

**REVENUE AND FINANCE DEPARTMENT
GRANTS MANAGEMENT
AUDIT 20-05
AUGUST 18, 2020**



CITY OF TAMPA

Jane Castor, Mayor

Internal Audit Department

Christine Glover, Internal Audit Director

August 18, 2020

Honorable Jane Castor
Mayor, City of Tampa
1 City Hall Plaza
Tampa, Florida

RE: Grants Management, Audit 20-05

Dear Mayor Castor:

Attached is the Internal Audit Department's report on Grants Management.

Revenue and Finance Department has already taken positive actions in response to our recommendations. We thank the management and staff of the Water, Mobility, Police, Fire, and Parks and Recreation departments for their cooperation and assistance during this audit.

Sincerely,

/s/ Christine Glover

Christine Glover
Internal Audit Director

cc: John Bennett, Chief of Staff
Dennis Rogero, Chief Financial Officer
Michael Perry, Budget Officer
Lee Huffstutler, Chief Accountant

**REVENUE AND FINANCE DEPARTMENT
GRANTS MANAGEMENT
AUDIT 20-05
AUGUST 18, 2020**

/s/ Vivian Walker

Auditor

/s/ Christine Glover

Audit Director

**REVENUE AND FINANCE DEPARTMENT
GRANTS MANAGEMENT
AUDIT 20-05**

BACKGROUND

The Grants Office for the City of Tampa (COT) is a section within the Revenue and Finance Department. The stated mission of the area is “to provide technical, professional, and administrative support for departments related to the application and effective management of citywide grant activities.” There are 12 employees within Revenue and Finance (including the Police Department’s Urban Area Security Initiative aka UASI) who are involved with the daily management of grants that have been awarded to COT. Note: there is one employee whose primary responsibility is to coordinate grant activities for all departments.

COT has been awarded grants from federal and state agencies and some local entities. COT’s financial policy defines a grant as “the receipt of funds from another governmental agency (e.g., Federal, State of Florida, or Southwest Florida Water Management District), whether or not services were performed by the City in exchange, as well as funding from private foundations or entities for specific activities or the purchase of equipment.”

This audit did not include grants awarded to COT’s Housing Division (separate audits). The Active Grant Listing Report as of May 29, 2020, reports COT awards, excluding housing related grants, as more than \$84 million as shown in the table below:

DEPARTMENT	AWARD AMOUNT
Fire	\$6,337,590
Police (includes UASI)	\$19,299,537
Water	\$9,637,484
Stormwater	\$38,808,107
Transportation	\$9,311,773
Parks and Recreation	\$287,720
Economic Development	\$20,000
Logistics and Asset Management	\$917,344

STATEMENT OF OBJECTIVES

This audit was conducted in accordance with the Internal Audit Department's FY20 Audit Agenda. The objectives of this audit were to ensure that:

1. The system of internal controls related to the accounting, disbursement, and compliance monitoring of grant funds is adequate.
2. COT complies with the requirements of grant agreements.
3. COT complies with applicable federal regulations required by grant agreements.

STATEMENT OF SCOPE

The audit period covered activity for all active grants as of March 2020, which included activity from July 2016 to December 2017 (dates of City Council approval). Tests were performed to determine whether the applicable department personnel were fulfilling their stated duties and responsibilities in an effective and efficient manner. Sample grants were selected using automated command language. Original records, as well as copies, were used as evidence and verified through observation and physical examination.

STATEMENT OF METHODOLOGY

The source for identifying active grants was a weekly spreadsheet generated by Revenue and Finance through Oracle (COT's financial software), which has previously been evaluated and deemed reliable. The evaluation for proper internal controls and completion of the objectives for this audit was accomplished through the following tests:

- Reviewing grant files for documentation to support compliance with grant agreement requirements.
- Reviewing documentation to support the accuracy of reimbursement request to awarding agencies and proof of payment by COT.
- Tracing reimbursements received from grant awarding agencies to the proper revenue account.

STATEMENT OF AUDITING STANDARDS

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT CONCLUSIONS

Based upon the test work performed and the audit findings noted below, we conclude that:

1. The system of internal controls related to the accounting, disbursement and compliance monitoring of grant funds is adequate. However, both the process for requesting a reimbursement and recording the applicable receivable needs to be improved.
2. COT does not always comply with the grant agreement requirements.
3. COT does comply with applicable federal regulations required by the grant agreement.

GRANT MANAGEMENT GOVERNANCE

STATEMENT OF CONDITION: Revenue and Finance's Grants Office includes the Grant Administrator and Grants Specialist. Additionally, there are Accountants from the City of Tampa's Revenue and Finance Accounting Division (Accounting) who prepare financial reports. The Grants Office has established processes in a proactive method for managing grants awarded to the COT and performs the following grant functions:

- Coordinates grant requests for approval by the Administration.
- Identifies and researches grants that could provide funding to COT projects.
- Writes and submits grants for some departments.
- Acts as grant manager for some departments.
- Prepares progress reports for some departments.

All grants dictate the frequency of progress reporting, a discussion with COT departmental grant managers identified various methods they use in order to comply with these requirements. Reporting tracking ranged from establishing a calendar reminder to departments that receive an email, in advance, from the awarding agency. The discussion also identified that some departments were in the process of developing written policies and procedures related to grants.

The Grants Office has a grants manual (currently being updated) that assigns responsibility for complying with all grant progress reporting to the departments and requires that a copy of the report be sent to them. Currently, not all departments are submitting their reports to them. This impedes the ability to proactively identify and address issues affecting specific grants that may have an impact citywide. Additionally, there is no governance policy assigning oversight to the Grants Office.

CRITERIA: The Grants Office's intranet page has the following objectives listed:

- The Grants Office is responsible for federal, state, and local legal compliance, grant agreement safeguards, and ensuring the proper use of fixed assets.
- The Grants Office ensures compliance with professional standards, proper monitoring of costs, and maintaining all source documents and supporting records as it relates to grants.

Additionally, effective grant management governance includes actively monitoring projects through the closeout phase.

CAUSE: Current staffing does not facilitate extensive involvement by the Grants Office with the daily management of grants for all COT departments.

EFFECT OF CONDITION: The potential for loss of revenue due to either denied reimbursements or inability to apply for future grants from the same agency, because of non-compliance with grant requirements.

RECOMMENDATION 1: Management should develop a governance policy that would provide a more defined role of the Grants Office and that gives oversight to them for all active grants. The policy should include progress and financial report submittal to them as well as including participation by the Grants Office for any interaction between the department and their awarding agencies. This will ensure accurate and consistent information is submitted to all awarding agencies. It also provides the Grants Office with the ability to identify any potential issues identified during one grant from occurring on future grants by taking proactive corrective measures immediately.

Upon development of a governance policy, the grants procedures manual should be updated and disseminated to all COT departments for implementation, to ensure consistent grant administration.

MANAGEMENT RESPONSE: The Revenue and Finance Department concurs with the recommendation and is developing a governance policy, in addition to the above-mentioned manual update. The development of a policy does not necessarily mean there are sufficient resources to implement and enforce the policy requirements, and, as noted above, the current staffing of a single employee precludes enforcement of such a policy; given sufficient resources, such a policy and practice would have already been implemented. Based upon the Revenue and Finance Department's recommendation, the Administration has authorized additional staff. This will allow for the development and enforcement of the policy modifications plus additional service level enhancements to support departmental management of grants.

TARGET IMPLEMENTATION DATE: The Budget Office will develop a governance policy and update the procedures manual by December 1, 2020.

GRANT REIMBURSEMENTS

STATEMENT OF CONDITION: The sampled grants selected had various frequencies for requesting reimbursement of expenses incurred related to the terms of the agreement. Of the ten sampled grants, reimbursement documentation for two grants could not be located. For the remaining eight grants, the review identified two reimbursement requests (to separate awarding agencies) that were denied. The grantors communicated the denials to Accounting. A discussion with Accounting indicated that they only notified the department's assigned grants manager of the denial; however, in a subsequent discussion with the Grant Administrator, it was indicated that the Budget Section for COT was aware of one of the denials.

Note: the Grant Specialist (GS) contacts the departments on a scheduled basis and obtains grant updates.

CRITERIA: The grant management process is intended to be centralized. Therefore, departments should keep the Grant Administrator informed of major aspects of the grant implementation. The Grants Office's intranet page has the following objectives listed:

- The Grants Office is responsible for federal, state, and local legal compliance, grant agreement safeguards, and ensuring the proper use of fixed assets.
- The Grants Office ensures compliance with professional standards, proper monitoring of costs, and maintaining all source documents and supporting records as it relates to grants.

The grant policy also indicates the financial manager is required to establish and maintain a grant file with all required information included in Section (i) – Grant File. Additionally, effective grant management governance includes actively monitoring projects through the closeout phase.

CAUSE: The current policy for grant administration does not require the departments to communicate back to the Grant Administrator on any determined frequency or if certain actions occur.

EFFECT OF CONDITION: A potential loss of revenues could impact the overall implementation of projects funded with grants.

RECOMMENDATION 2: Management should include obtaining status updates from Accounting, in order to identify any shortfalls between anticipated revenues from grant awards and actual receipts. Additionally, criteria should be developed that would require departments to notify the Grant Administrator of potential issues with the implementation of a grant.

MANAGEMENT RESPONSE: The Revenue and Finance Department concurs with the recommendation to formalize obtaining grant status updates from Accounting and for notifying the Grant Administrator of potential issues with the implementation of a grant. There are current internal controls that are not within the scope and knowledge of the Grants Specialist that are performed by the Accounting Office and the Budget Office that should be included by the Budget Grants Supervisor within the Office's scope of work.

TARGET IMPLEMENTATION DATE: December 1, 2020

GRANT DOCUMENTATION

STATEMENT OF CONDITION: The current grant process delegates the administration of a received award to the department. Departments are accountable for obtaining the required approvals and maintaining grant files. For the non-UASI sampled grants (nine), departments provided available documentation. The documentation provided was reviewed to determine if COT complied with both the grant process for approval and grant requirements after the awarding of the funds. There was one grant selected that had an agreement signed but actual implementation had not yet started; therefore, no detail review for compliance with grant requirements could be performed.

For the documentation reviewed, the following exceptions were identified:

- Six grant awards did not have documentation of authorization from the Administration prior to submittal of an application.
- Two grant awards were accepted on behalf of COT before COT Council's approval.

For accounting purposes, donations are classified as grants. The sampled grants included a donation. However, no documentation could be provided to support compliance with the terms of the award. It was also determined that the department had not submitted a donations log to an email address established in the donations policy for COT.

CRITERIA: Since FY18, COT's grant policy has been documented in the annual budget under the section labeled "Financial Policies." Section 18.d. states that "Departments are not authorized to submit grant applications without the Mayor's approval. Authorization may be obtained by preparing a staff summary sheet for review by the Grant Administrator, COT Attorney's Office, Chief Financial Officer, respective Administrator, and Chief of Staff." COT Code Article VIII Section 8.01 establishes approval by the Council. Finally, effective 2016, Accounting implemented a process that requires departments to notify them of donations by submitting a donations log on a monthly basis.

CAUSE: The requirement to obtain authorization from COT Administration was not a documented policy at the time the application for three of the awards was submitted. The donations policy has been in place since 2016 but has not been enforced.

EFFECT OF CONDITION: Non-compliance with established guidelines for authorization could result in creating a financial obligation for the COT if grant requirements are not met.

RECOMMENDATION 3: Management should ensure grant requests follow the established process of obtaining authorization from COT Administration and approval from COT Council prior to either initiating an application or accepting funds.

MANAGEMENT RESPONSE: The Revenue and Finance Department concurs with the recommendation. The Grants Office will seek authorization prior to submitting a grant

application. The development of an annual grants plan and approval by the Administration has mostly accomplished this requirement. Council's approval is required to approve a grant agreement.

TARGET IMPLEMENTATION DATE: Revenue and Finance has implemented the recommendation. This has been mainly accomplished with the development of the annual grants plan approval by the Administration.

UASI GRANT DOCUMENTATION

STATEMENT OF CONDITION: The COT is the administrative agency for the UASI grant awarded by the Federal Department of Homeland Security. As the lead agency, the COT is responsible for purchasing equipment (including software) for “the jurisdictional agencies within the Tampa Urban Area, the footprint of which is consistent with the State’s Regional Domestic Security Task Force Region IV, with the addition of the Port of Manatee.” All participating agencies have signed an agreement with COT to comply with COT’s purchasing procedures. The UASI 17 grant award documentation was reviewed to determine compliance by COT and the following exceptions were noted:

- Quarterly reports for the 1st and 2nd quarters of 2019 did not have supporting documentation for the amount reported. Also, the 1st quarter was not submitted within the 90-day requirement.
- Documentation of inventories for three agencies could not be provided.
- There is no documentation to support when other agencies take possession, from COT, of a purchased piece of equipment (including software).
- Seven of 12 reimbursements to the State of Florida were submitted more than 90 days after an item was acquired.
- The posting of reimbursements for four agencies were not properly recorded in the general ledger. As a result, account balances for the UASI 17 grant were overstated by more than \$190,000. Additionally, due to untimely posting of journal entries, account balances for FY19 and FY20 were incorrect.

CRITERIA: The UASI grant requires quarterly reporting within 30 days after the established reporting period. Request for reimbursements may be submitted at any time within 90 calendar days “of the expenditure of funds.”

Code of Federal Regulations 2-200.20, 22, 58, 315, all provide requirements of how purchased equipment is to be inventoried – including software. Specifically, 200.315 indicates that at a minimum, physical inventories are to be taken at least every two years. The regulation also requires property records to include “who holds title” to the asset.

Generally Accepted Accounting Principles suggest recording revenues when “realized and earned” not when received. Additionally, the City’s Revenue and Finance’s Accounts Receivable policy, requires a monthly booking of receivables.

CAUSE: Forms and processes are not in place to coordinate efforts between offices and other UASI agencies.

EFFECT OF CONDITION: Non-compliance with the requirements of the grant could impact future awards. Additionally, untimely posting of revenues could result in understated income.

RECOMMENDATION 4: Management should implement a process that would ensure more timely reporting of activities as well as timely requests for reimbursements. Additionally, at the time of the request for reimbursement, a receivable should be recorded in order to ensure proper posting of the revenue when received.

Documentation should be retained to provide support of when other agencies take possession of items acquired by COT using UASI funds. Additionally, documentation of at least bi-annual inventories should be kept with the grant file.

MANAGEMENT RESPONSE: The Revenue & Finance Department has developed and disseminated policy and procedure statements related to grants handling and reporting, including asset tracking of grant purchased items. These policies and procedures require a coordination of efforts between all parties involved. Despite our guidance, there are internal control weaknesses that have resulted in findings as outlined above. We concur with the above items as outlined by the Internal Audit Department and we will review our policies and procedures documents to isolate weakness and eliminate them.

TARGET IMPLEMENTATION DATE: A review and revision (as needed) of grants and property control related policies and procedures will be conducted within 90 days, which will be followed by training for internal and external participants in the grants processes, including the UASI Office of TPD.

UNTIMELY POSTING OF REIMBURSEMENTS

STATEMENT OF CONDITION: Grants Management has delegated the responsibility for daily operations of grants to the departments. Each COT department has an assigned grants manager and Accounting supports the department with the financial component of the grant. A sample of 10 grants awarded to various COT departments was selected to review for compliance with grant requirements; however, implementation of one grant had not yet started and one other grant was funded in advance. For the remaining eight grants, the reimbursement documentation for two grants could not be provided due to staff turnover (Port Security and TIPS).

The documentation for reimbursement requests of the Staffing for Adequate Fire Emergency Response (SAFER) grant identified an average of 148 days (ranging from 79 to 240) for the requests to be submitted to the awarding agency. The Accounting process requires an accounts receivable to be recorded in the financial system in order to post the incoming wire for the requested reimbursement. For the SAFER grant reimbursements, the time to record the accounts receivable averaged 26 days. Additionally, the subsequent actual recording of the incoming wire averaged 15 days.

CRITERIA: The grant policy indicates the financial manager is required to establish and maintain a grant file with all required information included in Section (i) – Grant File. The SAFER grant permits reimbursement "as needed, for the salary and associated benefits (actual payroll expenses) incurred for the SAFER-funded positions."

CAUSE: The untimely postings were identified as being a result of not knowing which grant to credit for an incoming wire.

EFFECT OF CONDITION: The untimely submittal for reimbursement could defer the City's income.

RECOMMENDATION 5: Accounting Management should establish a process that would require properly documenting and maintaining reimbursement files and timely submitting requests for reimbursements.

Additionally, at the time of the request for reimbursement, a receivable should be recorded in order to ensure proper posting of the revenue when received.

MANAGEMENT RESPONSE: The Revenue & Finance Department has developed and disseminated policy and procedure statements related to grants handling and reporting. Yet, we have found that despite our guidance, there are internal control weaknesses that have resulted in findings as outlined above. We concur with the above items as outlined by the Internal Audit Department and we will review our policies and procedures documents to isolate weakness and eliminate them.

TARGET IMPLEMENTATION DATE: A review and revision (as needed) of grants related policies and procedures will be conducted within 90 days, which will be followed by training for internal and external participants in the grants processes.