



Audit Report Number 2005-05
City of Richmond
City-Wide Grants Process
Twelve Months ended June 30, 2003

Prepared by
CITY AUDITOR
Richmond, Virginia

Submitted to
The Honorable Members of City Council
February 25, 2005

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The Honorable Members of City Council
Richmond City Audit Committee
City of Richmond, Virginia 23219

City Auditor's Report

SCOPE

We reviewed and evaluated the processes for City-wide grants for the City of Richmond for the fiscal year ended June 30, 2003. We have reviewed and evaluated the system of internal controls for the same period to the extent considered necessary. We also considered information as necessary beyond the fiscal year ended June 30, 2003 in evaluating certain processes such as performance measures.

OBJECTIVES

Our audit objectives were to:

- ❑ Determine if performance measures, work plans, and departmental goals were achieved for Grants city-wide and that these adequately measure grant activity in a meaningful manner;
- ❑ Ensure that central grants administration is functioning effectively and efficiently;
- ❑ Ensure internal controls at the departmental level were adequate for the Grant process; and
- ❑ Ascertain that grants originating in our audit period were properly approved, documented, monitored, managed, and closed according to the Grant Agreements and the City Grant Regulations.

We also identified opportunities for improvement in the internal control structure. Our testing did not indicate any internal control weaknesses that would allow material misstatement in the records processed and maintained by the City to go undetected.

METHODOLOGY

We conducted our audit in accordance with Government Auditing Standards for Performance Audits issued by the Comptroller General of the United States. During the

course of our work, we reviewed supporting documents, evaluated the internal control structure, and conducted other appropriate tests. We believe that our audit provides a reasonable basis for our conclusions regarding the internal control structure and our recommendations.

CONCLUSIONS

Performance measures pertaining to grants appear to be adequate City-wide, although they were being implemented during FY03.

Departmental Grants

- Some departments do not coordinate well with the Special Revenue Fund Accounting Unit and its requirements, especially in the initiation and close-out of grants.

Finance Special Revenue Fund Accounting

- Increase in personnel is needed, particularly to staff a regular in-house compliance review of grant documentation and to reinstate a formal training program.
- In the current environment, grant administration is decentralized. City management should reorganize and centralize certain grant administration activities to ensure the efficient administration of City-wide grants.

Management Services Grant Coordinator

- Greater use could be made of this unit's capabilities to provide assistance to grantees within the City, especially in the area of training, advisory and grant-writing services. Greater integration of the coordinator and supporting staff with department grant activities would result in more efficient grant administration, especially in the flow of grant activity information to the Grant Accounting Unit.
- Increase in personnel is needed if grant writing, assistance and training initiatives are to be met and maintained.

Finance Special Revenue Fund Accounting and Management Services Grant Coordinator

These two departments should collaborate on the following issues:

- A unified, comprehensive database management system is needed to more effectively manage and administer grants City-wide. Two separate systems are in use but neither is adequate.
- The documentation process needs to be streamlined and the results incorporated in a revised Grant Regulations: more comprehensive training programs are needed to minimize departmental confusion and documentation deficiencies.

The management of the City of Richmond, Virginia, is responsible for maintaining financial records. It is also responsible for establishing and maintaining a system of internal accounting control and management control. In fulfilling this responsibility, management is required to assess the expected benefits and related costs of control procedures.

We discussed the attached comments and recommendations with management throughout the audit and formally at the conclusion of the audit; we have included management responses from the responsible officials.

We would like to thank the departmental management and staff for their cooperation and assistance during this audit.

This report is intended for the members of the Richmond City Council, the City Audit Committee, the City and departmental management of the City; it is a matter of public record.

Respectfully submitted,

Lance J. Kronzer, CPA
City Auditor

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Auditor III

Also contributing to the report: Randi L. Ricco-Clifford, CPA and Yolanda McCoy, CGAP

February 1, 2005

Executive Summary

BACKGROUND

The City of Richmond relies on funds from grants to support many programs and services that allow the City to accomplish its goals. Grants extend pre-existing services, establish new concepts, gain technological advances, and increase staffing. Approximately 168 new grants were originated during fiscal year 2003, and over 400 grants were active from prior years. More than \$72 million in grant funds were accepted into the General, Special, or Capital Improvement Funds. However, any grant activity that was not obtained through the "Ordinance and Resolution" process or otherwise processed through Management Services may not be reflected in that total.

The Special Revenue Fund Accounting Unit of the Department of Finance and the Grant Coordination Unit of the Department of Management Services collaborated to develop a Grant Regulations Manual to be followed by all agencies of the City involved in the grant process. This Manual, with an effective date of August 1, 2001, is intended to provide authoritative guidance to all participants in the grant process.

The Grant Coordination Unit, led by the City Grant Coordinator, assists the user agencies in grant writing, if needed, and in moving the grants through the approval process with the intent of optimizing the City's strategic alignment of grants as a whole. The overall grant compliance requirements are administered by each grantee department. The Special Revenue Fund Accounting Unit establishes the accounting fund for tracking receipt and expenditure of grant activity and sets the City's internal policies.

SUMMARY OF RECOMMENDATIONS

Finance Special Revenue Fund Accounting

- 1. Provide additional staff for training and in-house compliance reviews**
- 2. Centralize grant administration with sufficient authority to direct the grant process**

Finance Special Revenue Fund Accounting and Management Services

- 3. Streamline documentation process and revise Grant Regulations**
- 4. Obtain a comprehensive database management system**
- 5. Resume training programs**

Management Services

- 6. Provide additional staff for training and grant writing**

Departments

- 7. Ensure grant documentation standards are adhered to, Regulations are followed, and staff attend and receive proper training**
- 8. Ensure proper accounting for grant activity and Regulations are followed**
- 9. Ensure grant conditions are followed and Regulations are followed**
- 10. Ensure grants are properly closed out and reports are timely routed and sent**

BACKGROUND

The City of Richmond relies on funds from grants to support many programs and services that allow the City to accomplish goals that extend pre-existing services, establish new services, gain technological advances, and increase staffing. According to the Department of Management Services, approximately 168 new grants were originated during fiscal year 2003, and over 400 grants were active from prior years. Management Services also estimated that for the same fiscal year, over \$72 million in grant funds were accepted into the General, Special, or Capital Improvement Funds. However, any grant activity that was not submitted through the "Ordinance and Resolution" (O & R) process or otherwise processed through Management Services may not be reflected in that total.

The grant process should begin when an agency identifies a need and opportunity for grant funds, and prepares a grant analysis and then an application. Copies are sent to the City Grant Coordinator in Management Services. The grantor reviews the application, and if the grant is awarded, an award letter is sent to the agency which should then be forwarded to the Coordinator. The award is approved by City Council. Most grants are approved around May of each year for the upcoming fiscal year. The agency contacts the Special Revenue Fund Accounting Manager in Finance to set procedures and accounts to record the grant.

Each agency assigns a Grant Program Manager to administer the grant and ensure compliance with the grant agreement. Expenditures are budgeted, tracked and submitted for reimbursement on a timely basis. Interim reporting deadlines are met. At the end of the grant period the Program Manager submits final reimbursement and reports along with a close out memo to the grantor stating that all documentation requirements were met. The Special Revenue Fund Accounting Manager reviews and approves any financial reports to the grantors, and upon receipt of the close out documentation from the Program Manager, ensures that the accounts used to record the grant funds have been closed.

The Special Revenue Fund Accounting Unit of the Department of Finance and the Grant Coordination Unit of the Department of Management Services collaborated to develop a Grant Regulations Manual to be followed by all agencies of the City involved in the grant process. This Manual, effective August 1, 2001, is intended to provide authoritative guidance to all participants in the grant process and incorporates the established and optimal procedures described above.

The Grant Coordination Unit, led by the City Grant Coordinator, consists of three members who assist the user agencies in grant writing, if needed, and in moving the grants through the approval process with the intent to optimize the City's strategic alignment of grants as a whole. The Special Revenue Fund Accounting Unit, led by the Accounting Manager, includes four other staff and administers the City's overall compliance with grantor requirements and the City's internal regulations.

FINDINGS AND RECOMMENDATIONS

Finance Special Revenue Fund Accounting

1. Provide Additional Staff for Training and In-house Compliance Reviews

During fiscal year 2003, the Special Revenue Fund Accounting Manager attempted to begin a program of periodic reviews of all agencies accepting grant funds. These in-house compliance reviews are intended to review documentation and compliance with grantor requirements and the City Grant Regulations. However, due to staffing limitations, this in-house compliance function was never fully implemented.

Since the beginning of our audit, an additional position was added to assist primarily in the Community Development Block Grants (CDBG), bringing staffing of the unit to a Manager and five accountants. The unit is not dedicated only to special revenue funds associated with grants. The unit has two CDBG funded and dedicated accountants, and approximately one FTE is dedicated to grants related accounting.¹ A regular in-house compliance function would highlight deficiencies and promote more efficient administration of grants City-wide.

The Grant Accounting Unit has conducted no City-wide training since 2002, except on an "as requested" basis. (Management Services' training efforts have been limited to sessions involving researching grant opportunities and grant writing.)

RECOMMENDATION

We recommend that Finance add sufficient personnel to the Special Revenue Fund Accounting Unit to permit:

- establishment of an in-house compliance function to review all City grant activity, and
- the reestablishment of a formal training program.

MANAGEMENT RESPONSE

Finance Management concurs with the audit recommendation. Finance Management discussed the opportunity for further centralization of Grants Administration with Mayor Wilder's Effectiveness and Efficiency Transition Team on February 16, 2005. Because additional resources will be needed to implement this recommendation, Management will review this recommendation in conjunction with the recommendation to centralize authority, and in conjunction with the Effectiveness and Efficiency Team's recommendations and

¹ The unit must also accomplish Internal Service Fund accounting, account for the Port of Richmond, reconcile E.D.I. payments, and assist with year-end financial reporting. Other tasks, such as interest calculations on held funds and review of reports to be forwarded to the grantors, have strained the Unit's resources.

present an overall organizational and staffing plan to the Interim Chief Administrative Officer by July 30, 2005. The City Controller is responsible for this item.

2. Centralize Grant Administration with Sufficient Authority to Direct the Grant Process

The administration of grants is currently decentralized and is the responsibility of each grantee department. A centralized function could enforce compliance with city, state, and federal grant requirements and ensure correction of documentation or other administrative deficiencies.

RECOMMENDATION

We recommend that Finance obtain from senior management (the City Chief Administrative Officer) the needed degree of centralization to successfully administer grant compliance among all departments.

MANAGEMENT RESPONSE

Finance Management concurs with the audit recommendation. Finance Management discussed the opportunity for further centralization of Grants Administration with Mayor Wilder's Effectiveness and Efficiency Transition Team on February 16, 2005. Because additional resources will be needed to implement this recommendation, Management will review this recommendation in conjunction with the recommendation to centralize authority, and in conjunction with the Effectiveness and Efficiency Team's recommendations and present an overall organizational and staffing plan to the Interim Chief Administrative Officer by July 30, 2005. The City Controller is responsible for this item.



Finance Special Revenue Fund Accounting Unit and Management Services
Departments

3. Streamline Documentation Process; revise Grant Regulations

The City Grant Regulations were instituted in 2001 and apply to all grants City-wide. Grantee departments have experienced confusion regarding the documentation process, resulting in deficiencies and exceptions to the Regulations' requirements. The departments are unsure as to which grant documents they should forward to the City Grant Coordinator and the Finance Special Revenue Fund Accounting Unit. Some changes were made to streamline the process, according to the Special Revenue Fund Accounting Manager, but the Grant Regulations have not been updated.

The Grant Regulations also do not specifically address special cases such as the Department of Public Utilities (DPU), where unique accounting methods did not conform to existing Regulation requirements. In addition, there is not a requirement within the current Grant Policy to submit the O&R to Council for new grants within a certain time period after receiving notification by the grantor. There should be a time requirement to guide the agencies as to when to submit new grant activity. Agencies may not submit the O&R timely; the risk increases that they will accept the award or incur charges prior to Council approving the grant.

To avoid redundancy, the Grant Coordinator should need only what is necessary to identify potential grants, actual grant applications, award letters, etc. and can forward those documents to the Accounting Unit when done with them. The Accounting Unit strives to assemble a complete master file on every City grant.

The Grant Regulations should be as clear and explicit as possible to reduce confusion. The Regulations also should contain language that would help DPU conform their unique accounting structure for enterprise funds to the requirements of the Regulations.

RECOMMENDATIONS

We recommend that Management Services and the Special Revenue Fund Accounting Unit collaborate to streamline the documentation process for the grantee departments so that any redundancy is eliminated. The process should still ensure that master files in Finance are complete and that sufficient information is made available to the Grant Coordinator for decision-making purposes. The current Grant Regulations should be revised to reflect these changes and should also specifically incorporate the Department of Public Utilities.

We also recommend that Management Services and the Special Revenue Fund Accounting Unit revise the current Grants Regulations to include a requirement for the submission of the O&R to Council within a certain time period. We suggest a 30-day period.

MANAGEMENT RESPONSE

Finance: Finance management concurs with the audit findings to streamline the documentation process and to revise the grant regulations to reflect the streamlined process and a requirement for the submission of the O&R to Council within a certain time period. Finance will coordinate with Management Services to develop revised documentation. The actual processes may need to be tailored to the degree of centralization or decentralization ultimately accepted by City Management. Finance will suggest to Management Services a completion date of July 30, 2005. The City Controller is responsible for this item.

Management Services: The Unit is currently revising the Grants Policy. Included in that activity are recommendations for streamlining the internal process. However City Administration must require adherence to the policy or it will be rendered useless. Assuming approval from administration comes in a timely manner the final draft will be completed by April 30, 2005.

Strong centralized grant oversight with enforcement by City leadership and revised policies and procedures would have the following impacts:

- Better oversight of grant functions both programmatic and financial
- Improved transparency of grant functions locally, state wide and federally
- Improved quality of service both internally (departments) and externally (the public)
- Improved awareness of the cost of grant programs to the City (i.e., more attention to the cost effectiveness of a proposed grant funded program)
- Improved coordination among City functions and better leverage of city efforts/funds
- Ensured alignment with City priorities
- Accurate and up to date reporting of grant funding to City leadership

4. Obtain a Comprehensive Database Management System

Currently, Management Service's City Grant Coordinator uses an Access database and Finance's Special Revenue Funds Accounting Unit relies on the City-wide accounting system, Advantage Financial. Neither system contains sufficient information to optimally administer grants on a City-wide basis. Advantage contains only financial information and the Access database does not contain revenue and expenditure information. A single, comprehensive database management system would facilitate the effective administration of City-wide grants; without it, grant administration and financial requirements may not be met. City management may lack vital information for decision-making due to information not being available on the two systems when needed. Implementation of the Advantage Financial System Advanced Grants module has been stopped as AMS, the vendor, has notified all users that it will no longer support the current platform.

RECOMMENDATION

We recommend that Management Services and the Finance Special Revenue Funds Unit continue to explore possibilities for the development or acquisition of a unified, comprehensive database management system that will serve the administrative and financial requirements of all grant users.

MANAGEMENT RESPONSE

Finance: Finance management concurs with the recommendation. Finance management, over the last couple of years, has looked at alternatives to implement a comprehensive database management system. Finance has reviewed and explored the following:

1. Finance has reviewed the base-line grants module within Advantage Financial System. It was determined that this module did not fully meet the needs of the City.
2. Finance has reviewed the advanced grants module within the Advantage Financial System. It was determined that the advanced grants module could meet the need of the City with some modification. We have not moved forward with this as an option, however, because the vendor AMS will no longer be providing support for the Advantage software the City is currently using.
3. Finance has explored the idea of using an access database that was originally created by Management Services to monitor non-financial data. Although it was determined that the database could be expanded to meet the needs of Finance, DIT will not support the use of an access database.

The current automation plan, as supported by Finance and Management Services calls for the identification and implementation of a comprehensive database management system. We hope to be in a position to propose a solution by July 30, 2005. Actual implementation will need to be scheduled after identification of a solution and funding is provided. The Information Systems Manager is responsible for this item.

Management Services: An adequate database must be developed, however, these efforts will be in vain if policy requirements they are not *enforced* by city leadership. A Grants Management System is contained in the approved 2004-2007 City Automation Plan for completion by September 29, 2006.

5. Resume Formal Training Program

Due to staffing limitations, no City-wide training by the Special Revenue Funds Accounting Unit has been conducted since 2002, except on an “as requested” basis. Management Service’s training efforts have been limited to sessions involving researching grant opportunities and grant writing. Departments have experienced confusion during the documentation process, resulting in deficiencies and exceptions to the City’s Grant Regulations’ requirements. A regular training program would make the documentation process more efficient, reduce confusion among the user departments, and is needed for further improvement in the grant process, regardless of whether future additional staffing can be obtained.

In the current fiscal year, Management Services plans on creating grant training modules for the City University, and the Finance Special Revenue Funds Accounting Unit intends to resume formal training as well.

RECOMMENDATION

We recommend that Management Services and the Finance Special Revenue Fund Accounting unit collaborate to restart a formal training program which could improve compliance with Grant Regulations and alleviate some of the confusion in the departments.

MANAGEMENT REPOSE

Finance: Finance management concurs with the audit findings regarding the collaborative effort between Management Services and the Finance Grants Accounting Unit to restart a formal training program that could improve compliance with Grant Regulations and alleviate some of the confusion in the departments. Finance will work with Management Services to develop a formal grants training program for the departments. A formal training program will be implemented by July 30, 2005. The City Controller is responsible for this item.

Management Services: The Grants Unit is in the process of creating training modules to be presented city-wide through City University. The Unit plans to partner with individuals from Finance and Grants’ program providers to cover all aspects related to grant research, writing, reporting, and program provision. The first course to be offered will relate to the revised Grants’ Policy. Assuming administration approves the Grants’ Policy in a timely manner the first course could be offered by May 31, 2005.

Management Services Department

6. Provide Additional Staff for Training and Grant Writing

At its current size (2 FTE's), the Management Services Grant Coordination Unit may not meet all its assigned and potential duties. One grant writer provides grant writing services. In addition, the Grants Coordinator supervises a grant writer in the Department of Social Services for all Human Service agencies. At least one department uses an outside consultant to write grants.

Other than providing training on researching grant opportunities and writing grants, staffing has not been sufficient to conduct other grants training. In the future, the Unit plans on creating a grants curriculum for the City University.

The Unit should have sufficient staffing levels to perform all assigned and needed duties such as training and grant writing. With only two grant writers City-wide, it will be difficult to render assistance to those departments needing help in grant writing and at the same time develop and conduct a training program.

RECOMMENDATION

We recommend that Management Services be provided funding to add sufficient personnel resources to the Grant Coordination Unit so that responsibilities such as increased grant writing and training initiatives can be met.

MANAGEMENT RESPONSE

An increase in personnel will improve efficiency and capacity. Additional staff would provide for improved quality control and introduce greater efficiency through coordination should adherence to the grant policies and procedures be enforced by City leadership. The Grant Coordination Unit would also be in a better position to develop and conduct training as well as develop department level needs analyses and grant seeking plans. The unit could have staff dedicated more specifically to departments and thus improve their attention to grant acquisition and their capacity to seek grant funding.

Recruitment for any additional positions could begin as soon as funding is identified.

Departments

We performed a review of 15 grants originating during fiscal year 2003 and selected from a representative number of departments City-wide. We found a total of 34 compliance and documentation exceptions. We have grouped the exceptions and related recommendations below, along with the individual department detail.

7. Ensure grant documentation standards adhered to; comply with Regulations

We have highlighted several documentation requirements from the Grant Regulations which were developed by Management Services and Finance Special Revenue Fund Accounting:

- The City maintains a master file for each grant as a back-up to avoid lost documentation and missed reporting deadlines, to support reimbursements and renewals, and to facilitate audits.
- All grant documents must be forwarded to the Master File as well as the department's file.
- The Grant Program Manager is responsible for submitting to the Master File essential documents such as the grant application, the award letter, the City Council approved O & R, and any grantor correspondence relevant to grant maintenance.

We compared documentation to the standards established by the Grant Regulations. The following weaknesses and non-compliance with the Regulations pertaining to documentation were found:

Community Development (Oakwood Chimborazo Survey Grant)

- Essential documents were not forwarded to Grant Accounting Master File.

Fire and Emergency Services (Get Alarmed Virginia! Grant)

- Grant activity began prior to O & R approval by City Council.

Health (Lead Safe Richmond Grant)

- Essential documents were not forwarded to Grant Accounting Master File.

Health (Prevention and Control of STD Infection Grant)

- Grant activity began prior to O & R approval by City Council.
- Essential documents were not forwarded to Grant Accounting Master File.

Public Utilities (Water Vulnerability Study Grant)

- Essential documents were not forwarded to Grant Accounting Master File.

RECOMMENDATION

We recommend that the above City Departments:

- Comply with documentation requirements of the City's Grant Regulations.
- Ensure all personnel involved in the grant process know that the Regulations are available on the City's Intranet, and that they are required to review the regulations, especially for documentation requirements, and should request any training, as needed.
- Monitor the process to ensure the Regulations are being followed properly.

MANAGEMENT RESPONSES

Community Development (Oakwood Chimborazo Survey Grant)

We will forward the vital documents to the grant Accounting Master File. We were not aware of the August 1, 2001 grants manual and will seek a copy of the manual. We would recommend the Grants Management staff offer training on the manual and associated requirements.

Fire and Emergency Services (Get Alarmed Virginia! Grant)

The smoke detectors received as part of the grant were accepted into inventory prior to City Council approving the O&R. The department's Get Alarmed Virginia Grant Manager was contacted by the Virginia Department of Health's grant representative who stated that an allotment of smoke detectors was being delivered on a specific date. Rather than risk losing the smoke detectors, the Grant Manager accepted the smoke detectors. However, the smoke detectors were placed in a secure area until the O&R process was completed. No smoke alarms were installed until City Council adopted the ordinance.

Health (Prevention and Control of STD Infection and Lead Safe Richmond Grants)

In the future, all grants will follow the regulations set forth in City policy. We will request that all grant managers receive a refresher course in City grant regulations. The grant manager will be responsible for insuring that the regulations are followed and this will become effective immediately.

Public Utilities (Water Vulnerability Study Grant)

The Department of Public Utilities was in compliance with Grant Regulation 2.3 which was effective August 1, 2001. Accordingly documents were forwarded to the City Grants Coordinator to be included in the City master file. The departmental Grant Program Manager (GPM) maintained a backup master file as required by the regulation.

City Auditor's Comment: While, DPU provided a Signature/Special Revenue Form and the Grant Acceptance Memo signed by the City Grant Coordinator, no one could find the DPU Water Vulnerability Grant documents in any City Grant Coordinator or Finance file.

8. Ensure proper accounting for grant activity; comply with Regulations

We have highlighted several accounting requirements from the Grant Regulations:

- All revenue accepted by the City of Richmond in the form of a grant must be established as a Special Revenue Fund, unless it is a capital project adopted by the Capital Improvement Plan.
- The Grant Program Manager must complete a “Signature/Special Revenue Form” to set up a new fund. The form is delivered to the Grants Accounting Supervisor who enters the data into the master file.
- The performing department should be aware that an account needs to be in place with approvals and control procedures, prior to soliciting program income.

We compared accounting for grant activity to the standards established by the Grant Regulations. The following weaknesses and non-compliance with the Regulations pertaining to accounting for grant activity were found:

Community Development (Oakwood Chimborazo Survey Grant)

- Special Revenue Fund was not set up in the accounts.

Health (Lead Safe Richmond Grant)

- Matching funds were not segregated from regular grant funds in the accounts.

Health (Prevention and Control of STD Infection Grant)

- Special Revenue Fund was not set up in the accounts.

Human Services Commission (Bullying Prevention Grant)

- Matching funds were not segregated from the regular grant funds in the accounts.
- Procurement Policy No. 13 for Not-Encumbered Invoices (NEI) states that an NEI can be used for payments to federal or state agencies, but the Policy was not followed, as payment was made to a non-governmental vendor.

Parks, Recreation, and Community Facilities (US Golf Association Grant)

- Matching funds were not segregated from regular grant funds in the accounts.
- Insufficient information was forwarded to Finance in order for a separate interest-bearing account to be set up for program interest.

Police (Local Enforcement Grant)

- Matching funds were not segregated from regular grant funds in the accounts in a timely manner

RECOMMENDATION

We recommend that the above City Departments:

- Comply with grant activity accounting requirements of the City’s Grant Regulations.
- Ensure all personnel involved in the grant process are provided with the Regulations, especially for grant activity accounting requirements, and request any training, as needed.

- Monitor the process to ensure the City Regulations and Policies are being followed properly.

MANAGEMENT RESPONSES

Community Development (Oakwood Chimborazo Survey Grant)

We will be sure to set up a Special Fund for future grants. In the past we were advised not to set up special funds for small grants because there were getting to be too many small special funds,

Health (Prevention and Control of STD Infection and Lead Safe Richmond Grants)

In the future, all grants will follow the regulations set forth in City policy. We will request that all grant managers receive a refresher course in City grant regulations. The grant manager will be responsible for insuring that the regulations are followed and this will become effective immediately.

Human Services Commission (Bullying Prevention Grant)

The matching funds were segregated in the general fund under the object code (9115 – Appropriation Special Revenue by the Budget Analyst). All future grants matching funds will be segregated in the grant fund accounts. The office's administrative project analyst will implement the resolution. The implementation process was implemented at the beginning of the current fiscal year for all grants emanating from this agency which require matching funds.

The agency will comply with the City's procurement procedures by utilizing the 3-way-match method, which is deemed appropriate for non-governmental vendors. The office's management and administrative project analyst will implement the resolution. The implementation process is in effect for all grants emanating from this agency.

Parks, Recreation, and Community Facilities (US Golf Association Grant)

All PRCF (Parks, Recreation, and Community Facilities) grant program managers will proactively review proposal submissions with the PRCF Accounting Superintendent to ensure all City grant regulations are considered and addressed. Any matching funds identified in the proposal will be submitted for approval by the budget office prior to submitting the proposal to the grantor. Upon receipt of a grant award, program managers will forward a copy of the award letter with the complete proposal package upon which the award was based to the PRCF Superintendent of Accounting.

Matching funds identified in the proposal will be established in an isolated account code for tracking purposes according to the nature of the funding source. The PRCF Accounting Superintendent will ensure that, if appropriate, grants receipts will be held in an interest bearing account by indicating so on the "Signature/Special Revenue Form", Assigned Fund/Org comments field. (We recommend that the Form be modified to provide a Yes/No check-off box to indicate whether or not the account to be set up should be interest bearing.) Once the account is established, the PRCF Accounting Superintendent will follow

up with an e-mail to the Grant Accounting Supervisor to receive written confirmation that the account established bears interest.

This resolution is effective immediately.

Police (Local Enforcement Grant)

RPD's financial staff analyzed this audit finding and have taken corrective actions. Currently, all grant matching funds are placed in 010-041-2627-9115 until disbursement is required to meet the match requirements and match funds are requested by program managers.

9. Ensure grant conditions are followed; comply with Regulations

We have highlighted compliance requirements from the Grant Regulations:

- The Grant Program Manager is responsible for assuring compliance with grant requirements.
- The Grant Program Manager should schedule grant expenditures throughout the grant period.

We compared compliance with grant conditions and to the standards established by the Grant Regulations. The following weaknesses and non-compliance of the Regulations pertaining to compliance were found:

Commonwealth Attorney (Victim Witness Grant)

- Reimbursement requested late.

Fire and Emergency Services (Get Alarmed Virginia! Grant)

- Conditions of grant not met (certain items within the scope of services were not performed by required due date).

Health (Lead Safe Richmond Grant)

- Subrecipients and subcontractors were not monitored.

Health (Prevention and Control of STD Infection Grant)

- Expenses were not tracked or monitored.

RECOMMENDATION

We recommend that the above City Departments:

- Comply with compliance with grant conditions requirements of the City's Grant Regulations.
- Ensure all personnel involved in the grant process are provided with the Regulations, especially for compliance, and request any training, as needed.
- Monitor the process to ensure the Regulations are being followed properly.

We further recommend that the Fire and Emergency Services Department:

- Consider adding a full time position for the purpose of administering, coordinating and monitoring grant activity to ensure that the department complies with all grant requirements.

MANAGEMENT RESPONSES

Commonwealth Attorney (Victim Witness Grant)

Steps necessary to ensure reimbursement requests are timely processed have been taken. The Grantor new automated reimbursement system further ensures that reimbursement requests are timely. The Director of Administration and the Project Administrator are the responsible parties.

Fire and Emergency Services (Get Alarmed Virginia! Grant)

In the past, we have requested a Grant Manager position from the previous administration with no success. The Grant Manager would be instrumental taking advantage of available funds as well as address administrative, coordinating and monitoring requirements.

In the meantime, we have taken steps to alleviate this issue from reoccurring. In an effort to ensure that we are in compliance with future grants, [we] have assigned the newly appointed Deputy Director II to provide oversight and increase monitoring of all departmental grants, including required reporting. Further, Department of Fire and Emergency Services staff is working with the Department of Finance to close the Get Alarmed Virginia grant.

Health (Prevention and Control of STD Infection and Lead Safe Richmond Grants)

In the future, all grants will follow the regulations set forth in City policy. We will request that all grant managers receive a refresher course in City grant regulations. The grant manager will be responsible for insuring that the regulations are followed and this will become effective immediately.

10. Ensure grants are properly closed out and reports are timely routed and sent

We have highlighted several reporting and close-out requirements from the Grant Regulations:

- The Grant Program Manager will prepare reports in accordance with grantor expectations and timetables.
- Financial reports must be reviewed by the Grants Accounting Supervisor prior to being sent to the grantor.
- The Grant Program Manager will prepare a close-out memo that states that the grant program has met documentation requirements.
- Upon receipt of the close-out memo, the Grant Accounting Supervisor will close the related accounts on the Advantage Accounting System.

We compared reporting and close-out procedures to the standards established by the City's Grant Regulations. The following weaknesses and non-compliance with the Regulations pertaining to reporting and close-out were found:

Commonwealth Attorney (Victim Witness Grant)

- Accounts not closed out at end of grant period.
- Reports to grantor were sent late.

Community Development (Oakwood Chimborazo Survey Grant)

- Reports to grantor were sent late.

Health (Lead Safe Richmond Grant)

- Reports to grantor had discrepancies.
- Reports were not forwarded to Grant Accounting Supervisor for approval prior to being sent to grantor.

Human Services Commission (Bullying Prevention Grant)

- Reports were not forwarded to Grant Accounting Supervisor for approval prior to being sent to grantor.
- Reimbursement requested from grantor was made at end of the grant instead of quarterly.

Juvenile Justice Services (JAIBG Grant)

- Accounts not closed out at end of grant period.

Library (National Endowment for the Humanities Grant)

- Reports were not forwarded to the Grant Accounting Supervisor for approval prior to being sent to grantor.

Parks, Recreation and Community Facilities (Summer Food Program Grant)

- Reports were not forwarded to Grant Accounting Supervisor for approval prior to being sent to grantor.
- Accounts not closed out at end of grant period.

Public Utilities (Water Vulnerability Study Grant)

- Reports were not forwarded to Grant Accounting Supervisor for approval prior to being sent to grantor.

Sheriff's Office (Automated Jail Management System Grant)

- Close Out Memo to Grant Accounting could not be located.
- Accounts not closed out at end of grant period.

RECOMMENDATION

We recommend that the above City Departments:

- Comply with reporting and close-out requirements of the City's Grant Regulations.

- Ensure all personnel involved in the grant process are provided with the Regulations, especially for reporting and close-out requirements, and request any training, as needed.
- Monitor the process to ensure the Regulations are being followed properly.

MANAGEMENT RESPONSES

Commonwealth Attorney (Victim Witness Grant)

Commonwealth Attorney (CA) office will close out accounts in accordance with Grant Financial accounting procedures. The CA office is working with the Grant Accounting unit to close out accounts. The Director of Administration and the Project Administrator are the responsible parties. This process started immediately after the audit began.

We have taken the steps necessary to ensure grantor reporting requirements are met. The Grantor's new automated reporting system further ensures that reporting requirements are met. The Director of Administration and the Project Administrator are the responsible parties.

Community Development (Oakwood Chimborazo Survey Grant)

With future grants we will be sure to emphasize the importance of complying with all reporting deadlines. Staff notes that one progress report was submitted late. An extension on the final report was granted to staff through a telephone call with the grantor, as the consultant's progress was slow to complete the project. The extension of the July 2003 report was granted to August 6, 2003 and that deadline was met.

Health (Lead Safe Richmond Grant)

In the future, all grants will follow the regulations set forth in City policy. We will request that all grant managers receive a refresher course in City grant regulations. The grant manager will be responsible for insuring that the regulations are followed and this will become effective immediately.

Human Services Commission (Bullying Prevention Grant)

The office's management and administrative project analyst will submit reports to the City's Grant Accounting Supervisor in accordance with the grant's reporting requirements. The office's management and administrative project analyst will implement this resolution. This process will be implemented immediately.

For future grants, we will request reimbursement according to the stipulations of the grantor. We will schedule specific dates using the Microsoft Outlook Tasks program to review reimbursements that should be requested within the timeframe allotted by the grantor. The financial analyst will implement this resolution. The implementation process is in effect for all grants emanating from this agency.

Juvenile Justice Services (JAIBG Grant)

The Department of Juvenile Justice Services has made multiple changes in order to meet the grant close out procedures. We have realigned job responsibilities to have additional

staff process grants. We have reviewed and understand our responsibilities described in the recently revised Grants Regulations Manual. The Department of Juvenile Justice Services also met with the Grant Coordination Unit to discuss current practices, policies, and procedures. The Administrative Services Manager will be responsible for implementation and resolution of this audit finding and the grant administration for the agency. The Department of Juvenile Justice Services has begun to close out prior year grants. We will fully implement the revised procedures for current grants including the close out ending June 30, 2005.

Library (National Endowment for the Humanities Grant)

Library was cited for not forwarding a copy of the NEH Interim Report to the Grant Accounting Supervisor in the Finance Department for approval prior to sending it to the Grant Office for the National Endowment for Humanities. While at the time the report was prepared, we were not aware of this requirement. However, as soon as this oversight was discovered during the audit, a copy of the interim report was provided to the Auditor and a copy was forwarded to the Grant Accounting Supervisor.

Parks, Recreation and Community Facilities (Summer Food Program Grant)

The USDA Summer and After School Food Program Grant Program Manager will submit a copy of the required annual program monitoring reports submitted to USDA for each grant year to both the Grant Accounting Supervisor and to the PRCF Accounting Superintendent.

USDA Summer and After School Food Program grants are awarded on an annual basis. New and separate funds for both grants will be established each award year to isolate all financial activity related to the grants. The USDA Summer and After School Food Program Grant Manager will provide written notification to the PRCF Accounting Superintendent when all final expenditures and receipts have been applied to each grant. The PRCF Accounting Superintendent will then proceed to close out the specified fund accounts by executing the procedures outlined on the Close-Out Checklist for Grants.

This resolution is effective immediately.

Public Utilities (Water Vulnerability Study Grant)

The Department of Public Utilities was not in compliance with Grant Regulation 3.3 which was effective August 1, 2001. The Department of Public Utilities forwarded a copy of the close out report to City Grants Coordinator. A copy of the report was not sent to the Grant Accounting Supervisor for approval prior to submission to the grantor. In the future a copy of the report will be forwarded to the Grant Accounting Supervisor in the Finance Department.

Sheriff's Office (Automated Jail Management System Grant)

The Richmond City Sheriff's Office will complete the Finance Department's Grant closeout checklist within ninety days of the grant end period and submit memorandum of closure to the Department of Finance. This responsibility will be borne by the Budget Manager of the Sheriff's Office.

