

# **AUDIT REPORT**

## ***High Intensity Drug Trafficking Areas Grant***

### **Denver Police Department**

**March 2020**



**Office of the Auditor  
Audit Services Division  
City and County of Denver  
Timothy M. O'Brien, CPA  
Denver Auditor**

## Audit Team

---

Patrick Schafer, MBA, CPA, CFE, CIA, Audit Supervisor

Rob Farol Jr., CIA, CGAP, Senior Auditor

Marc Hoffman, MBA, Senior Auditor

## Audit Management

---

Timothy M. O'Brien, CPA, Auditor

Valerie Walling, CPA, Deputy Auditor

Kevin Sear, CPA, CIA, CISA, CFE, CGMA, Audit Director

## Audit Committee

---

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### Office of the Auditor

201 West Colfax Avenue, #705

Denver CO, 80202

(720) 913-5000 ♦ Fax (720) 913-5253

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# City and County of Denver



**TIMOTHY M. O'BRIEN, CPA**  
AUDITOR

201 West Colfax Avenue, #705 • Denver, Colorado 80202  
(720) 913-5000 • Fax (720) 913-5253 • [www.denverauditor.org](http://www.denverauditor.org)

March 19, 2020

## AUDITOR'S LETTER

The objective of our audit of the High Intensity Drug Trafficking Areas grant was to determine whether the Denver Police Department and the Front Range Task Force are complying with grant requirements. I am pleased to present the results of this audit.

The audit revealed the Denver Police Department and the Front Range Task Force are substantially compliant with grant requirements. Despite this, though, we did note some gaps in compliance. The Denver Police Department and the Front Range Task Force need to ensure compliance with all grant regulations and develop any further supplemental procedures to assist in compliance activities.

Through stronger policies and procedures and better adherence to existing grant requirements, the Denver Police Department and the Front Range Task Force will be better equipped to ensure compliance with grant requirements. This would help ensure the city continues receiving grant funding. Our report lists several related recommendations.

This performance audit is authorized pursuant to the City and County of Denver Charter, Article V, Part 2, Section 1, "General Powers and Duties of Auditor," and was conducted in accordance with generally accepted government auditing standards. Those standards require 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We extend our appreciation to the Denver Police Department and the Front Range Task Force personnel who assisted and cooperated with us during the audit. For any questions, please feel free to contact me at 720-913-5000.

Denver Auditor's Office

A handwritten signature in black ink, appearing to read "Timothy M. O'Brien".

Timothy M. O'Brien, CPA  
Auditor





# High Intensity Drug Trafficking Areas Grant

March 2020

## Objective

To determine whether the Denver Police Department is complying with requirements of the High Intensity Drug Trafficking Areas grant and whether the department has adequate controls to properly manage and track grant expenditures and assets.

## Background

The High Intensity Drug Trafficking Areas, or HIDTA, grant is administered by the White House's Office of National Drug Control Policy. The program enables cooperation between federal, state, local, and tribal law enforcement in disrupting large-scale drug trafficking operations around the country.

The grant has been awarded annually to the Denver Police Department since the inception of the HIDTA's Rocky Mountain region in 1996. To fulfill the mission of the HIDTA grant, the Denver Police Department acts as fiduciary, or fiscal agent, of the Front Range Task Force — helping to administer expenditures and subsequent reimbursements.

## REPORT HIGHLIGHTS

### Highlights from Audit

#### The Denver Police Department Substantially Complied with Requirements for the High Intensity Drug Trafficking Areas Grant, but Process and Policy Gaps Exist

- The HIDTA equipment inventory process lacks adequate internal controls to ensure proper accountability of grant-funded assets.
- The Front Range Task Force is not consistently following its own policies for the purchase of information and evidence, and the duties of those responsible for handling the funds are not properly segregated.
- Denver police officers working on the Front Range Task Force do not track overtime to the minute, as required by policy.
- We identified questioned costs related to incorrect use of travel reimbursement rates and a lack of proper approval on a training expenditure.
- The Front Range Task Force did not submit the budget proposal for the 2018 grant period on time, and the proposal was incomplete.
- The Denver Police Department and the Front Range Task Force did not submit on time two of the required financial and performance reports for the 2018 grant period.
- The Front Range Task Force does not have required position descriptions on file for the two full-time positions funded by the grant.

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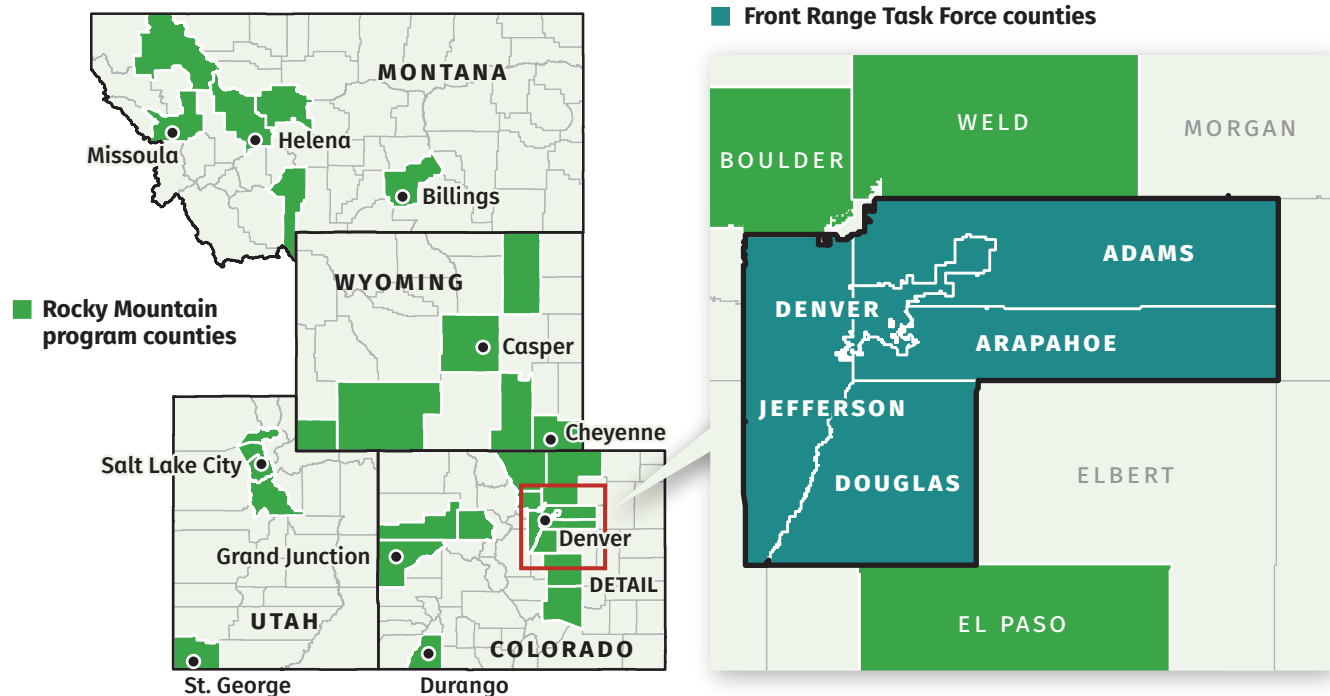
## BACKGROUND

The High Intensity Drug Trafficking Areas, or HIDTA, grant is administered by the White House’s Office of National Drug Control Policy. The program enables cooperation between federal, state, local, and tribal law enforcement in dismantling and disrupting organized, large-scale drug trafficking organizations through shared intelligence, training, and investigative cooperation. “High-intensity areas” are designated by the director of the Office of National Drug Control Policy and are broken down geographically. As of 2019, the grant program funded 32 high-intensity areas in six regions across the nation.

The Front Range Task Force — a group of participating federal, state, local, and tribal law enforcement agencies — is part of the Rocky Mountain HIDTA region. As indicated in Figure 1, the Rocky Mountain region encompasses four states: Colorado, Utah, Wyoming, and Montana.<sup>1</sup>

**FIGURE 1.** Rocky Mountain High Intensity Drug Trafficking Areas Map

### High Intensity Drug Trafficking Areas



**Source:** Illustration designed by Auditor’s Office staff using the Office of National Drug Control Policy’s national High Intensity Drug Trafficking Areas map.

<sup>1</sup> “High Intensity Drug Trafficking Areas,” Office of National Drug Control Policy (September 2019), accessed Jan. 13, 2020, <http://www.hidtaprogram.org>.

## Oversight of High Intensity Drug Trafficking Areas

The HIDTA program was initiated by Congress and formally designated by the Office of National Drug Control Policy. It is only a program — not a formal government agency or organization — and law enforcement officers working on behalf of the 32 high-intensity areas are not agents of the federal government.<sup>2</sup> As such, each HIDTA does not possess its own law enforcement authority but rather relies on the enforcement authority of the participating agencies.

There is an executive board at each HIDTA, tasked with governance. Our local HIDTA executive board, the Rocky Mountain HIDTA, consists of 10 federal members and 13 state and local members. This board is responsible for developing a threat assessment for its four-state region. Once the threat assessment is complete, the board develops a strategy to address the threats and allocates the funding accordingly.

### FOR MORE INFORMATION

For definitions of common technical terms used in this report, reference Appendix A.

## The Front Range Task Force

As illustrated in Figure 2 on the following page, the Front Range Task Force and the Fugitive Location and Apprehension Group are overseen by the chief of the Denver Police Department, a Denver Police commander, and a Denver Police lieutenant, who acts as the Front Range Task Force commander.

While the Denver Police chief and commander both serve as top-level management overseeing the Front Range Task Force, the task force commander oversees the task force and its embedded Fugitive Location and Apprehension Group.

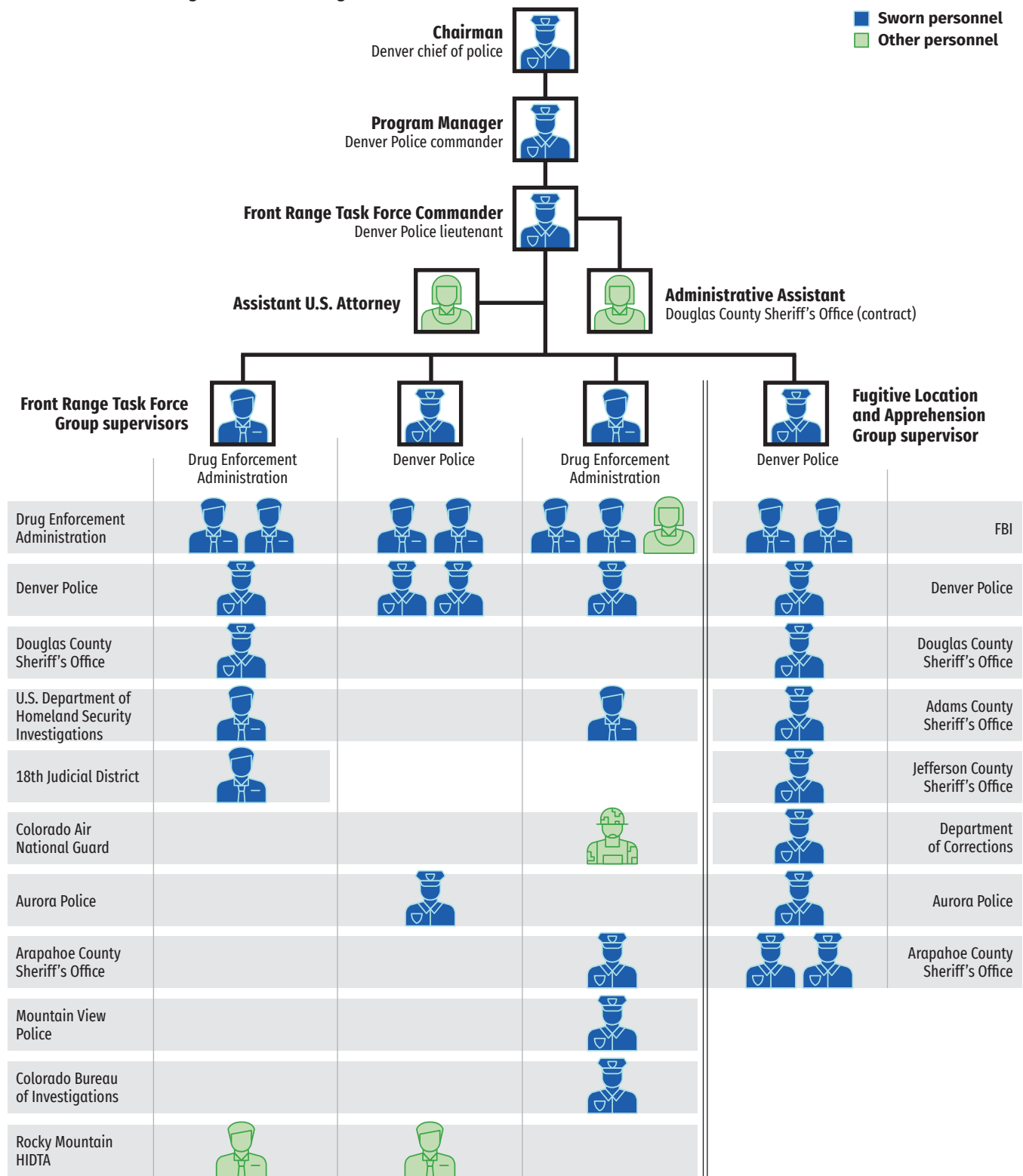
The personnel on the left side of Figure 2 represent the Front Range Task Force. The 2018 grant covered 100% of the personnel salary and benefits of the Front Range Task Force commander who oversees the operation. The grant also covers overtime costs for law enforcement personnel investigating HIDTA cases, costs for investigation-related travel, and equipment and supplies used by task force investigators.<sup>3</sup>

Conversely, personnel on the right side of Figure 2 represent the Fugitive Location and Apprehension Group task force. The 2018 grant covered the cost of overtime for law enforcement officers on the task force, as well as supplies and services they used.

<sup>2</sup> Office of National Drug Control Policy, "HIDTA Program Policy and Budget Guidance" (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 2-4.

<sup>3</sup> Except for the Denver Police lieutenant charged with overseeing the three initiatives and an intelligence analyst who provides support to the investigative initiatives, all costs associated with salaries and fringe benefits of other personnel are paid either through the parent agency or through grant awards outside the HIDTA grant provided to the Denver Police Department. The only personnel-related costs paid with the Denver Police Department's HIDTA grant funds are overtime costs incurred by sworn law enforcement officers while they are investigating HIDTA cases.

**FIGURE 2.** Front Range Task Force Organizational Chart



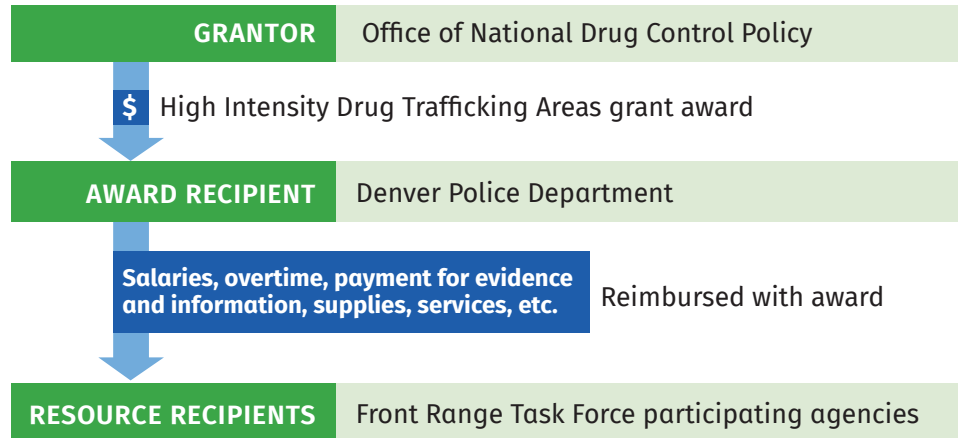
**Source:** Illustration designed by Auditor's Office staff using the Front Range Task Force organizational chart.



## Awarding and Budgeting for HIDTA Grants

The federal Office of National Drug Control Policy distributes grant awards to the Rocky Mountain HIDTA office for disbursement to award recipients, as illustrated in Figure 3. Allowable activities and costs are reimbursed with the grant award. The Denver Police Department is the nonfederal award recipient that serves as a “fiduciary” for the Rocky Mountain HIDTA’s nonfederal funding (i.e., Denver Police is entrusted to manage and distribute the funding, like a fiscal agent). Federal entities participating in task forces are not eligible to receive grant funding from the Denver Police Department.

**FIGURE 3.** HIDTA Grant Funding Flow

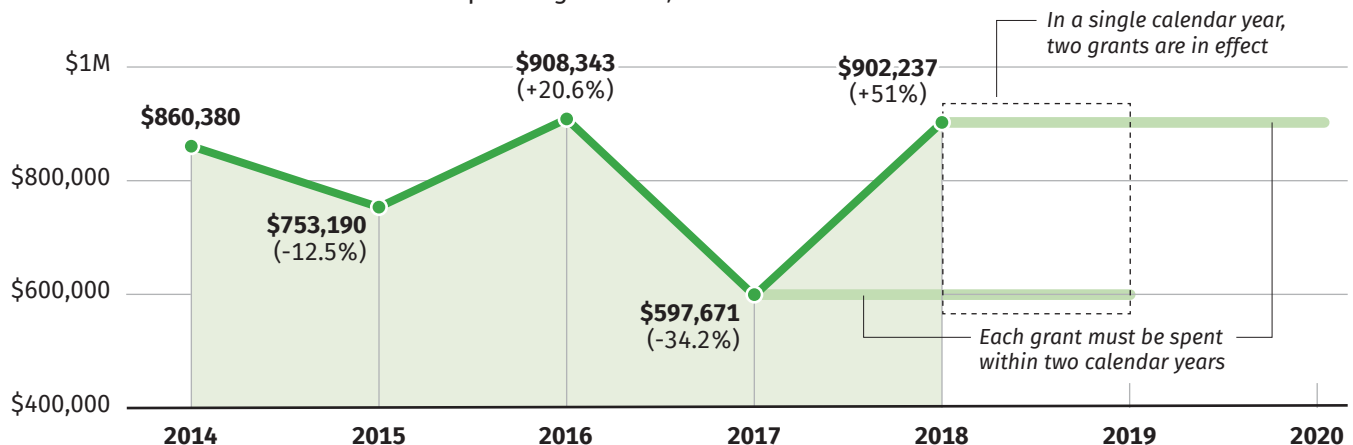


**Source:** Graphic designed by Auditor’s Office staff using auditors’ review of federal and regional grant guidance and the award agreement.

Nonfederal participating agencies spend their own funds from a list of preapproved categories and then seek reimbursement from the fiduciary (i.e., the Denver Police Department) to carry out the mission of one or more Rocky Mountain HIDTA initiatives.

Figure 4 represents the grant amounts awarded to the Denver Police Department for the past five grant periods.

**FIGURE 4.** Grant Awards and Allowed Spending Periods, 2014-2018



**Source:** Denver Police Department HIDTA grant award letters, 2014-2018.

When HIDTA grants are awarded, the grant agreement allows the award to be spent over multiple years. Referred to as the “period of performance,” the Denver Police Department has two years to spend its HIDTA awards. Each of the years within these two-year periods coincides with a calendar year.

At each calendar year’s end, the Rocky Mountain HIDTA requires the Denver Police Department to report any unspent funds. This annual reporting allows the Rocky Mountain HIDTA to reallocate the unspent funds of one grant recipient within the Rocky Mountain HIDTA to another.

### **Annual Rocky Mountain HIDTA Budget Process**

On an annual basis, the participating agencies of the Front Range Task Force set performance goals and request funding to meet their unique challenges. A budget proposal is prepared by the Front Range Task Force commander and submitted by Feb. 15 of each year to the director and board of the Rocky Mountain High Intensity Drug Trafficking Area. Budget proposals must be in a specific format and include prescribed elements. Examples of such elements include an introduction, a detailed description of the task forces being funded, a breakdown by category of expenditures, and a justification for all expenditures being requested.

The Rocky Mountain HIDTA performs an extensive review of all budget proposals. Once approved by the Rocky Mountain HIDTA, budget proposals are then submitted to the Office of National Drug Control Policy by June 15 for final approval. A grant award and an acceptance letter are then issued by the federal government and signed by the Denver Police chief in their capacity as fiduciary of the grant.

### **Limits on Local Grant Spending**

Requirements state that the Denver Police Department, as fiduciary of the HIDTA award, must ensure supplanting of federal funds does not occur. “Supplanting” is defined as using federally awarded dollars to pay for expenditures the city would otherwise have to pay for.<sup>4</sup>

For example: Say that, before being awarded HIDTA grant funds, the Denver Police Department had paid the salary of an officer who performed drug-related investigations for the department. But once it received HIDTA grant funds, the department stopped budgeting and paying for the salary of that officer with city dollars and instead “supplanted,” or replaced, the city dollars with HIDTA funds. If the officer was performing the same duties as before the HIDTA funds were awarded, this would constitute supplanting — because the Denver Police Department would be reducing local funds spent on an activity specifically because federal funds were available to now fund the same activity.

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<sup>4</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 6-1.

National and regional policy requires annual written certification that each position funded by the HIDTA grant performs 100% of their duties for grant-related purposes unique to the mission and operational activities of the program.<sup>5</sup>

## Grant Expenditures

Expenditures for the HIDTA grant are explicitly budgeted according to the following categories:

- **Personnel** – salary and fringe costs of specific grant-supported personnel
- **Overtime** – investigative or support-related time only
- **Travel** – travel for investigations, training, or administrative purposes
- **Services** – communications, contract employees, equipment rentals, shipping and postage, software maintenance, database subscriptions, and leased vehicles
- **Equipment** – items valued over \$5,000, such as computer hardware, technical investigative equipment, and vehicles
- **Supplies** – items valued below \$5,000, such as investigative equipment, investigation-related office supplies, software licenses, and office furniture
- **Other** – payments for purchased evidence and information from confidential informants

### FOR MORE INFORMATION

For a hierarchy of grant regulations used for this audit, reference Appendix B.

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<sup>5</sup> Ibid, 6-4 through 6-5 § 6.9.1.2.

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## FINDING

### **The Denver Police Department Substantially Complied with Requirements for the High Intensity Drug Trafficking Areas Grant, but Process and Policy Gaps Exist**

The Denver Police Department is generally compliant with requirements of the High Intensity Drug Trafficking Areas, or HIDTA, grant.

However, we did find gaps in compliance regarding four expenditure categories related to equipment, investigative overtime, the purchase of confidential information and evidence, and travel. In addition to expenditure-related compliance concerns, we also identified issues related to untimely financial and performance reporting.

According to federal guidance, not complying with grant requirements may result in grant funds to the Denver Police Department being temporarily withheld until corrective action is taken, disallowed for all or part of the cost of the activity, wholly or partly suspended, or the federal award itself could be terminated.<sup>6</sup> However, the federal government may elect not to take action if it determines the noncompliance was insignificant.

Our audit also identified a common cause that spans each of the seven issues: Existing policies were in place, but they were not followed.

Additionally, for the first two issues that deal with equipment expenditures and the purchases of confidential information and evidence, we found existing policies lack detailed procedures prescribing just how the policies are to be applied. Detailed procedures would provide statements of how, when, and who must do the task — specifics critical for a policy to be complied with.

#### **The Task Force Needs Better Safeguards for HIDTA-Funded Equipment**

The Denver Police Department and participating agencies share the responsibility for ensuring equipment purchased with HIDTA grant funds is used to the maximum benefit and that equipment use complies with all grant requirements.

By not properly tracking grant-funded equipment, there is a greater potential risk of equipment being lost, stolen, or improperly maintained — all of which may render the assets unavailable for use in pursuing the Rocky Mountain HIDTA's initiatives. For this reason, the Office of National Drug Control Policy requires HIDTA grant recipients to maintain an asset-tracking

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<sup>6</sup> 2 C.F.R. § 200.339, accessed Jan. 28, 2020, <https://www.govinfo.gov/content/pkg/CFR-2017-title2-vol1/pdf/CFR-2017-title2-vol1-sec200-339.pdf>.

system to account for all HIDTA-purchased equipment valued at \$5,000 or more at the time of purchase.<sup>7</sup> The HIDTAs may include lower-cost items in this tracking system that may have a high risk of theft or loss.<sup>8</sup>

Additionally, the national office requires HIDTA grant recipients to conduct a 100% physical inventory of grant-purchased equipment and assets at least once every two years.<sup>9</sup> According to the U.S. Government Accountability Office, physical inventory counts are meant to ensure information in the inventory record — such as the location of equipment, quantity, the tag number, and a brief description of the item — is accurate and up to date with the information of grant assets actually on hand.<sup>10</sup> Further, performing a physical inventory count helps identify missing items and obsolete items that should be disposed of.

In addition to requiring routine physical inventory counts over equipment, the Office of National Drug Control Policy also requires the Denver Police Department to establish and follow a set of maintenance procedures.<sup>11</sup> These maintenance procedures help ensure the equipment used by law enforcement personnel is reliable and kept in good condition. Moreover, performing routine maintenance can yield cost savings as equipment can be used longer before it needs replacement or costly repairs.

The Rocky Mountain HIDTA also has equipment-related requirements in addition to those required by the national office. For example, inventory listings must be kept up to date and complete, and they must include details such as the condition of the HIDTA-purchased equipment and the percentage of the purchase price that came from HIDTA funds.

However, our audit identified the following concerns related to HIDTA-funded equipment:

1. The Denver Police Department has not ensured a 100% physical inventory is conducted at least once every two years.
2. There are inaccuracies in the inventory listing. Notably, a computer monitor had a listed purchase price of \$22,000 when other similar items are listed as only \$220.
3. The inventory listing did not include all required items, such as information on the condition of each asset and the percentage of HIDTA funds used to purchase the equipment.
4. The Denver Police Department has not ensured procedures for

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<sup>7</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 8-1.

<sup>8</sup> Ibid, 8-2.

<sup>9</sup> Ibid, 8-2 through 8-3.

<sup>10</sup> U.S. Government Accountability Office, GAO-02-447G, “Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property” (March 2002), accessed Feb. 5, 2020, <https://www.gao.gov/new.items/d02447g.pdf>, 48.

<sup>11</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 8-3.



equipment maintenance exist and are being followed.

Lastly, we found the Denver Police Department has not ensured the key functions of personnel who handle HIDTA-funded equipment are properly segregated. Specifically, the same person who has custody of the equipment (i.e., receives new equipment, disposes of equipment, houses equipment not in use, assigns out equipment, etc.) also performs the record-keeping function — including maintaining the inventory listing — and performs the physical inventory count.

As a best practice, the U.S. Government Accountability Office recommends that different employees be in charge of the physical custody of inventory, the processing and recording of transactions, and the approval of transactions.<sup>12</sup> This best practice also recommends establishing written detailed procedures that lay out how the entire physical inventory process should be performed. These procedures should include details such as objectives of the count, timing of the count, instructions for counting and recording, and instructions for researching and adjusting the inventory listing for variances between the inventory listing and what was identified during the physical count.

Having this detail documented in procedures ensures the process of the physical inventory count is performed in a consistent manner. It also helps promote accuracy of the inventory listing and provides a basis for training and informing those involved in the physical inventory count process.

Once created, these detailed procedures should be regularly reviewed and updated to reflect changes in the physical inventory count process.

## RECOMMENDATION 1.1

**Adhere to Existing Grant Equipment Requirements** – The Denver Police Department should ensure equipment-related requirements for the High Intensity Drug Trafficking Areas grant are adhered to by:

- Ensuring the inventory listing includes all required elements, such as asset condition, source, and percentage of HIDTA funding used to purchase the equipment; and
- Creating and following maintenance procedures for HIDTA-funded equipment.

**Agency Response: Agree, Implementation Date – May 8, 2020**

<sup>12</sup> U.S. Government Accountability Office, GAO-02-447G, “Best Practices in Achieving Consistent, Accurate Physical Counts of Inventory and Related Property” (2002), accessed Jan. 14, 2020, <https://www.gao.gov/new.items/d02447g.pdf>.

## RECOMMENDATION 1.2

**Establish Physical Inventory Procedures** – The Denver Police Department should establish written procedures for physically counting equipment funded by the High Intensity Drug Trafficking Areas grant – including defining the count process and defining the individual tasks associated with that process.

**Agency Response: Agree, Implementation Date – May 8, 2020**

## RECOMMENDATION 1.3

**Segregate Equipment-Related Duties** – The Denver Police Department should segregate the duties related to equipment funded by the High Intensity Drug Trafficking Areas grant, so that no one person has responsibility for more than one of the following:

- Custody or physical control of equipment
- Processing and recording of equipment transactions
- Approval of equipment transactions and adjustments
- Performance of the physical inventory at least every two years

**Agency Response: Agree, Implementation Date – May 8, 2020**

### **Purchases of Confidential Information and Evidence Are Not Aligned with Policies and Lack Segregation of Duties**

The HIDTA grant allows agencies to use cash to compensate confidential informants and to purchase evidence to support drug-trafficking investigations. While we found that the use of these funds was in compliance with grant requirements from both the Office of National Drug Control Policy and the Rocky Mountain HIDTA, we found at least one instance when the Denver Police Department did not ensure internal operational guidelines were followed. We also found a lack of segregation of duties over these funds, as one person has control over the authorization, custody, and record keeping of the funds.

#### **Operational Guidelines and Actual Practices Do Not Align**

A policy within the Front Range Task Force's operational guidelines states that all unused cash must be returned to the safe within seven working days. However, we found 12 instances when it took longer than that for funds to be returned.

For each instance, Front Range Task Force management explained the reasons why cash had not been returned within the required seven working

days, such as vacations keeping individuals out of the office or the time it takes to get cash back after investigations wrap up.

However, there is no mention of commander-issued extensions being allowed within the operational guidelines. Although there are valid reasons why unused cash might take longer than seven working days to be returned, we found that management has not designed its operational guidelines for the purchase of evidence and information to be responsive to the actual needs of task force members.

#### RECOMMENDATION 1.4

**Update Operational Guidelines** – The Denver Police Department should amend Section 1.72 of the Front Range Task Force’s operational guidelines to align the guidelines with task force members’ actual practices regarding how soon unused funds can and should be returned to the safe.

**Agency Response: Agree, Implementation Date – May 8, 2020**

#### Duties for Reconciling Cash Funds Are Not Segregated

The Front Range Task Force commander is in charge of accounting for the cash in the safe and also handing out funds for operations to task force officers.

According to the Office of National Drug Control Policy’s guidance — which references U.S. Government Accountability Office standards — grant recipients must establish effective safeguards.<sup>13</sup> GAO recommends the separation of control activities related to authority, custody, and record keeping. Separating these three functions helps reduce the risk of fraud, waste, and abuse.

The Front Range Task Force has also not developed detailed procedures for reconciling the amount of cash in the safe with the amount listed in the expenditure record (i.e., the cash log). The city’s Fiscal Accountability Rule for grant management requires grant recipients to establish, maintain, and monitor policies that address internal control procedures and grant management processes. Such policies would also help to document how duties will be segregated.<sup>14</sup>

<sup>13</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 6-2 § 6.4.

<sup>14</sup> City and County of Denver, Rule 9.2 – Grant Management, Fiscal Accountability Rules (revised 2014), accessed Jan. 29, 2020, [https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal\\_Rules/chapter\\_9\\_Grants/Rules/Rule\\_9\\_2\\_Grant\\_Mgmt.pdf](https://www.denvergov.org/content/dam/denvergov/Portals/344/documents/Fiscal_Rules/chapter_9_Grants/Rules/Rule_9_2_Grant_Mgmt.pdf), 3.

## RECOMMENDATION 1.5

**Segregate Duties for Purchases of Confidential Information and Evidence** – The Denver Police Department should segregate the duties related to the purchase of confidential information and evidence as part of High Intensity Drug Trafficking Areas grant initiatives, so that no one person has responsibility for more than one of the following:

- Custody or physical control of the funds
- Processing and recording of confidential information and evidence purchases
- Approval of confidential information and evidence purchases

**Agency Response: Agree, Implementation Date – June 1, 2020**

## RECOMMENDATION 1.6

**Develop Procedures for Reconciliations** – The Denver Police Department should create procedures for High Intensity Drug Trafficking Areas grant funds that document how to reconcile cash in the safe with the expenditure record (i.e., the cash log). These procedures should contain:

- Segregation of duties, so that the person responsible for reconciliation is also not responsible for the functions listed in Recommendation 1.5
- How the reconciliation should be performed
- How often the reconciliation should be performed

**Agency Response: Agree, Implementation Date – May 8, 2020**

### **Denver Police Officers Do Not Track Grant-Related Overtime in Required Increments**

As part of our audit, we sought to determine whether local overtime policies were being followed. We requested the Denver Police Department's overtime policies, and in response, we were provided with the collective bargaining agreement between the City and County of Denver and the Denver Police Protective Association.

A section of that union contract states that actual overtime worked is to be calculated and paid to the minute. However, during a review of Denver Police overtime costs charged to the HIDTA grant, it appeared reported overtime costs were likely rounded to the nearest half-hour. Specifically, of the 203 overtime transactions we examined, 202 were rounded to the nearest half-hour.

This means overtime costs charged to the grant were either overstated or understated — but the exact amount of extra overtime hours that were paid

is unknown, because the Front Range Task Force contends that officers must have worked those exact times. However, there is an extremely low probability that every shift worked ended in intervals of exactly a half-hour.

## RECOMMENDATION 1.7

**Track Overtime Costs Accurately** – The Denver Police Department should ensure overtime for its investigative personnel working on the Front Range Task Force is tracked in accordance with the department’s policy included in its collective bargaining agreement with the Denver Police Protective Association.

**Agency Response: Agree, Implementation Date – May 6, 2020**

### Some Questioned Costs Identified Related to Travel

As part of grant expenditure testing, we identified three costs that we consider to be questioned costs. Federal guidance defines a “questioned cost” as one that results from a violation of the rules, regulations, or terms and conditions of a federal award.<sup>15</sup>

The first questioned cost was a \$395 training expenditure that was incorrectly reimbursed because it had no preapproval. Grant requirements restrict travel funds to be used for investigative purposes unless preapproved by the Rocky Mountain HIDTA director.

#### FOR MORE INFORMATION

For details on the sampling methodology used in this audit, reference Appendix C.

The remaining two questioned costs are in the amounts of \$320 and \$20. The \$320 questioned expenditure was a result of the federal lodging per diem rate being incorrectly used instead of the correct federal meals per diem rate to cover food costs of investigative personnel while traveling. Similarly, the \$20 questioned expenditure was a travel reimbursement payment paid to investigative personnel that exceeded the federal per diem rate.

<sup>15</sup> 2 C.F.R. § 200.84, accessed Jan. 28, 2020, <https://www.govinfo.gov/content/pkg/CFR-2017-title2-vol1/pdf/CFR-2017-title2-vol1-sec200-84.pdf>.



## RECOMMENDATION 1.8

**Request Reimbursement Only for Allowable Costs** – The Denver Police Department should ensure reimbursement requests for High Intensity Drug Trafficking Areas grant funds are submitted only for allowable costs, as prescribed by grant guidelines.

**Agency Response: Agree, Implementation Date – Feb. 25, 2020**

### **The Task Force Commander Submitted the Budget Proposal Late and Missed Required Elements**

The Front Range Task Force commander did not submit the 2018 budget proposal to the Rocky Mountain HIDTA office by the required Feb. 15 due date. Rather, the budget proposal was submitted one day late.

In addition to missing the required budget proposal submission deadline, the commander also did not submit the budget proposal in the required format.

The Rocky Mountain HIDTA budget procedures require the proposal to be in a specific, prescribed format. This required format includes elements such as a mission statement, amount of personnel (including the number of sworn personnel and support personnel), the names of the governing board members, and the expenditure categories (e.g., personnel, fringe, overtime, travel, services, equipment, supplies, etc.).

Additionally, the budget proposal format requires expected outputs for key performance measurements, such as the number of:

- Drug-trafficking organizations to target and/or investigate;
- Organizations to be disrupted and/or dismantled;
- Leads to be referred (i.e., information provided about a person or criminal activity that would be enough for another law enforcement entity to initiate a preliminary investigation); and
- Subject and event deconflictions to be submitted.<sup>16</sup>

To justify spending requests, the budget proposal must include the following for each category of expenditure:

- The item requested;
- What items are currently being used;

<sup>16</sup> “Deconfliction” means to adjust or coordinate to prevent harm to the general public when law enforcement personnel are conducting events such as raids, undercover operations, or surveillance. Rocky Mountain HIDTA participating agencies must coordinate with others to ensure the safety of task force personnel and the surrounding public. Reference Appendix A for additional definitions of common technical terms used in this report.

- Why the requested item is critical to operations;
- How current items are being paid for; and
- An explanation of why the requested HIDTA funding is necessary for each expenditure category requested.

However, in the 2018 budget proposal, we found the following items to be out of compliance:

- The names of the governing board members were not included; and
- Required explanations were missing for why the requested HIDTA funding was necessary for five separate expenditure categories.

National HIDTA policy and budget guidance stresses the importance that the commander follow the appropriate budget format prescribed by the Rocky Mountain HIDTA in its budget guidelines. This helps ensure sufficient justifications are included to determine compliance with HIDTA guidelines. Inaccurate information may be grounds for rejecting the budget request — thereby jeopardizing the task force’s mission.

## RECOMMENDATION 1.9

**Comply with Budget Reporting Deadline and Required Format** – The Denver Police Department should ensure the annual budget proposal is submitted to the Rocky Mountain High Intensity Drug Trafficking Areas office on time and that the budget proposal includes all required elements.

**Agency Response: Agree, Implementation Date – May 8, 2020**

### Grant Personnel Submitted Quarterly Financial and Performance Reports Late

The Denver Police Department submitted its fourth quarter 2018 financial report 14 days late, and it submitted its first quarter 2019 performance report four days late.

According to the HIDTA policy and budget guidance: Thirty days after a quarter ends, the Denver Police Department financial manager is required to submit both a “Federal Financial Report” and a “Cash Transaction Report” through a payment management system.<sup>17</sup> Further, the commander is expected to submit quarterly task force performance information to the Rocky Mountain HIDTA director for review and analysis within 15 calendar days of the quarter’s end.

<sup>17</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 6-15 § 6.17.1. Both the “Federal Financial Report” and the “Cash Transaction Report” are required to be included in the quarterly financial reporting.

This information represents progress toward meeting the goals of each of the initiatives proposed and approved in the grant budget. This information is then submitted as part of the Rocky Mountain HIDTA's performance submission into the management system — which must be submitted within 30 days of each quarter's end, according to the national HIDTA program requirements.

## RECOMMENDATION 1.10

**Comply with Reporting Deadlines** – The Denver Police Department should ensure both the quarterly financial and performance reports of the High Intensity Drug Trafficking Areas grant are submitted on time to comply with regional and national grant reporting requirements.

**Agency Response: Agree, Implementation Date – April 30, 2020**

### **The Front Range Task Force Does Not Maintain Required Descriptions for Federally Funded Positions**

The Denver Police Department has not created position descriptions for the two HIDTA-funded positions that are supported 100% by the grant, which is a requirement of the annual full-time equivalent supplanting certification. These two positions are:

1. The Denver Police Department lieutenant, who oversees the Front Range Task Force and the Fugitive Location and Apprehension Group; and
2. The Denver Police Department management analyst, who provides intelligence support to the Front Range Task Force.

To ensure federal funds are not used to pay for law enforcement activities already included in participating agencies' operating budgets, the Office of National Drug Control Policy requires the Denver Police Department — as a HIDTA grant recipient — to certify in writing that:

1. The lieutenant position and the management analyst position do not supplant any part of the Denver Police Department's budget;
2. Each position is exclusively dedicated to one or more HIDTA initiatives, and a position description is on file and will be made available upon request;
3. The HIDTA-funded positions would be terminated if the funding were not available; and
4. No alternative funding is available to support the salaries and

benefits for these positions.<sup>18</sup>

Without position descriptions on file, the Denver Police Department is not in compliance with the certification statement signed annually by the Denver Police chief — potentially risking costs not being reimbursed or the loss of future grant funds. This certification is designed to ensure HIDTA funds are used only for activities that support HIDTA initiatives and that they are not merely a replacement for city expenditures outside the HIDTA program.

### RECOMMENDATION 1.11

**Create and Maintain Grant-Funded Position Descriptions** – The Denver Police Department should create and maintain on file the position descriptions for both full-time personnel supported by the High Intensity Drug Trafficking Areas grant. These descriptions should detail the duties and responsibilities performed by each employee under the grant.

**Agency Response: Agree, Implementation Date – May 8, 2020**

<sup>18</sup> Office of National Drug Control Policy, “HIDTA Program Policy and Budget Guidance” (Jan. 17, 2017), accessed Jan. 28, 2020, [http://www.nhac.org/hidta\\_guidance/Program\\_Policy\\_and\\_Budget\\_Guidelines2017.pdf](http://www.nhac.org/hidta_guidance/Program_Policy_and_Budget_Guidelines2017.pdf), 6-4 through 6-5 § 6.9.1.2.

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## RECOMMENDATIONS

*The agency narratives below are reprinted verbatim from the agency's response letter, shown in the next section of this report.*

- 1.1 **Adhere to Existing Grant Equipment Requirements** – The Denver Police Department should ensure equipment-related requirements for the High Intensity Drug Trafficking Areas grant are adhered to by:

- Ensuring the inventory listing includes all required elements, such as asset condition, source, and percentage of HIDTA funding used to purchase the equipment; and
- Creating and following maintenance procedures for HIDTA-funded equipment.

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: The FRTF will ensure that the required elements of the HIDTA (ONDCP) Property Management Policy are included in the inventory listing and that adequate maintenance procedures to keep equipment in good condition are created and followed.*

- 1.2 **Establish Physical Inventory Procedures** – The Denver Police Department should establish written procedures for physically counting equipment funded by the High Intensity Drug Trafficking Areas grant – including defining the count process and defining the individual tasks associated with that process.

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: FRTF will establish inventory procedures that refer to the ONDCP/HIDTA policy for property management and meet their inventory requirements.*

- 1.3 **Segregate Equipment-Related Duties** – The Denver Police Department should segregate the duties related to equipment funded by the High Intensity Drug Trafficking Areas grant, so that no one person has responsibility for more than one of the following:

- Custody or physical control of equipment
- Processing and recording of equipment transactions
- Approval of equipment transactions and adjustments
- Performance of the physical inventory at least every two years

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: We believe in large part this is already being done. The FRTF Technology Specialist*



is responsible for the custody and physical control of the assigned equipment. Adding one more person and another layer of review so that the FRTF Technology Specialist is only responsible for one task in the process is impractical and would be cost prohibitive. Currently, the processing and recording of equipment transactions is done by the Technology Specialist and is reviewed and reconciled by HIDTA personnel (they process and record the equipment in their records as well). The approval of equipment transactions and adjustments is done by the Task Force Commander and the RMHIDTA Director. Additionally, a random audit is done by HIDTA personnel once per calendar year. One adjustment we can add is to incorporate the FRTF Administrative Assistant to assist with the processing/recording of equipment and the physical inventory process.

A physical inventory is usually done every two years, however the FRTF Technology Specialist position was vacant from July 2019 through December 2019 and the task force was in the process of implementing a new Quartermaster software program and therefore we were unable to complete the inventory in 2019. The position has been filled, the Quartermaster software upgrade has been completed, and the inventory for 2019 has been completed.

- 1.4 **Update Operational Guidelines** – The Denver Police Department should amend Section 1.72 of the Front Range Task Force’s operational guidelines to align the guidelines with task force members’ actual practices regarding how soon unused funds can and should be returned to the safe.

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: I will update the Front Range Task Force Operational Guidelines to allow for the FRTF Commander or his designee to grant permission to extend the return beyond 7 working days when necessary. The extension shall be noted on the FRTF Expenditure Record. The FRTF Sergeant shall assist in the process when practical.*

- 1.5 **Segregate Duties for Purchases of Confidential Information and Evidence** – The Denver Police Department should segregate the duties related to the purchase of confidential information and evidence as part of High Intensity Drug Trafficking Areas grant initiatives, so that no one person has responsibility for more than one of the following:

- Custody or physical control of the funds
- Processing and recording of confidential information and evidence purchases
- Approval of confidential information and evidence purchases

**Agency Response: Agree, Implementation Date – June 1, 2020**

*Agency Narrative: The current procedures for custody/control of funds, the processing and recording of information/evidence purchases and the associated approvals are in line with drug enforcement industry standards. There are already numerous checks and balances in place to address any potential issues with the current process, however, there are some additional steps we can add. The FRTF Task Force Commander has physical control of the funds. The FRTF Commander approves the confidential information and evidence purchases but the first line supervisors are incorporated into this process as well. The processing and recording of the purchases is done by the Task Force*

Commander initially on the expenditure record and in the ledger book (documented and signed off on in both places) and then is recorded in Quicken by the Administrative Assistant who reviews the ledger book and the expenditure record. The Administrative Assistant then completes a reconciliation of funds when she receives the monthly bank statements. Additionally, when a quarter ends and additional funds are requested, a request memo is drafted by the Task Force Commander indicating what was spent and in which category (information, evidence, and services). The memo contains an excel spreadsheet of expenditures and copies of the bank statements provided by the Administrative Assistant. This is reviewed and approved by the Investigative Support Commander who then forwards the request to the DPD Finance Bureau for review and approval. We feel that this process is more than adequate for ensuring the proper control and processing of funds and the appropriate approval of purchases, but we are willing to add the following: We will incorporate the FRTF Sergeant into the process for checking funds in and out and reconciling funds as mentioned in the response for 1.6 (which will also positively address recommendation 1.4). Secondly, we will have the DPD Finance Bureau conduct, at minimum, a bi-annual reconciliation of funds contained in the safe with the ledger book. Finally, the administrative assistant will also perform a monthly money count when she reconciles the books in Quicken.

- 1.6 **Develop Procedures for Reconciliations** – The Denver Police Department should create procedures for High Intensity Drug Trafficking Areas grant funds that document how to reconcile cash in the safe with the expenditure record (i.e., the cash log). These procedures should contain:

- Segregation of duties, so that the person responsible for reconciliation is also not responsible for the functions listed in Recommendation 1.5
- How the reconciliation should be performed
- How often the reconciliation should be performed

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: The FRTF will create written procedures that outlines the process mentioned in the Recommendation 1.5 response. Additionally, the procedure will outline how often the reconciliation shall be performed and will incorporate the FRTF Sergeant into the process for reconciling the cash in the safe with the ledger book.*

- 1.7 **Track Overtime Costs Accurately** – The Denver Police Department should ensure overtime for its investigative personnel working on the Front Range Task Force is tracked in accordance with the department’s policy included in its collective bargaining agreement with the Denver Police Protective Association.

**Agency Response: Agree, Implementation Date – May 6, 2020**

*Agency Narrative: We will continue to ensure FRTF personnel overtime is tracked in accordance with department policy with the understanding that the operations and activity is managed by a supervisor who releases members from duty at the conclusion of the operation.*

- 1.8 **Request Reimbursement Only for Allowable Costs** – The Denver Police Department should ensure reimbursement requests for High Intensity Drug Trafficking Areas grant funds are submitted only for allowable costs, as prescribed by grant guidelines.

**Agency Response: Agree, Implementation Date – Feb. 25, 2020**

*Agency Narrative: We have taken the following steps to ensure that future reimbursement requests do not include unallowable costs:*

- 1. We required that our entire professional accounting staff attend Rocky Mountain HIDTA's Annual Financial Briefing on January 9, 2020. The presentation specifically addressed allowable and unallowable training costs as prescribed by Rocky Mountain HIDTA.*
- 2. On February 25, 2020, Eric Barela and Derek Cary implemented changes to our process for reviewing HIDTA-related travel expenses prior to issuing reimbursement. We specifically addressed the verification of meals per diem rates.*

- 1.9 **Comply with Budget Reporting Deadline and Required Format** – The Denver Police Department should ensure the annual budget proposal is submitted to the Rocky Mountain High Intensity Drug Trafficking Areas office on time and that the budget proposal includes all required elements.

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: The FRTF shall ensure the annual proposed budget is submitted on time and contains all required elements. It shall be noted that we require information and figures from outside sources to submit our budget and we do not have control over when they submit the requested information to FRTF. Also, out of four submitted budgets there has only been one submitted late (by one day) and it was with the permission of the HIDTA Director. None of our budgets has been rejected for not containing required information.*

- 1.10 **Comply with Reporting Deadlines** – The Denver Police Department should ensure both the quarterly financial and performance reports of the High Intensity Drug Trafficking Areas grant are submitted on time to comply with regional and national grant reporting requirements.

**Agency Response: Agree, Implementation Date – April 30, 2020**

*Agency Narrative: We will take the following steps to ensure that future financial reports are submitted on time:*

- 1. We will establish an account in the Payment Management System for Raquel Rocha to act as an alternate report preparer in case Eric Barela is not available to prepare financial reports by the due date.*
- 2. We will establish an account in the Payment Management System for Derek Cary to act as an alternate report certifier in case Jeannie Springer is not available to certify financial reports by the due date.*

3. *Raquel and Derek will be trained to complete their duties as reporting alternates during the first quarterly reporting cycle of 2020.*

1.11 **Create and Maintain Grant-Funded Position Descriptions** – The Denver Police Department should create and maintain on file the position descriptions for both full-time personnel supported by the High Intensity Drug Trafficking Areas grant. These descriptions should detail the duties and responsibilities performed by each employee under the grant.

**Agency Response: Agree, Implementation Date – May 8, 2020**

*Agency Narrative: FRTF will create and maintain on file job descriptions for the Task Force Commander and the analyst position that are supported by the HIDTA grant.*

# AGENCY RESPONSE TO AUDIT RECOMMENDATIONS



March 6, 2020

Auditor Timothy M. O'Brien, CPA  
Office of the Auditor  
City and County of Denver  
201 West Colfax Avenue, Dept. 705  
Denver, Colorado 80202

Dear Mr. O'Brien,

The Office of the Auditor has conducted a performance audit of High Intensity Drug Trafficking Areas Grant.

This memorandum provides a written response for each reportable condition noted in the Auditor's Report final draft that was sent to us on February 25, 2020. This response complies with Section 20-276 (c) of the Denver Revised Municipal Code (D.R.M.C.).

## AUDIT FINDING 1

The Denver Police Department Substantially Complied with Requirements for the High Intensity Drug Trafficking Areas Grant, but Process and Policy Gaps Exist

### RECOMMENDATION 1.1

**Adhere to Existing Grant Equipment Requirements** - The Denver Police Department should ensure equipment-related requirements for the High Intensity Drug Trafficking Areas grant are adhered to by:

- Ensuring the inventory listing includes all required elements, such as asset condition, source, and percentage of HIDTA funding used to purchase the equipment; and
- Creating and following maintenance procedures for HIDTA-funded equipment.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

Police Department/Department of Public Safety  
1331 Cherokee Street | Denver, CO 80204  
[www.denvergov.org/police](http://www.denvergov.org/police)

311 | [POCKETGOV.COM](http://POCKETGOV.COM) | [DENVERGOV.ORG](http://DENVERGOV.ORG) | DENVER 8 TV



### Narrative for Recommendation 1.1

The FRTF will ensure that the required elements of the HIDTA (ONDCP) Property Management Policy are included in the inventory listing and that adequate maintenance procedures to keep equipment in good condition are created and followed.

RECOMMENDATION 1.2		
<b>Establish Physical Inventory Procedures</b> – The Denver Police Department should establish written procedures for physically counting equipment funded by the High Intensity Drug Trafficking Areas grant — including defining the count process and defining the individual tasks associated with that process.		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

### Narrative for Recommendation 1.2

FRTF will establish inventory procedures that refer to the ONDCP/HIDTA policy for property management and meet their inventory requirements.

RECOMMENDATION 1.3		
<b>Segregate Equipment-Related Duties</b> – The Denver Police Department should segregate the duties related to equipment funded by the High Intensity Drug Trafficking Areas grant, so that no one person has responsibility for more than one of the following: <ul style="list-style-type: none"><li>• Custody or physical control of equipment</li><li>• Processing and recording of equipment transactions</li><li>• Approval of equipment transactions and adjustments</li><li>• Performance of the physical inventory at least every two years</li></ul>		
Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

### Narrative for Recommendation 1.3

We believe in large part this is already being done. The FRTF Technology Specialist is responsible for the custody and physical control of the assigned equipment. Adding one more person and another layer of review so that the FRTF Technology Specialist is only responsible for one task in the process is impractical and would be cost prohibitive. Currently, the processing and recording of equipment transactions is done by the Technology Specialist and is reviewed and reconciled by HIDTA personnel (they process and record the equipment in their records as well). The approval of equipment transactions and adjustments is done by the Task Force Commander and the RMHIDTA Director. Additionally, a random audit is done by HIDTA personnel once per calendar year. One adjustment we can add is to incorporate the FRTF Administrative Assistant to assist with the processing/recording of equipment and the physical inventory process.

A physical inventory is usually done every two years, however the FRTF Technology Specialist position was vacant from July 2019 through December 2019 and the task force was in the process of implementing a new Quartermaster software program and therefore we were unable to complete the inventory in 2019. The position has been filled, the Quartermaster software upgrade has been completed, and the inventory for 2019 has been completed.

<b>RECOMMENDATION 1.4</b>		
<b>Update Operational Guidelines</b> – The Denver Police Department should amend Section 1.72 of the Front Range Task Force’s operational guidelines to align the guidelines with task force members’ actual practices regarding how soon unused funds can and should be returned to the safe.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

### Narrative for Recommendation 1.4

I will update the Front Range Task Force Operational Guidelines to allow for the FRTF Commander or his designee to grant permission to extend the return beyond 7 working days when necessary. The extension shall be noted on the FRTF Expenditure Record. The FRTF Sergeant shall assist in the process when practical.

**RECOMMENDATION 1.5**

**Segregate Duties for Purchases of Confidential Information and Evidence** – The Denver Police Department should segregate the duties related to the purchase of confidential information and evidence as part of High Intensity Drug Trafficking Areas grant initiatives, so that no one person has responsibility for more than one of the following:

- Custody or physical control of the funds
- Processing and recording of confidential information and evidence purchases
- Approval of confidential information and evidence purchases

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	06/01/2020	Lt. Paul Jimenez 720-641-1221

**Narrative for Recommendation 1.5**

The current procedures for custody/control of funds, the processing and recording of information/evidence purchases and the associated approvals are in line with drug enforcement industry standards. There are already numerous checks and balances in place to address any potential issues with the current process, however, there are some additional steps we can add. The FRTF Task Force Commander has physical control of the funds. The FRTF Commander approves the confidential information and evidence purchases but the first line supervisors are incorporated into this process as well. The processing and recording of the purchases is done by the Task Force Commander initially on the expenditure record and in the ledger book (documented and signed off on in both places) and then is recorded in Quicken by the Administrative Assistant who reviews the ledger book and the expenditure record. The Administrative Assistant then completes a reconciliation of funds when she receives the monthly bank statements. Additionally, when a quarter ends and additional funds are requested, a request memo is drafted by the Task Force Commander indicating what was spent and in which category (information, evidence, and services). The memo contains an excel spreadsheet of expenditures and copies of the bank statements provided by the Administrative Assistant. This is reviewed and approved by the Investigative Support Commander who then forwards the request to the DPD Finance Bureau for review and approval. We feel that this process is more than adequate for ensuring the proper control and processing of funds and the appropriate approval of purchases, but we are willing to add the following: We will incorporate the FRTF Sergeant into the process for checking funds in and out and reconciling funds as mentioned in the response for 1.6 (which will also positively address recommendation 1.4). Secondly, we will have the DPD Finance Bureau conduct, at minimum, a bi-annual reconciliation of funds contained in the safe with the ledger book. Finally, the administrative assistant will also perform a monthly money count when she reconciles the books in Quicken.

**RECOMMENDATION 1.6**

**Develop Procedures for Reconciliations** – The Denver Police Department should create procedures for High Intensity Drug Trafficking Areas grant funds that document how to reconcile cash in the safe with the expenditure record (i.e., the cash log). These procedures should contain:

- Segregation of duties, so that the person responsible for reconciliation is also not responsible for the functions listed in Recommendation 1.5
- How the reconciliation should be performed
- How often the reconciliation should be performed

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

**Narrative for Recommendation 1.6**

The FRTF will create written procedures that outlines the process mentioned in the Recommendation 1.5 response. Additionally, the procedure will outline how often the reconciliation shall be performed and will incorporate the FRTF Sergeant into the process for reconciling the cash in the safe with the ledger book.

**RECOMMENDATION 1.7**

**Track Overtime Costs Accurately** – The Denver Police Department should ensure overtime for its investigative personnel working on the Front Range Task Force is tracked in accordance with the department's policy included in its collective bargaining agreement with the Denver Police Protective Association.

Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/06/20	Lt. Paul Jimenez 720-641-1221

**Narrative for Recommendation 1.7**

We will continue to ensure FRTF personnel overtime is tracked in accordance with department policy with the understanding that the operations and activity is managed by a supervisor who releases members from duty at the conclusion of the operation.

<b>RECOMMENDATION 1.8</b>		
<b>Request Reimbursement Only for Allowable Costs</b> – The Denver Police Department should ensure reimbursement requests for High Intensity Drug Trafficking Areas grant funds are submitted only for allowable costs, as prescribed by grant guidelines.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	02/25/20	Eric Barela: 720-913-6054 Derek Cary: 720-913-6329

#### **Narrative for Recommendation 1.8**

We have taken the following steps to ensure that future reimbursement requests do not include unallowable costs:

1. We required that our entire professional accounting staff attend Rocky Mountain HIDTA's Annual Financial Briefing on January 9, 2020. The presentation specifically addressed allowable and unallowable training costs as prescribed by Rocky Mountain HIDTA.
2. On February 25, 2020, Eric Barela and Derek Cary implemented changes to our process for reviewing HIDTA-related travel expenses prior to issuing reimbursement. We specifically addressed the verification of meals per diem rates.

<b>RECOMMENDATION 1.9</b>		
<b>Comply with Budget Reporting Deadline and Required Format</b> – The Denver Police Department should ensure the annual budget proposal is submitted to the Rocky Mountain High Intensity Drug Trafficking Areas office on time and that the budget proposal includes all required elements.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	05/08/20	Lt. Paul Jimenez

		720-641-1221
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#### Narrative for Recommendation 1.9

The FRTF shall ensure the annual proposed budget is submitted on time and contains all required elements. It shall be noted that we require information and figures from outside sources to submit our budget and we do not have control over when they submit the requested information to FRTF. Also, out of four submitted budgets there has only been one submitted late (by one day) and it was with the permission of the HIDTA Director. None of our budgets has been rejected for not containing required information.

<b>RECOMMENDATION 1.10</b>		
<b>Comply with Reporting Deadlines</b> – The Denver Police Department should ensure both the quarterly financial and performance reports of the High Intensity Drug Trafficking Areas grant are submitted on time to comply with regional and national grant reporting requirements.		
<b>Agree or Disagree with Recommendation</b>	<b>Target date to complete implementation activities (Generally expected within 60 to 90 days)</b>	<b>Name and phone number of specific point of contact for implementation</b>
Agree	04/30/20	Eric Barela: 720-913-6054 Jeannie Springer: 720-913-6587

#### Narrative for Recommendation 1.10

We will take the following steps to ensure that future financial reports are submitted on time:

1. We will establish an account in the Payment Management System for Raquel Rocha to act as an alternate report preparer in case Eric Barela is not available to prepare financial reports by the due date.
2. We will establish an account in the Payment Management System for Derek Cary to act as an alternate report certifier in case Jeannie Springer is not available to certify financial reports by the due date.
3. Raquel and Derek will be trained to complete their duties as reporting alternates during the first quarterly reporting cycle of 2020.



**RECOMMENDATION 1.11**

**Create and Maintain Grant-Funded Position Descriptions** – The Denver Police Department should create and maintain on file the position descriptions for both full-time personnel supported by the High Intensity Drug Trafficking Areas grant. These descriptions should detail the duties and responsibilities performed by each employee under the grant.


Agree or Disagree with Recommendation	Target date to complete implementation activities (Generally expected within 60 to 90 days)	Name and phone number of specific point of contact for implementation
Agree	05/08/20	Lt. Paul Jimenez 720-641-1221

**Narrative for Recommendation 1.11**

FRTF will create and maintain on file job descriptions for the Task Force Commander and the analyst position that are supported by the HIDTA grant.

Please contact Lieutenant Paul Jimenez at 720-641-1221 with any questions.

Sincerely,

  
Paul M. Pazen  
Chief of Police

cc: Valerie G. Walling, CPA, Deputy Auditor  
Katja E. V. Freeman, MA, MELP, Audit Director  
Patrick Schafer, CPA, CFE, CIA, Audit Supervisor  
James Henning, Denver Police Department Commander

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## OBJECTIVE

To determine whether the Denver Police Department is complying with requirements of the High Intensity Drug Trafficking Areas grant and whether the department has adequate controls to properly manage and track grant expenditures and assets.

## SCOPE

We reviewed the Denver Police Department's compliance with federal, regional, and local grant requirements of the High Intensity Drug Trafficking Areas grant with a period of performance that includes calendar years 2018 and 2019. We reviewed federal compliance areas of allowable activities and costs, reporting, and period of performance.

Additionally, we evaluated internal controls related to the expenditure cycles of travel, overtime, equipment, and the purchase of confidential information and evidence.

## METHODOLOGY

We used several methodologies to gather and analyze information related to the audit objective, including but not limited to:

- Interviewing employees within the Front Range Task Force and the Denver Police Department's finance team
- Performing walk-throughs of expenditure cycles related to overtime, travel, equipment, and the purchase of confidential information and evidence
- Recalculating grant expenditures to verify their accuracy
- Reviewing and analyzing the following criteria, policies, and grant documentation:
  - The Office of Management and Budget's Uniform Guidance
  - The Office of National Drug Control Policy's "HIDTA Program Policy and Budget Guidance"
  - The Rocky Mountain High Intensity Drug Trafficking Area's policies and procedures
  - The grant award from the Office of National Drug Control Policy
  - City Fiscal Accountability Rules related to grant management, supporting documentation, and segregation of duties
  - Participating agencies' policies and procedures related to overtime and travel
  - Internal grant expenditure and asset-tracking spreadsheets used by the Front Range Task Force and the Denver Police Department
  - The U.S. Government Accountability Office's "Standards for Internal Control in the Federal Government" and guidance on inventory best practices

# APPENDICES

## Appendix A – Key Terms

**TABLE 1.** Key Terms

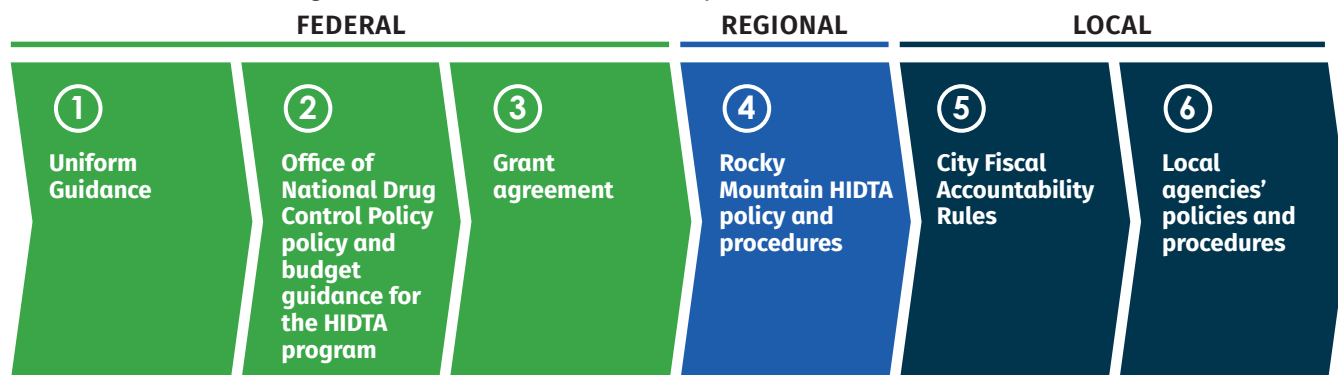
Term	Description
<b>Deconfliction</b>	To adjust or coordinate to prevent harm to the general public when law enforcement personnel are conducting events such as raids, undercover operations, or surveillance.  Rocky Mountain HIDTA participating agencies must coordinate with others to ensure the safety of task force personnel and the surrounding public.
<b>Fiduciary/ Fiscal Agent</b>	A nonfederal entity designated to handle the financial transactions (purchasing, accounts receivable, accounts payable, etc.) of entities participating in a HIDTA.  A fiduciary serves as an independent bookkeeping office to receive and disburse HIDTA grant funds to state and local agencies. A fiduciary is responsible for establishing and maintaining effective internal controls over compliance with the requirements of laws, regulations, contracts, and grant applicable to federal programs.
<b>Grant/Award Recipient</b>	A nonfederal entity that receives a federal award directly from a federal awarding agency to carry out an activity under a federal program. The term “recipient” does not include subrecipients or participating agencies.
<b>Initiative</b>	Activities that implement portions of a HIDTA’s strategy as opposed to an organization of activities and/or investigative efforts.
<b>Participating Agency</b>	A federal, state, or local agency (or other entity) that takes part in a HIDTA initiative by providing staff or in-kind resources.
<b>Period of Performance</b>	The time during which the nonfederal entity may incur new expenditures to carry out the work authorized under the federal award.
<b>Supplanting</b>	The use of HIDTA or other federal funds by a state or local agency in lieu of state or local funds that have been, or would have been provided, for the same purpose.

**Source:** Office of National Drug Control Program Policy and Budget Guidance and Dictionary.com.

## Appendix B – Grant Regulations and Guidance Hierarchy

As illustrated in Figure 5, the Denver Police Department and the participating agencies of the Front Range Task Force must adhere to several layers of federal and local requirements to maintain HIDTA funding.

**FIGURE 5.** HIDTA Grant Regulations and Guidance Hierarchy



**Source:** Graphic designed by Auditor's Office staff using auditors' review of requirements.

**Note:** Typically, compliance is dictated by the most restrictive policy and procedure. For example, the federal policy requires reimbursement requests to be submitted at least quarterly, whereas the city's Fiscal Accountability Rules require them at least monthly. Therefore, compliance in that case would be dictated by the city's rule because that is the more restrictive.

**Federal Requirements** – In 2014, the federal Office of Management and Budget released requirements for state, local, and tribal governments and nonprofit organizations on how to manage federal grant money; these requirements are referred to as the “Uniform Guidance.”<sup>19</sup> The Office of National Drug Control Policy announced its adoption of the Uniform Guidance at the same time.<sup>20</sup>

The Uniform Guidance lays out the standards for determining allowable costs for federal grants. Key areas of the Uniform Guidance used to conduct this audit included:

- **Activities Allowed or Unallowed** – Types of activities specifically allowed or prohibited related to the grant program
- **Allowable Costs** – Types of costs allowed with grant money and how those costs are attributed and applied to the grant
- **Equipment and Controlled Assets** – Types of information grant recipients must track and maintain related to assets with an acquisition cost of over \$5,000 and a useful life of more than one year
- **Period of Performance** – The requirement that grant recipients are allowed to use federal funds to pay for costs incurred only during the two-year spending period specified in the grant
- **Reporting** – Requirements for reporting on grant spending and other financial and performance information on a regular basis

<sup>19</sup> “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards” (2014), Office of Management and Budget, accessed Jan. 15, 2020, <https://www.grants.gov/learn-grants/grant-policies/omb-uniform-guidance-2014.html>.

<sup>20</sup> “Uniform Guidance” is the common name for the Office of Management and Budget’s requirements for federal grant awards.

In addition to the Uniform Guidance, HIDTA grant fiduciaries and participating agencies must also adhere to guidance issued specifically by the Office of National Drug Control Policy, referred to as the “HIDTA Program Policy and Budget Guidance.”<sup>21</sup>

**Other Requirements** – Other key sources of regulations and guidance for HIDTA participants include:

- **Rocky Mountain HIDTA’s Policies and Procedures** – regional requirements for operations and financial reporting, including more financial reporting and a detailed budget.
- **Policies and Procedures for the Front Range Task Force and for Participating Agencies** – requirements of the task force for monitoring assets, documenting expenditures, keeping records, etc. Each participating agency is also required to adhere to its own internal policies and procedures, such as policies regarding overtime or travel expenses.
- **City Fiscal Accountability Rules** – The City and County of Denver’s Finance Department established rules to assist city agencies and their employees in conducting financial activities and in making fiscal decisions. One Fiscal Accountability Rule — Rule 9.2 — specifically relates to grant management practices.

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<sup>21</sup> Office of National Drug Control Policy, “HIDTA Management Participant Guide v. 3.3 Volume I” (2018), accessed Jan. 28, 2020, [http://www.nhac.org/pdf/HIDTA\\_Mgmt\\_PG\\_Vol1\\_v3-3.pdf](http://www.nhac.org/pdf/HIDTA_Mgmt_PG_Vol1_v3-3.pdf).

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## Appendix C – Sampling Methodology

We sampled 37 of the 360 transactions that occurred under the population of \$902,237 for 2018 grant-period expenditures (i.e., calendar years 2018 and 2019). We judgmentally selected one of these 37 transactions based on the amount of the transaction. The remaining transactions were selected at random.

Additionally, we chose a second sample of 34 transactions selected from the population of all grant-related expenditures related to the purchase of confidential information and evidence. This sample was selected using a judgmental approach.

Lastly, we tested the accuracy of the entire population of expenditures reimbursed by the national program office that were related to personnel and fringe benefits. We verified accuracy by recalculating the expenditures of each payroll period incurred in calendar years 2018 and 2019.

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## Office of the Auditor

The **Auditor** of the City and County of Denver is independently elected by the citizens of Denver. He is responsible for examining and evaluating the operations of City agencies and contractors for the purpose of ensuring the proper and efficient use of City resources. He also provides other audit services and information to City Council, the Mayor, and the public to improve all aspects of Denver's government.

The **Audit Committee** is chaired by the Auditor and consists of seven members. The Audit Committee assists the Auditor in his oversight responsibilities regarding the integrity of the City's finances and operations, including the reliability of the City's financial statements. The Audit Committee is structured in a manner that ensures the independent oversight of City operations, thereby enhancing citizen confidence and avoiding any appearance of a conflict of interest.



201 West Colfax Avenue, #705

Denver CO, 80202

(720) 913-5000 ♦ Fax (720) 913-5253

[www.denverauditor.org](http://www.denverauditor.org)

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