
SALT LAKE CITY COUNCIL STAFF REPORT

DATE: October 17, 2003

SUBJECT: **Grant Funds – Audit Observations and Recommendations**

AFFECTED COUNCIL DISTRICTS: Citywide

STAFF REPORT BY: Gary Mumford

KEY ELEMENTS:

The City Council contracted with Deloitte & Touche CPA firm for several small audits. The audits were not extensive or all-encompassing but were very limited-scope studies with rather small budgets. One of the audits was an analysis of Grant Funds.

The City's grant process consists of seven main phases: grant opportunity identification, application development, Administrative approval, submission, award, City Council budgetary authorization, and management. All except for the last phase is under the direction of the City Controller. Grant management consists of grant coordination, which is located within the City Department where the grant monies are being spent, and grant monitoring, which is located in the Capital Planning and Programming section of the Department of Community & Economic Development. The audit noted that there were some opportunities to increase the effectiveness of grant acquisition and monitoring functions, by preparing written policies and procedures, by ensuring segregation of functions, and by considering a review committee and follow-up processes.

OBSERVATIONS AND RECOMMENDATIONS

1. Grant acquisition and monitoring functions have undergone a dramatic reorganization within the past two years and written polices and procedures have not yet been developed for all aspects. The auditors recommended developing citywide policies and procedures related to all grant acquisition and monitoring functions.
2. A matrix is used for tracking grants, but data integrity could not be assured because the matrix can be edited by a number of individuals in several departments. The auditors recommended establishing control procedures to ensure reliability.
3. Further effort is needed to ensure that grant management and grant monitoring functions are properly segregated to support appropriate internal controls over the disbursement and review of grant funds. There appears to be uncertainty surrounding the location and duties of the Police Department grant writer.
4. Consider creating a cross-functional Grant Review Committee to determine whether the proposals are consistent with City policies, are coordinated with the City's existing programs and are evaluated for immediate and long term financial consequences.
5. Implement a follow-up process for denied grant applications to increase the likelihood of obtaining grant funding by modifying future applications.

MANAGEMENT'S RESPONSE

The grant acquisition team has been centralized in the Finance Division for less than two years. In the past year, the grant acquisition team has developed policies and procedures with an accompanying flowchart documenting the grant acquisition process. These documents can be found on the City's intranet and also on the FOLIO information system.

The Grant Matrix consists of several spreadsheets. Tracking grants through the acquisition process is only one function of the matrix. The Grant Matrix also serves as a research reference log and as an inter-department communication tool. Grant applications are listed in the different spreadsheets in the following categories:

<i>Research</i>	}	Grants being researched
<i>Pending</i>		Grant opportunities pending a submission decision by departments
<i>Received</i>		Grants applications submitted to a funding agency and waiting for a funding decision
<i>Not Received</i>		Grants that have been awarded
<i>Open Grants</i>		Grants that have been declined
		Grants being monitored by the Grant Auditor

Declined grant applications and grants in the research phase have notes attached to them that the grant writers and departments can refer to in the future to guide the development and submission of competitive grant applications. The Grant Matrix is updated by the grant acquisition team and the grant auditor. Other city employees may review the information on the matrix on a READ ONLY basis.

The grant acquisition team is functionally centralized in the Finance Division in the Department of Management Services. The grant acquisition team meets with the Finance Director on a bi-weekly basis to review the team's progress. One grant writer is physically located at the Police Department. Because of the volume of grants and the technical nature of the Police grants this person is handling the acquisition and management of the Police grants. The alternative is to hire additional personnel in the Police Department for the management function.

Many times an application for a grant must be processed in a matter of a few days. We believe that a Review Committee would delay the process and application deadlines would be missed. In lieu of the proposed Review Committee, the grant writers qualify each potential grant application to make sure that the purpose of the granted funds, as defined by the funding agency, is aligned with a department's goals or strategic plan. The grant writers meet with city departments throughout each year to gain an understanding of their current goals and programs that could benefit from grant funds. These meetings guide the grant application research provided to the departments by the grant acquisition team. The department contacts are tracked through the city's Balanced Scorecard.

The procedural flowchart illustrates how grant applications are reviewed by the department then the legal staff prior to submission and finally approved by the administration for the Mayor's signature. The Council Office is notified via email or memorandum of all grant applications that are submitted. Once a grant application is awarded to the city, the Council has the final budget authorization on the grant expenditure.

The grant team routinely receives detailed evaluations of denied grants. As mentioned above, once a grant has been denied it is moved to a different spreadsheet in the Grant Matrix. Summary notes of the evaluations are logged in the Grants Matrix and hard copies are filed in the grant acquisition teams' central files. The grant writers and the respective departments review the evaluations, and when appropriate, incorporate the recommendations from the funding agency in preparing subsequent grant applications.

OPTIONS:

- a. The Council may wish to discuss some of the above observations and recommendations with representatives of the Administration at the Council work session.
 - b. The Council may wish to follow up on the audit recommendations during the annual review of the proposed budget.
 - c. The Council may wish to contract for a follow-up or expanded study. The expanded study could include comparisons with more cities and best practices.
 - d. The Council has previously asked how grants are monitored to ensure that they are spent in the specific way that they are approved by the Council. Currently there is no mechanism in place to fulfill this request. This isn't applicable with all grants, but some grants have flexibility and the Administration presents their plans to the Council as part of the appropriation process. There have been two cases where it was later noted that part of the funds were spent in a different manner. While the funds were spent within the scope of the grant itself, they were spent in a different manner than the Council had approved. The Council may wish to ask for an update on whether the Administration is considering options to address this.
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