroll) and, for some, written sign-in and sign-out sheets before and after travelling together on the bus to travel to Philadelphia as means to verify the hours worked for the assigned personnel.

Notwithstanding these mechanisms, as a result of this audit review process, the PPD has since augmented its procedures, requiring onsite sign-in sheets for outside agencies. If the detail is too large to have individuals come into the staging location, PPD representatives will meet the agency off site to complete the sign-in sheet. Documentation outlining and illustrating these new procedures that were successfully employed during the 2018 Eagles World Championship Parade are attached for review (Attachment 6A). The City's position is that these Mutual Aid subrecipient expenditures were entirely proper, reasonable and effective. To require a sign in *and* sign out sheet for personnel would have been operationally impractical and, therefore, the City asks that these expenditures be approved accordingly.

The City is unequivocal in its position that the Mutual Aid Agreement was the correct and demonstrably proven operational procedure to achieve the security goals of the convention and the grant. However, upon receiving the audit report, the City has closely reviewed its obligations and correspondence with the OJP and has since determined that, in accordance with Uniform Guidance 2 CFR 200.330, *Subrecipient and contractor determinations*, it misclassified the partners that were party to the Mutual Aid Agreement as subrecipients, instead of contractors. The City initially classified the Mutual Aid partners as contractors, but was given direction by OJP in early 2016, as part of initial budget revisions, to classify these partners as subrecipients. The City proposes a review and reclassification as a remedy.

The City proposes as a remedy to work with the OAAM to appropriately reclassify the Mutual Aid partners from subrecipients to contractors and has adopted a written policy for onsite sign-in documentation for partners utilizing the Mutual Aid Agreement in Philadelphia for U.S Department of Justice awards. (Attachment #6B). The City maintains that the questioned costs of \$7,635,591 are supported and allowable. The City seeks closure of this recommendation pending consultation with the OAAM of the U.S Department of Justice.

Host Committee Related Findings ##7-10

In collective response to these findings (which are addressed individually below), the City respectfully submits the following.

As an initial matter, the City takes pride in the fact that there was no finding that any of the funds sub-granted to the Host Committee were spent other than on proper eligible security-related

expenses. The City also appreciates that there was no finding whatsoever of any type of waste, fraud or abuse with respect to the sub-granted funds.

Other pertinent considerations regarding the Host Committee include the timeline (as set forth in Attachment #8, *infra*) involving, as a matter of necessity, a number of critical decisions and actions taking place in the prior year (2015) and before the award of the grant (April 2016). As a practical matter, the beginning phases of the planning also occurred, appropriately, under the prior administration. The City makes this observation solely to point out that the vast majority of key City personnel ultimately involved in executing the goals of the grant had only come on board or started in new positions as of January 2016, significantly after the creation of the Host Committee and beginning of the planning process.

Finally, and as addressed further below in response to finding #9, the unique nature of national political conventions and the applicable law thereto, permit and, indeed, call for the coordinated approach and processes implemented by the City, Host Committee and Democratic National Convention Committee (DNCC) during the 2016 convention.

#7: Sole Source Contracts – Host Committee

The City strongly disagrees that it should have waited until after the Department of Justice's award of the grant in April 2016 to engage vendors. National Party conventions are complex and significant international security events that requires a substantial amount of time, effort, thought and attention to protecting the structural safety of the venue and the surrounding neighborhoods as well as the well-being of the national party nominee, thousands of delegates, volunteers, national and international media, neighborhood residents, among much more. To begin that planning merely four months out is wholly inconsistent with the execution of events of this magnitude and would have placed the venue and the participants at significant safety risk.

The City acknowledges that it granted sole source approvals to the Host Committee retroactively on July 11, 2016. This was done through official request by the Host Committee to the City and notification by the City to OJP, and under guidance directly from OJP. As a matter of necessity for the successful planning of the convention, security vendors had been engaged prior to the Department of Justice's February 2016 release of the 2016 Security Grant NOFA, and April 2016 award. The City reviewed the vendors that had been engaged, as well as the process by which the sole source determination had been made by the Host Committee as per the Committee's responsibilities in the subrecipient agreement. Deeming the determination sufficient, the City provided sole source approval. The OJP had, in fact, given the City explicit direction that its approval was not required, and the City should follow its own processes to make a determination on the justifications, which it did. Additionally, the Subrecipient

Agreement signed by the City and Host Committee in 2016 listed these vendors in Appendix B; this Agreement was reviewed and approved by the OJP.

The City strongly disagrees that it should have waited until after the Department of Justice's award of the grant in April 2016 to allow the Host Committee to engage vendors for such a complex and significant international security event starting just four months out in July 2016. The City, especially law enforcement and the Office of Emergency Management, are highly experienced with a proven track record in executing complex national and international security events. The City believed that a delay in the engagement of security vendors would have been impractical from the standpoint of operationalizing the convention. To do so would have jeopardized the safety and security of delegates, volunteers, residents and the convention itself.

In support of its position, the City has attached the documentation regarding the sole source approval process – specifically, the official request and the City's response to the Host Committee. The City's position is that the questioned costs of \$349,232 are reasonable and allowable. The City requests closure of this finding (Attachments #7A, #7B).

#8: Subrecipient Expenditure – Host Committee

The City partially accepts finding #8. While the City acknowledges that the Host Committee adopted the \$150,000 federal procurement threshold for a security services contract and also acknowledges that the City's \$32,000 procurement threshold for sole sourcing may have applicability, the facts here demonstrate sufficient justification was provided at the time to rely on sole sourcing for this security services contract, which, as noted previously, required special security considerations in light of the unique nature of this particular event.

The City accepts that the Host Committee adopted the \$150,000 federal procurement threshold for a security services contract. The City's \$32,000 procurement threshold for not requiring a competitive process also was applicable. Nevertheless, the Host Committee did provide sufficient justification for awarding the security services contract as sole source and the \$61,500 expenditures for this contract were entirely proper, allowable and supported. The Host Committee provided information that each sole source contract vendor was uniquely qualified for its respective role and, further, the City determined that the security contractors at issue each met the emergency/"time is of the essence" exception under the City's procurement regulations. The City seeks closure of the finding.

#9: Subrecipient Expenditures – DNCC Selected Contracts

The City strongly disagrees with finding #9. The City acknowledges it designated the Host Committee as a subrecipient for procuring and managing vendors in furtherance of security

needs associated with the convention. The OJP General Counsel's Office approved the designation as part of their grant oversight process. A subrecipient agreement was executed with the City passing all applicable federal grant conditions to the Host Committee, including notification of competitive procurement processes, performance measures, programmatic decision making and audit and documentation requirements.

As reflected in the City's master agreement with Host Committee, the mission of the Host Committee was to provide all facilities, supplies, services, and goods needed for the infrastructure to implement the convention. The Host Committee was responsible for the infrastructure and logistics of the convention, but *not the actual political program*; that was the responsibility of the DNCC. However, by necessity, the Host Committee worked with the DNCC to accomplish the Host Committee's mission. To perform the work of delivering the convention safely and effectively, this working relationship between the committees extended to communication and coordination about the selection of security and transportation vendors. As set forth in greater detail in Attachment #8, *infra*, the applicable law explicitly addresses the unique and particular circumstances attendant to a private host committee for a national political convention, carving out what may be perceived as partisan or political in other contexts, the exact type of appropriately tailored and necessary collaboration and coordination that occurred here.

In accordance with the subrecipient agreement, it was the Host Committee's responsibility to ensure the administration of contracts happened appropriately. Additionally, it was the Host Committee's responsibility to oversee a competitive procurement process. The DNCC was involved in the competitive bidding procedures for vendors that, for operational and security purposes, needed to be shared between the DNCC and Host Committee. For example, the DNCC was responsible for making determinations about credentialing - who received them and at what clearance level, as well as distribution - while the Host Committee was responsible for the production of credentials and secure storage.

The coordination between the Host Committee and the DNCC to have shared security vendors was necessary and reasonable to avoid significant operational security issues. Accordingly, 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. The U.S. Secret Service security requirements called for this shared approach and therefore the City did not take exception to the Host Committee's and DNCC's coordination in this limited respect.

After reviewing the conflict of interest laws and rules of ethics, the City is confident that its employees acted in good faith and in a reasonable manner consistent with their obligations under these policies and laws. The Host Committee as subrecipient was subject to the independent condition to follow all state and federal laws concerning conflicts and disclosures. Based on all

the facts presently known to the City, the Host Committee fully complies with those laws. Finally, the Office of Justice Programs (OJP) was aware of DNCC involvement, as the master agreement (2015) for the Convention between the City, the Host Committee and the DNCC was reviewed and approved by OJP prior to their determination of the Host Committee as a sole source subrecipient.

Further, the City incorporates as though set forth fully herein the response submitted on behalf of the Host Committee on this particular finding (Attachment #8). While the Host Committee is no longer in existence legally, it is the City's understanding that the response submitted on its behalf reflect information provided by the former officers and senior staff of the Host Committee.

For all of the foregoing reasons, the City submits that the Host Committee appropriately administered the contracts in question and that the associated costs of \$5,964,797 were necessary, supported and allowable. Accordingly, the City asks that this finding be omitted from the final report.

#10: Subrecipient Expenditure - Host Committee

The City partially accepts finding #10. As recognized in the report, the City accepted a daily rate that was consistent with federal rules, but recognizes that the rate did not meet the hourly rate requirements. The City disagrees with this finding to the extent it assumes that this rate applied to one individual. The margin of error was actually much smaller – the vendor provided services of \$2,000 per day for a team of multiple individuals, not one individual. Further, and as acknowledged in the report, the rates and costs were explicitly outlined in the budget that was approved by OJP. Nonetheless, the City acknowledges that subrecipient monitoring policies should prevent such occurrences in the future and seeks closure of finding #10.

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

The Department of Justice (Department) Office of the Inspector General (OIG) provided a draft of this audit report to the Office of Justice Programs (OJP) and the City of Philadelphia (Philadelphia). OJP's response is incorporated in Appendix 5 and Philadelphia's response is incorporated in Appendix 6 of this final report. In response to our draft audit report, OJP did not concur with one of our 13 recommendations, and as a result, the status of the report is unresolved. Philadelphia agreed with 7 of the 13 recommendations, partially agreed with 3 recommendations, and disagreed with 3 recommendations. The following provides the OIG analysis of the response and summary of actions necessary to resolve and close the recommendations.

Recommendations for OJP:

- 1. Ensures Philadelphia implements and adheres to written policies and procedures for grant administration, including drawdowns, federal financial reports, and subrecipients, to ensure compliance with the applicable laws, regulations, and award terms and conditions.**

Resolved. OJP concurred with our recommendation. OJP stated in its response it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure compliance with grant administration requirements, and applicable laws, regulations, and award terms and conditions.

Philadelphia also concurred with our recommendation and stated in its response that Philadelphia acted immediately to develop and adopt new written policies and procedures and submitted those to the Office of the Chief Financial Officer (OCFO). Philadelphia provided the OIG with a copy of these written policies and procedures.

This recommendation can be closed when we receive evidence that Philadelphia implemented and adhered to written policies and procedures for grant administration to ensure compliance with the applicable laws, regulations, and award terms and conditions.

- 2. Remedy \$1,039,496 in unallowable personnel costs for the Philadelphia Fire Department.**

Resolved. OJP concurred with our recommendation. OJP stated in its response it will review the \$1,039,496 in questioned costs, related to unallowable personnel costs for the Philadelphia Fire Department (PFD), and will work with Philadelphia to remedy, as appropriate.

Philadelphia partially agreed with our recommendation and stated in its response that the use of a weighted average was the most reasonable, prudent, and cost-effective option available to compensate for the reporting limitations in the Philadelphia Fire Department's legacy payroll system. Philadelphia maintains that it met all reasonable federal cost objectives and properly documented all personnel and benefits costs.

To remedy the finding, the Philadelphia Fire Department will assign staff to provide the individualized rates and collate all documentation for overtime personnel costs assigned to the convention to satisfy and support \$1,039,496.

As stated in the OIG report, because PFD was allowed to utilize a weighted average instead of actual rates for overtime personnel costs, we were unable to determine whether the portion of PFD's reimbursement, specific to non-civilians, was allowable.

This recommendation can be closed when we receive documentation of the individualized rates for overtime personnel costs assigned to the convention and that OJP remedied the \$1,039,496 in questioned costs.

3. Remedy \$9,530 in unallowable duplicate personnel costs for the Philadelphia Fire Department.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$9,530 in questioned costs, related to unallowable duplicate personnel costs for the Philadelphia Fire Department, and will work with Philadelphia to remedy, as appropriate.

Philadelphia also concurred with our recommendation and stated in its response that the duplicate costs were clerical errors that were caught by payroll clerks when reviewing and inputting data into Philadelphia's payroll system. Despite the clerical error, Philadelphia maintains that all personnel were paid accurately.

This recommendation can be closed when we receive documentation that OJP remedied the \$9,530 in questioned costs.

4. Ensures Philadelphia develops and implements policies and procedures to ensure award funds are accounted for properly.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure award funds are accounted for properly.

Philadelphia also concurred with our recommendation and stated in its response that it has developed and shall implement a new policy and procedure for the Philadelphia Fire Department.

This recommendation can be closed when we receive evidence of the Philadelphia Fire Department's implementation of its new policy and procedure.

5. Ensures Philadelphia develops and implements a system of internal controls to ensure compliance and accountability of its subrecipients.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure compliance and accountability of its subrecipients.

Philadelphia also concurred with our recommendation and stated in its response that Philadelphia had an active Mutual-Aid Agreement and adequate subrecipient monitoring policies and procedures per the City of Philadelphia Subrecipient Monitoring Guide. Philadelphia agreed to augment internal controls in the Office of the Managing Director, which will include adherence to any regulations or specifications of a federal award to ensure compliance and accountability of subrecipients.

This recommendation can be closed when we receive documentation of Philadelphia's augmented internal controls that ensures compliance and accountability of its subrecipients.

6. Remedy \$7,635,591 in unsupported subrecipient expenditures awarded to the mutual-aid partners.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$7,635,591 in questioned costs, related to unsupported subrecipient expenditures awarded to the mutual-aid partners, and will work with Philadelphia to remedy, as appropriate.

Philadelphia did not concur with our recommendation and stated in its response that Philadelphia effectively utilized their Mutual-Aid Agreement and had strong operational and control mechanisms in place, supported by documentation, for all Mutual-Aid personnel. Philadelphia maintains that the \$7,635,591 Mutual-Aid subrecipient expenditures were supported and allowable.

Philadelphia explained that as a result of this audit process, the Philadelphia Police Department (PPD) has since augmented its procedures, requiring onsite sign-in sheets for outside agencies and, if the detail is too large to have individuals come into the staging location, Philadelphia Police Department representatives will meet the agency off site to complete the sign-in sheet.

In addition, after receipt of the audit report, Philadelphia reviewed its obligations and correspondence with OJP and has since determined that it misclassified these partners as subrecipients, instead of contractors. Philadelphia has proposed to work with OJP's Office of Audit, Assessment,

and Management to reclassify the Mutual-Aid partners from subrecipients to contractors.

As stated in the OIG report, Philadelphia's Mutual-Aid Agreement was neither a valid nor sufficient subrecipient agreement, as it did not meet the specified federal guidelines. In addition, Philadelphia did not establish clear guidance for its subrecipients as to what Mutual-Aid partners could charge for the convention, 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 or spot checks of reimbursement request documentation, and did not reimburse Mutual-Aid partners on a timely basis.

This recommendation can be closed when we receive documentation that OJP remedied the \$7,635,591 in questioned costs.

7. Remedy \$349,232 in unallowable subrecipient sole source contract expenditures executed by the subrecipient Host Committee.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$349,232 in questioned costs, related to unallowable sole source contract expenditures executed by the subrecipient Host Committee without prior approval, and will work with Philadelphia to remedy, as appropriate.

Philadelphia did not concur with our recommendation and stated in its response that security vendors were engaged by the Host Committee prior to the April 2016 grant award as a matter of necessity for the successful planning of the convention. Furthermore, Philadelphia stated that it followed its own processes to make a determination on the justifications for Host Committee sole source approval.

As stated in the OIG report, the subrecipient agreement executed between Philadelphia and the Host Committee required that the Host Committee observe and comply with all federal, state, and local laws and regulations. While OJP did not need to approve the Host Committee's sole source procurements, Philadelphia, as the pass-through entity, was required to ensure the Host Committee's compliance with all federal, state, and local laws and regulations.

Our audit report detailed that the Host Committee entered into sole source contracts prior to Philadelphia's informal sole source approval, thereby violating the sole source federal guidelines. Furthermore, Philadelphia could not demonstrate that these sole source contracts adhered to its own policies as the approval process was not fully documented.

This recommendation can be closed when we receive documentation that OJP remedied the \$349,232 in questioned costs.

8. Remedy \$61,500 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$61,500 in questioned costs, related to unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee that lacked information on the services rendered, and will work with Philadelphia to remedy, as appropriate.

Philadelphia partially agreed with our recommendation and stated in its response that the Host Committee did provide sufficient justification for awarding the security services contract as sole source and the \$61,500 expenditures for this contract were entirely proper, allowable, and supported.

Philadelphia stated that it determined that the security contractors at issue met the emergency/"time is of the essence" exception under the City's procurement regulations.

As stated in the OIG report, this contract was not competitively bid, as required, and was not in compliance with Philadelphia's own sole source procurement policies, federal guidelines, and a grant award special condition. This vendor established a flat fee, broken into an installment plan, and did not disclose any information related to payment based on time and effort. The contract was also signed by the Host Committee following the end of the convention. The invoices submitted by this vendor lacked any information on the services rendered. Furthermore, Philadelphia did not provide the OIG any documentation that permitted the Host Committee to procure this contract as an emergency/"time is of the essence" exception.

This recommendation can be closed when we receive documentation that OJP remedied the \$61,500 in questioned costs.

9. Remedy \$5,964,797 in unallowable subrecipient expenditures for contracts executed by the subrecipient Host Committee.

Unresolved. In response to this recommendation, OJP stated that it observes that the fiscal year 2016 Department of Justice Appropriations Act authorized and appropriated grant funds for both the Democratic and Republican National Conventions "for law enforcement activities associated with the presidential nominating conventions," which, according to OJP, would necessitate a close working relationship between the grantees and the organizers of the presidential nominating conventions. OJP continued that by its very nature the appropriation appears to contemplate at least some appearance of partisan political involvement, if only because the grantees receiving these funds would have to work closely with the partisan political entity. Moreover, OJP stated that, because a statute trumps the DOJ Grants Financial Guide's, the Guide's prohibition on grant funds' being used for political or campaign purposes would apply only if the funds were used for

activities that were not “law enforcement activities associated with the presidential nominating convention.”

Philadelphia stated that it did not concur with our recommendation and explained that the Host Committee worked with the DNCC to accomplish the Host Committee's mission and to perform the work of delivering the convention safely and effectively. Philadelphia argued that this working relationship between the committees extended to communication and coordination about the selection of security and transportation vendors.

Philadelphia continued to explain that it was the Host Committee's responsibility to ensure the administration of contracts happened appropriately. Additionally, according to Philadelphia, it was the Host Committee's responsibility to oversee a competitive procurement process. The DNCC was involved in the competitive bidding procedures for vendors that, for operational and security purposes, needed to be shared between the DNCC and Host Committee. The coordination between the Host Committee and the DNCC to have shared security vendors was necessary and reasonable to avoid significant operational security issues. Accordingly, Philadelphia states 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.

Philadelphia maintains that the Host Committee appropriately administered the contracts in question and that the associated costs of \$5,964,797 were necessary, supported, and allowable. Philadelphia asked that this finding be omitted from the final report.

Since 2004, Congress has appropriated funds to the Department so that it can issue grants to cover security-related expenses of state and local law enforcement entities in securing the sites of the major party presidential nominating conventions. While we do not dispute OJP's assertion that these grants might “necessitate a close working relationship between the grantees and the organizers of the presidential nominating conventions,” we disagree with OJP's interpretation that the appropriation language permitted the Host Committee, as a subrecipient of the award, to authorize the DNCC, a partisan political entity, to approve the awarding of contracts using Department grant funds, including the determination of what method to use when selecting a vendor. Even if the DNCC was not a party to the contracts in question, the DNCC exercised signature-approval authority for Host Committee expenditures that were reimbursed from DOJ grant funds. By allowing the DNCC to participate as an approving authority in the awarding of contracts executed under the subrecipient agreement, the Host Committee potentially created the appearance that the Host Committee's contract award decisions could have been subject to improper political influence. The OIG maintains that Philadelphia should have ensured that none of the subrecipients of the grant funds participated in any activities that could negatively affect the confidence of the public in the integrity of the grant program.

We further note that, during previous OIG audits of grants awarded for convention-related activities, we have not identified a grant recipient using a Host Committee (or similar entity) as a pass-through recipient or subrecipient of grant funds, or of a political organization, such as the DNCC, approving the use of Department grant funds for security-related purposes. Additionally, while OJP approved Philadelphia's request to allow the Host Committee to be a subrecipient, the request did not inform OJP that the Host Committee would be giving the DNCC approval authority over security-related contracts.

The OIG will work with OJP to resolve and close this recommendation to remedy \$5,964,797 in expenditures for contracts executed by the subrecipient Host Committee. Corrective actions should include OJP (1) establishing policies to prevent the appearance of or actual political influence over the expense of future DOJ grant funds awarded for convention security matters, and (2) reviewing the relationships of the Host Committee and DNCC with the contracted vendors to determine whether political influence affected the awarding of contracts funded by the grant.

10. Remedy \$11,875 in unallowable subrecipient expenditures for a contract executed by the subrecipient Host Committee.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will review the \$11,875 in questioned costs, related to subrecipient expenditures for a contract executed by the subrecipient Host Committee for a cybersecurity consultant, and will work with Philadelphia to remedy, as appropriate.

Philadelphia partially agreed with our recommendation and stated in its response it recognizes that the hourly rate exceeded federal requirements. Philadelphia disagrees with this finding to the extent it assumes that this rate applied to one individual.

In the OIG report, we explained that this vendor exceeded the maximum hourly for each employee, not one individual. Our calculation of the unallowable expenditure represents the excess paid the cybersecurity consultant above the OJP maximum allowable rate.

This recommendation can be closed when we receive documentation that OJP remedied the \$11,875 in questioned costs.

11. Ensures Philadelphia develops policies and procedures to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure its

budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.

Philadelphia also concurred with our recommendation and stated in its response that Philadelphia will submit a final budget as a remedy.

This recommendation can be closed when we receive evidence that Philadelphia developed policies and procedures to ensure its budget is maintained properly, in compliance with terms and conditions of the award, and award funds are adequately safeguarded.

12. Ensures Philadelphia develops and implements written policies and procedures for drawdown requests to ensure federal cash on hand complies with the DOJ Grants Financial Guide.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure Federal cash-on-hand complies with the DOJ Grants Financial Guide.

Philadelphia also concurred with our recommendation and stated in its response that new written policies and procedures have been developed and implemented.

This recommendation can be closed when we receive evidence that Philadelphia developed and implemented written policies and procedures for drawdown requests to ensure federal cash on hand complies with the DOJ Grants Financial Guide.

13. Ensures Philadelphia implements and adheres to written policies and procedures to ensure Federal Financial Reports are prepared accurately.

Resolved. OJP concurred with our recommendation. OJP stated in its response that it will coordinate with Philadelphia to obtain a copy of adequate written policies and procedures, developed and implemented, to ensure Federal Financial Reports (FFRs) are prepared accurately.

Philadelphia also concurred with our recommendation and stated in its response that Philadelphia has adopted a policy to ensure FFRs are prepared accurately as well as filed amended reports for the two quarterly FFRs in question.

This recommendation can be closed when we receive evidence that Philadelphia implemented and adhered to written policies and procedures to ensure FFRs are prepared accurately.



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