MoWIN(JAG) and HIDTA Federal Grants

Financial Audit

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I. Introduction and Scope

The Clay County Sheriff's Office (CCSO) receives a number of grants for its operations. Two of those are from the Federal Government, but via the Missouri Department of Public Safety (DPS) and/or Kansas City Police Department (KCPD) as fiduciary intermediaries. Those two are the Missouri Western Interdiction and Narcotics (MoWIN) Task Force—Edward Byrne Memorial Justice Assistance Grant (JAG) Program as well as the High Intensity Drug Trafficking Area (HIDTA) Program.

Federal law requires that local entities receiving such grants complete annual financial statement audits to ensure appropriate handling of these funds. Requirements include no commingling of grant monies with other jurisdictional accounts and adequate internal controls toward that end. In other words, both the reimbursable expenditures and the receipted reimbursements themselves ought to be clearly delineated in the receiving entity's general ledger.

Specifically, Title 45 Public Welfare in the Code of Federal Regulations (CFR) Part 75 beginning at Subpart 500 describes these audit directions. The Single Audit compliance report, typically performed by an accounting firm outside of the audited entity, is to be submitted to the Federal Audit Clearinghouse (FAC) no later than nine months after the relevant fiscal year end. If the audit report is delivered by said company to its auditee earlier than that date, then it is to be uploaded to the FAC within thirty calendar days and whichever is earlier.

As of this audit report's writing, that deadline has come and gone. The CCSO obviously inquired as to why there is no Single Audit for Clay County as of yet. The response from Clay County's outside financial statement audit firm, RSM, has been that it believes the ongoing State Audit petitioned by citizens renders its own audit on hold. RSM argues that any findings from the State Audit could alter its own findings, as to the County's financial statements being fairly presented with no material exceptions.

Of note, a judge in Cole County, MO recently ruled that the State Audit is a Performance Audit and not a Financial Audit—per the Generally Accepted Government Auditing Standards (GAGAS) and Revised Statute of Missouri (RSMo) 29.185 governing the State Auditor's duties. The County Commission and Administration, which contracts with RSM, sued the State Auditor saying the office is limited to only Financial Audits.

Due to the high risk of the CCSO potentially losing personnel funded by these grants, this audit will seek to provide a level of assurance to the Federal Government in the absence of the Clay County outside financial statement audit for the year ending December 31st, 2018. It will be a quite narrow Financial Audit by GAGAS. The Office of Management and Budget (OMB) Circular A-133 for Single Audits is a guide, *in principle only*, and 45 CFR § 75.500-520.

It is worthwhile to mention the background context overarching this situation, too. This same year the Sheriff sued the County Commission over inadequate budgeting for Commission contracts to feed and provide healthcare for inmates. The Sheriff won that lawsuit, but it has been appealed by the Commission. There is claimed suspicion that the under-budgeting by Administration deliberately happened as a result of the Sheriff previously investigating document tampering by the Chief Budget Officer.

II. Background and Audit Plan

In this section we will briefly lay out the history behind MoWIN and HIDTA with respect to the CCSO. Overall, the Federal JAG Program began with the Consolidated Appropriations Act of 2005 under the Bureau of Justice Assistance (BJA) as a Local Law Enforcement Block Grant (LLEBG). The regional MoWIN iteration subsequently started after that initial inception. In fact, neighboring Jackson and Platte Counties join Clay in the combined MoWIN Task Force. The County's general ledger, through the Eden accounting software, shows a dedicated JAG revenue line going back to 2011. The separated expenditure accounts entitled Sheriff Drug Grant Control, however, came into being in 2015. Previously Sheriff accounts were in the County General Fund (100).

For the year 2018, this expenditure department had budget for five full time members on the Task Force: three Investigators, one Sergeant, and one Deputy Sheriff. There was also budget for overtime along with a part time Deputy Sheriff. These numbers certainly vary, though, given any staff changes that occur throughout the year. Documentation from the CCSO requesting reimbursement from KCPD indeed reflects these fluctuations. MoWIN currently reimburses—as available—the CCSO for just wages, so no benefits, but it can pay for vehicle leases as well. Local donations and matching have assisted that amount for the squad so far.

Regarding HIDTA, the Drug Enforcement Agency (DEA) set up numerous HIDTAs across the country after Congress passed the Anti-Drug Abuse Act of 1988. DPS, by way of its subordinate Missouri State Highway Patrol (MSHP), then created the Midwest HIDTA in December of 1996. Similar to MoWIN, Eden depicts a dedicated revenue line for HIDTA since 2011. In HIDTA's case, a separate expenditure department has existed in the ledger since 2011—previously in the County General Fund (100). For 2018, only one full time Investigator was budgeted there plus overtime. HIDTA gives back—as available—to the CCSO for wages, benefits, and vehicle lease costs.

The Audit Plan will therefore involve analyzing the actual revenues and expenditures in these account lines for 2018. We will present the cash basis numbers from Eden, but also compare them to the accrual method of accounting. Further, we intend to judge the effectiveness of internal controls over requests for grant reimbursements and over reimbursable expenditures.

One should know up front that we do not have any findings materially affecting whether or not the 2018 trial balances for these particular grant funds are fairly stated. Put simply, we have an **UNMODIFIED** audit for MoWIN and HIDTA in 2018. As a result, the following is mainly informative and observatory in nature.

To wrap up this background, the 2019 status of MoWIN and HIDTA does deserve some discussion. The budget for 2019 ultimately moved the former MoWIN department, 279 (Law Enforcement)-551 (Sheriff Drug Grant Control) into the new 279-553 ("Field Operations") without the Sheriff's consent—although he is its Expenditure Authority. Likewise, it transferred personnel from the former HIDTA department (279-943) into 279-553, but left the account line for vehicle leases budgeted. This will likely be an issue in future audits, but the Budget Team is looking to put budget back in 279-551 for 2020.

III. Audit

- **Previous Audit Findings**

None noted in prior Single Audit Compliance Reports, although MoWIN/JAG is noticeably missing from prior Schedules of Expenditures of Federal Awards (SEFAs). The audited fiscal years of 2014-2017 all have JAG absent in the SEFA. HIDTA is regularly identified. JAG is in a preliminary draft version of the unreleased 2018 SEFA, but all totals in that document do not appear correct. The Title IV-D Reimbursement for Child Support Enforcement, for instance, seems vastly understated from what was truly received.

- **Overview Statistics of MoWIN and HIDTA**

In 2018, MoWIN and HIDTA cash basis revenues and expenditures in Eden were absolutely as follows:

MoWIN	**2018**
Revenues	Expenditures
$ 174,076.49	$ 274,545.96

HIDTA	**2018**
Revenues	Expenditures
$ 27,918.05	$ 78,432.06

Bear in mind again that the revenues are grant reimbursements—as available—solely for wages (MoWIN) or wages, benefits, and vehicle leases (HIDTA). Benefit reimbursements are not allowed with MoWIN. Moreover, the state's fiscal year of July 1st to June 30th dictates how the grants are awarded to counties. Hence, we approximately calculated the accrued 2018 revenue totals from reimbursements as:

- $219,815.93 for MoWIN
- $51,465.61 for HIDTA

The conclusions here have some difficulties in terms of determining the accrued wages and benefits figure. That is because the reimbursement requests and backup receipt attachments behind the Treasurer deposits indicate a beginning pay period of 12/31/17 and ending date of 12/29/18. Biweekly payroll records are not broken out to the daily detail to then arrive at an exact calendar year number. What is presented is thus an average accrual for those days. Meriting extreme attention, our method of tallying the accrued totals from those receipts and backup documents likely differs from whatever method RSM may ever use. We had the luxury of seeing the actual receipts late into 2019 for 2018 reimbursements. We may disagree on these figures, especially as both MoWIN and HIDTA do not meet a "Type A" Federal award threshold of over $750,000 that automatically gets closer scrutiny. This point cannot be stressed enough.

- **Budgeting Issues for MoWIN**

In addition to the problems indicated in the background summary for the 2019 budget of these grants, their respective 2018 budgets also have important items to cover. The above referenced fiscal year discrepancy between the state and county caused the need for a budget reappropriation in the MoWIN department (279-551). The amount, by County Ordinance 2018-ORD-13, was for $124,500 of unexpected grant reimbursements, portions of which were re-appropriated into benefit budget lines. That adjustment may cause concern, given how benefits are not reimbursable with MoWIN. In our view, the understanding of payroll being processed from the "bucket" perspective of all personnel account lines in the entire department (279-551) total, however, alleviates that worry.

KCPD, in their own internal auditing of grant sub-recipients, informed the CCSO on October 2nd, 2019, of their desire to see an expenditure account line for MoWIN with just the reimbursable salary component. The County Auditor's performed this journal entry in an unused 279-551 miscellaneous line for the precise $174,076.49 cash basis revenue amount. County payroll systems simply don't have benefits and wages bifurcated into their own departments. While insurances are essentially passed through into other funds (315-Health Benefits, 320-Employee Withholding & Benefits, 932-CERF, a retirement plan), FICA and LAGERS (another retirement plan) are charged to the home department.

- **Internal Controls**

The procedures with requesting reimbursements for wages and vehicle leases entail an Administrative Assistant II/Crime Analyst completing a spreadsheet for DPS or KCPD that itemizes those various costs in a set time period. An Administrative Division Commander with the rank of Captain has oversight for this employee, along with eventually the Sheriff himself. The Treasurer reviews the spreadsheet copies and attaches them to the deposits for the reimbursements as they are received. The Auditor's office next ties out or reconciles this activity periodically and finally at year closing for the outside financial statement auditing firm, which comprises the cash basis trial balance. Owing to KCPD's aforementioned worries, the Auditor's office examined all MoWIN and HIDTA 2018 receipts, both cash basis and accrued, and verified the backup documentation to the deposits. They all matched perfectly.

As to the expenditure side for internal controls, the Sheriff or his designee approves time cards within the ADP payroll system. The Human Resources department next downloads a file from ADP for the Auditor to apply to the impacted budget lines in a journal entry. The Treasurer then makes the cash payments and this is furthermore audited for accuracy. We statistically tested the MoWIN cash basis 10/4/18 receipt #35426 (3/16/18 pay date) and accrual 2/15/19 receipt #36192 (6/22/18 pay date) reimbursement requests back to payroll records for the purpose of validation. There were no differences. For HIDTA, we sampled the accrual 3/15/19 receipt #36385 (10/12/18 and 10/26/18 pay dates) back to payroll records and did not discover any mismatches. Explanation was needed due to how overtime is sometimes reimbursed from the DEA's Organized Crime Drug Enforcement Task Force (OCDETF) and not HIDTA, depending on the case worked by the Investigator. The lone cash basis 3/19/18 receipt #34060, for 2017 or earlier pay dates, did not have backup documentation behind the front page memo. With vehicle lease expenditures, a purchase order (PO) is created that goes through standard County accounts payable protocol. The PO protocol demands expenditure authority approval of a requisition, Purchasing department checking for bidding necessities, and Auditor confirmation of enough budget available. The Clerk's office enters the invoice to affirm no duplicate payment and the Treasurer's office makes the payment.

- **Conclusion**

Like we offered in the beginning background and audit plan section of this audit, we take an **UNMODIFIED** and clean opinion as far as the fair presentation of financial statements for 2018 MoWIN and HIDTA transactions. We neither detected any materially significant findings for our rather narrow Financial Audit of the same. Sufficient internal controls are in place, despite payroll budget quirks.

<u>Overall Rating for this Audit</u>

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