

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA DEPARTMENT OF PUBLIC SAFETY GOVERNOR'S CRIME COMMISSION AND NORTH CAROLINA SHERIFFS' ASSOCIATION

RALEIGH, NORTH CAROLINA

INVESTIGATIVE REPORT
JULY 2016



NCOSA
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

The Office of the State Auditor (OSA) initiated an investigation after receiving multiple allegations through the State Auditor's Hotline concerning the North Carolina Sheriffs' Association (Sheriffs' Association), the North Carolina Governor's Crime Commission (Crime Commission), the North Carolina Department of Public Safety and the North Carolina Department of Health and Human Services. It was alleged there were improprieties involving grant funds, contracts, and levels of compensation for certain employees of the Sheriffs' Association.

BACKGROUND

The Sheriffs' Association is a non-profit organization that advocates for the interest of sheriffs' offices throughout North Carolina. The Sheriffs' Association works with state agencies to coordinate programs that are significant to law enforcement.¹

The 44-member Crime Commission was created by the state legislature in 1968 and serves as the chief advisory body to the North Carolina Governor and the Department of Public Safety on crime and justice issues. The Commission sets program priorities, reviews applications and makes recommendations for the state's Criminal Justice, Crime Victims' Services and Juvenile Justice federal grants.

FINDING

- The Governor's Crime Commission approved a noncompliant grant application resulting in a \$16,800 overpayment for law enforcement training.

KEY ELEMENTS OF FINDING

- Grant application submitted with errors
- Electronic controls avoided by Sheriffs' Association staff
- Grant application not adequately reviewed
- Grant application approved despite noncompliance
- Federal regulations and state policy violated
- Approval resulted in \$16,800 overpayment

RECOMMENDATIONS

- The Governor's Crime Commission should ensure that grant managers thoroughly review grant applications and supporting documentation to ensure accuracy, completeness, and compliance with federal regulations.
- The Sheriffs' Association should improve its grant application process by ensuring that grant writers are properly trained and by implementing a quality control review.
- The Sheriffs' Association should repay the Governor's Crime Commission \$16,800.

¹ "About." *North Carolina Sheriffs' Association*. Raleigh, North Carolina, [n.d.]. Viewed April 4, 2016 <http://ncsheriffs.org/about>

STATE OF NORTH CAROLINA
Office of the State Auditor



Beth A. Wood, CPA
State Auditor

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AUDITOR'S TRANSMITTAL

July 20, 2016

The Honorable Pat McCrory, Governor
Members of the North Carolina General Assembly
Chris Swecker, Chairman, Governor's Crime Commission
David Huffman, Executive Director, Governor's Crime Commission
Sheriff Asa Buck III, Chairman, North Carolina Sheriffs' Association
Sheriff Hubert A. Peterkin, President, North Carolina Sheriffs' Association
Edmond Caldwell Jr., Executive Vice President and General Counsel,
North Carolina Sheriffs' Association
Frank Perry, Secretary, North Carolina Department of Public Safety

Ladies and Gentlemen:

Pursuant to *North Carolina General Statute §147-64.6(c)(16)*, we have completed an investigation of allegations concerning the North Carolina Department of Public Safety — Governor's Crime Commission and the North Carolina Sheriffs' Association. The results of our investigation, along with recommendations for corrective action, are contained in this report.

Copies of this report have been provided to the Governor, the Attorney General and other appropriate officials in accordance with *G.S. §147-64.6(c)(12)*. We appreciate the cooperation received from the management and employees of the North Carolina Department of Public Safety — Governor's Crime Commission and the North Carolina Sheriffs' Association during our investigation.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor



Beth A. Wood, CPA
State Auditor

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Article V, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



BACKGROUND

The Office of the State Auditor (OSA) initiated an investigation after receiving multiple allegations through the State Auditor's Hotline concerning the North Carolina Sheriffs' Association (Sheriffs' Association), the North Carolina Governor's Crime Commission (Crime Commission), the North Carolina Department of Public Safety, and the North Carolina Department of Health and Human Services. It was alleged there were improprieties involving grant funds, contracts, and levels of compensation for certain employees of the Sheriffs' Association.

Our investigation included the following procedures:

- Review of applicable state and agency policies and procedures
- Interviews with Sheriffs' Association personnel
- Interviews with Governor's Crime Commission personnel
- Interviews with Department of Public Safety personnel
- Examination and analysis of grant applications and supporting documentation
- Examination of Sheriffs' Association documentation including payroll records, board minutes, financial statements, and contracts

The Sheriffs' Association is a non-profit organization that advocates for the interest of sheriffs' offices throughout North Carolina. The Sheriffs' Association works with state agencies to coordinate programs that are significant to law enforcement.²

The 44-member Crime Commission was created by the state legislature in 1968 and serves as the chief advisory body to the North Carolina Governor and the Department of Public Safety on crime and justice issues. The Commission sets program priorities, reviews applications, and makes recommendations for the state's Criminal Justice, Crime Victims' Services and Juvenile Justice federal grants.

This report presents the results of our investigation. The investigation was conducted pursuant to *North Carolina General Statute § 147-64.6 (c) (16)*.

² "About." *North Carolina Sheriffs' Association*. Raleigh, North Carolina, [n.d.]. Viewed April 4, 2016 <http://ncsheriffs.org/about>



FINDINGS AND RECOMMENDATIONS

THE GOVERNOR'S CRIME COMMISSION APPROVED A NONCOMPLIANT GRANT APPLICATION RESULTING IN A \$16,800 OVERPAYMENT FOR LAW ENFORCEMENT TRAINING

The Governor's Crime Commission's (Crime Commission) approved a grant application from the North Carolina Sheriffs' Association (Sheriffs' Association) that did not comply with U.S. Department of Justice grant regulations. The grant application did not include evidence of competitive bidding or sole source justification, and included consulting fees that exceeded the maximum allowable daily and hourly federal rates.

Grant Application Submitted with Errors

On January 27, 2012, a former Deputy Director for the Sheriffs' Association (Deputy Director) submitted a grant application to the Crime Commission that contained errors. The grant application included a consultant's fee of \$19,500 for two 3-day training seminars. However, the consultant's contract with the Sheriffs' Association was actually for \$39,000 for two 3-day training seminars.

The Sheriffs' Association's contract with its consultant included a provision for 48 hours of instruction. However, the Deputy Director increased the number of hours (348.22) on the grant application so the consultant's hourly rate did not exceed the maximum allowable hourly rate (\$56.25) under federal guidelines. Therefore, the consultant's computed hourly rate based on the grant application was \$406.25 (\$19,500 divided by 48).

Electronic Controls Avoided by Sheriffs' Association Staff

The former Deputy Director for the Sheriffs' Association (Deputy Director) avoided controls in the Grant Enterprise Management System (GEMS) when submitting the application. The Deputy Director divided the consultant's fees (\$19,500) by \$56.00, which is just below the maximum allowable hourly rate (\$56.25), to determine the number of hours (348.22). The Deputy Director then used 348.22 hours on the grant application even though other parts of the grant application indicated the seminars totaled 48 hours (two 3-day training seminars).

Grant Application Not Adequately Reviewed

Grant managers at the Crime Commission failed to adequately review the Sheriffs' Association's grant application and necessary documentation for accuracy, completeness, and compliance with federal regulations. The Crime Commission's Executive Director said the Crime Commission was under time constraints and understaffed at the time the grant was awarded.

Grant Application Approved Despite Noncompliance

On May 31, 2012, the Crime Commission approved the grant application despite noncompliance with U.S. Department of Justice grant regulations. Examples of noncompliance included:

- There was no evidence the consultant's contract was reviewed and approved by the Crime Commission.

- The grant application did not contain evidence of competitive bidding or a sole source justification for the consultant's contract.
- The consultant's contract listed his compensation as \$6,500 per day, which grossly exceeded the maximum allowable daily rate of \$450 for U.S. Department of Justice grants in 2012.
- The computed hourly rate for the consultant was \$406.25, which grossly exceeded the maximum allowable hourly rate of \$56.25 for U.S. Department of Justice grants in 2012.

Federal Regulations and State Policy Violated

The United States Department of Justice (DOJ) maintains a financial guide³ that lists laws, rules and regulations related to the administrative management of its grants. Regarding consulting fees, the financial guide states: "When the rate exceeds \$450 for an 8-hour day, or \$56.25 per hour (excluding travel and subsistence costs), a written PRIOR APPROVAL is required from the awarding agency." The financial guide also states, "If consultants are hired through a competitive bidding process (not sole source), the \$450 threshold does not apply."⁴

The Crime Commission also maintains policies and guidance for grant recipients. The Crime Commission's *Program Development Policy Manual* states, "Contracts must be submitted to Crime Commission and approval must be received from Crime Commission prior to any work beginning in order for costs incurred to be reimbursed." The manual also provides guidance on the maximum allowable rates which mirrors the DOJ financial guide.

Approval Resulted in \$16,800 Overpayment

The Crime Commission's approval of the grant application resulted in a \$16,800 overpayment for law enforcement training. The maximum allowable hourly rate of \$56.25 multiplied by 48 hours of training equals a maximum allowable fee of \$2,700. The consultant was paid \$19,500. Therefore, the consultant was overpaid \$16,800 (\$19,500 - \$2,700).

The Crime Commission could have used the grant money for other projects that would have benefitted the State of North Carolina.

RECOMMENDATIONS

- The Governor's Crime Commission should ensure that grant managers thoroughly review grant applications and supporting documentation to ensure accuracy, completeness, and compliance with federal regulations.
- The Sheriffs' Association should improve its grant application process by ensuring that grant writers are properly trained and by implementing a quality control review.
- The Sheriffs' Association should repay the Governor's Crime Commission \$16,800.

³ United States Department of Justice, Office of Justice Programs Financial Guide

⁴ United States Department of Justice, Office of Justice Programs Financial Guide - Part III – Chapter 15 Costs Requiring Prior Approval Paragraph 6 – Consultant Rates



RESPONSES



North Carolina Department of Public Safety
Governor's Crime Commission

Pat McCrory, Governor
Frank L. Perry, Secretary

Chris Swecker, Chair
L. David Huffman, Director

June 16, 2016

Ms. Beth A. Wood, CPA – State Auditor
NC Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601

Ms. Wood,

Thank you for the June 2016 report. Work performed by your professional staff, revealed, alleged improprieties involving grant funds, contracts, and of compensation for contract employees of the North Carolina Sheriff's Association. These actions occurred during the 2011-2012 grant cycle.

The Governor's Crime Commission accepts the findings from your organization and will follow through on your recommendations. Attached you will find our corrective action; in addition, you will find a narrative of how we plan to resolve this issue. Finally, the Governor's Crime Commission will contact the Sheriff's Association and work with them to remedy this situation.

The Governor's Crime Commission appreciates your attention to this matter; the recommendations presented, will help to better serve the people of North Carolina.

Professional regards,

A handwritten signature in black ink that reads "L. David Huffman".

L. David Huffman
Executive Director

LDH/bh

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Finding:

The Governor's Crime Commission approved a noncompliant grant application resulting in \$16,800 in overpayment for law enforcement training.

Response: the Governor's Crime Commission accepts the findings and acknowledges the oversight both in the awarding of the grant and review of changes made to the grant by the Sheriff's Association.

Recommendation: The Governor's Crime Commission should ensure that grant managers thoroughly review grant applications and supporting documentation to ensure accuracy, completeness, and compliance with federal regulations.

Response: Since the time of this grant, the Governor's Crime Commission has increased staffing levels, training, and reviews of applications to include mandatory modifications prior to award. All Governor's Crime Commission staff are now required to complete a Department of Justice financial grants management course and our GEMS system has been updated to reflect federal regulation changes.

Recommendation: The Sheriffs' Association should improve its grant application process by ensuring that grant writers are properly trained and by implementing a quality control review.

Response: The Governor's Crime Commission will provide additional resources and information on training opportunities for the Sheriffs' Association. The Sheriffs' Association will be required to attend and fully participate in the Governor's Crime Commission's grant writing workshops

Recommendation: The Sheriff's Association should repay the grant, \$16,800 which represents unallowable cost included in its grant application.

Response: The Governor's Crime Commission will seek repayment of \$16,800 from the Sheriffs' Association.



NORTH CAROLINA SHERIFFS' ASSOCIATION
LAW ENFORCEMENT OFFICERS AND STATE OFFICIALS
OF NORTH CAROLINA



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Secretary - Treasurer SHERIFF DAVID A. MAHONEY Transylvania County	Chairman - Executive Committee SHERIFF ASA B. BUCK, III Carteret County	Executive Vice President and General Counsel EDMOND W. CALDWELL, JR.	

July 15, 2016

EXECUTIVE COMMITTEE
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(Past Presidents)

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Edgecombe County
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Rockingham County
- SHERIFF TONY E. PERRY
Camden County
- SHERIFF KEVIN FRYE
Avery County

The Honorable Beth A. Wood, CPA
State Auditor
2 South Salisbury Street
Raleigh, North Carolina

Via Hand-Delivery

Dear State Auditor Wood,

Thank you for the opportunity to reply to your report.

Personnel that processed grants during this period are no longer with the Association. The Association has taken steps to ensure that staff are appropriately trained and grants are properly reviewed.

On July 8, 2016, we hand-delivered to the Governor's Crime Commission a check for \$16,800 as recommended in your report.

Respectfully,

Asa B. Buck, III
 Sheriff Asa B. Buck, III
 Chairman – Executive Committee
 North Carolina Sheriffs' Association

Hubert A. Peterkin
 Sheriff Hubert A. Peterkin
 President
 North Carolina Sheriffs' Association

Edmond W. Caldwell, Jr.
 Edmond W. Caldwell, Jr.
 Executive Vice President and General Counsel
 North Carolina Sheriffs' Association

EWC:dcg
Enclosure

cc: L. David Huffman
Executive Director
NC Governor's Crime Commission

ORDERING INFORMATION

COPIES OF THIS REPORT MAY BE OBTAINED BY CONTACTING:

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For additional information contact:
Bill Holmes
Director of External Affairs
919-807-7513



This investigation required 885.5 hours at an approximate cost of \$85,681. A total of nine allegations were investigated.