

AUDIT TEAM

Jim Williamson, CPA, CIA, City Auditor
Matt Weller, CPA, Assistant City Auditor
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**NON-MAJOR FEDERAL GRANT
COMPLIANCE CONTROLS**

DECEMBER 2, 2014

MAYOR AND CITY COUNCIL

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December 2, 2014


The Mayor and City Council:

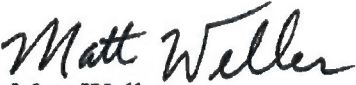
The Office of the City Auditor has completed an audit related to determining the adequacy and effectiveness of controls over compliance with the requirements of selected non-major federal grants and related City grant policies and procedures from the grant award date through March 31, 2014.

Based on the results of our audit, we believe that Planning, Public Works, and Police Department controls over compliance with the requirements of selected non-major federal grants as of March 31, 2014 were reasonably adequate and effective, except for Planning Department monitoring of Emergency Shelter grant subrecipient compliance with grant requirements and achievement of grant objectives.

The Planning Department should enhance Emergency Shelter Grant subrecipient monitoring procedures to ensure full compliance with related grant requirements (See Recommendation 1).

All comments, recommendations, suggestions and observations arising from our audit have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the content and emphasis of items in this report. Responses to this report from management are attached.


Jim Williamson
City Auditor


Matt Weller
Assistant City Auditor


Lori Rice
Audit Manager

NON-MAJOR FEDERAL GRANT COMPLIANCE CONTROLS

AUDIT OBJECTIVE, BACKGROUND, SCOPE AND METHODOLOGY

The objective of this audit was to determine the adequacy and effectiveness of controls over compliance with the requirements of selected non-major federal grants and related City grant policies and procedures from the grant award date through March 31, 2014.

The City's compliance with the requirements of major federal grants is audited by the external independent auditor as part of their annual audit of the City's Comprehensive Annual Financial Report. Major federal grants are identified using Federal Office of Management and Budget criteria which generally results in audits of grants having the largest amount of expenditures during the fiscal year.

During the most recently completed audit for fiscal year 2013, 9 of 39 federal grants with \$44 million of \$53 million in total expenditures were major grants while the remaining 30 non-major grants accounted for \$9 million in expenditures.¹ Though outnumbering major grants, non-major grants typically account for a much smaller portion of total grant expenditures and while occasionally subjected to field reviews by the granting agency are not audited routinely.

Non-major grants were selected for audit based on an assessment of risks using the following criteria:

- Award amount,
- Total expenditures and the expectation for on-going expenditures,
- Federal agency monitoring or other audit attention including the identification of findings,
- Grant administration complexity including sub-recipient monitoring requirements, and
- Grant administration experience of the department where the grant is administered.

Based on the risk assessment, the following four non-major grants were selected for audit:

Non-Major Grants Selected for Audit		As of March 31, 2014	
Department	Description	Awards	Expended
Planning	Emergency Shelter Grant ²	\$ 413,121	\$ 399,744
Planning	Community Challenge Planning Grant	500,000	445,846
Public Works	Tinker-Draper Trail Transportation Enhancement Grant ³	613,403	584,689
Police	DNA Backlog Reduction Grant ⁴	187,000	185,916

Source: Grant award documents and grant expenditures from the City's PeopleSoft Financial system.

¹ Counts of federal grants, major federal grants, and related expenditure totals were obtained from the City's Schedule of Expenditures of Federal and State Awards included in the City external independent auditor's Single Audit Reports for the fiscal year ending June 30, 2013.

² Emergency Shelter Grant expenditures are on-going with awards of \$317,405 and \$360,586 for fiscal years 2013 and 2014, respectively.

³ Similar project-specific Transportation Enhancement Grant expenditures are on-going with recent initiation of the Citywide Bike Routes and Educational Program project to be partially funded with a Transportation Enhancement Grant award of \$404,700.

⁴ DNA Backlog Reduction Grant expenditures are on-going with a DNA Backlog Reduction Grant award of \$185,000 in 2013 for use from October 1, 2013 through March 31, 2015.

Procedures performed during our audit included identification and review of applicable grant compliance requirements; review of City grant administration policies and procedures; management interviews; reviews of controls over compliance with grant requirements; and grant transaction testing on a sample basis for compliance with applicable federal requirements and City policies and procedures.

We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit 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. Each recommendation included in this report is immediately followed by a management response. Management responses are attached to this report in their entirety.

RESULTS OF WORK PERFORMED

EMERGENCY SHELTER GRANT AND COMMUNITY CHALLENGE PLANNING GRANT

Results of our audit indicate that, as of March 31, 2014, Planning Department controls over compliance with Emergency Shelter and Community Challenge Planning Grant requirements were reasonably adequate and effective, except for monitoring of Emergency Shelter grant subrecipient compliance with grant requirements and achievement of grant objectives.

COMMENT (1)

The City passes through Emergency Shelter Grant federal awards to 11 subrecipients who are responsible for providing services to the homeless population in the community. As a pass-through entity, the City's subrecipient monitoring responsibilities in accordance with federal requirements include, but are not limited to, ensuring:

- The award is used for authorized purposes.
- Reasonable compliance with grant requirements and achievement of program objectives during the award through reporting, site visits, regular contact, or other means.
- Subrecipients expending more than \$500,000 in total federal awards during a fiscal year receive an audit and reported audit findings are appropriately assessed and corrected.

Planning Department subrecipient monitoring procedures during the audit period:

- Did not include obtaining and reviewing documentation supporting grant fund reimbursement requests to reasonably determine use for authorized purposes.
- Did not include determining the nature, timing, and extent of necessary during-the-award monitoring based on award amounts and/or noncompliance risk; and the results of conducted monitoring procedures were not documented or reported to subrecipients.

- Did not include identifying subrecipients expending federal awards totaling more than \$500,000 during the fiscal year, obtaining their audit reports, reviewing reported findings, and ensuring the reported findings are appropriately assessed and corrected.

Insufficient subrecipient monitoring could result in the City or the Emergency Shelter Grant subrecipients failing to comply with all applicable grant requirements.

RECOMMENDATION (1)

The Planning Department should enhance Emergency Shelter Grant subrecipient monitoring procedures to ensure full compliance with related grant requirements by:

- Obtaining and reviewing documentation supporting grant fund reimbursement requests to determine funds are reasonably used for authorized purposes.
- Developing a process to determine the nature, timing, and extent of necessary during-the-award monitoring based on award amounts and/or noncompliance risk.
- Documenting and reporting the results of conducted monitoring procedures to subrecipients.
- Developing a process to identify subrecipients expending federal awards totaling more than \$500,000 during the fiscal year, obtaining their audit reports, reviewing and assessing reported findings, and ensuring corrective actions taken to address findings are appropriate.

PLANNING RESPONSE (1)

Agree with recommendation. The Planning Department will enhance Emergency Solutions Grant subrecipient monitoring by amending the grant fund reimbursement request form to include outcome measurement detail to better determine funds are used for authorized purposes; develop a risk analysis system for monitoring subrecipients and document results of subrecipient monitoring through reporting; and develop a process to identify subrecipients compliance with A-133 Single Audit requirements. The new procedures will be implemented immediately or at latest when next agreement renewals are implemented during the next program year.

Actions:

1. *The grant fund reimbursement request has been amended.*
2. *Monitoring of all subrecipients will occur annually and prior to acceptance of proposals for future funding requests under any new funding solicitations.*
3. *Monitoring reports that detail results of monitoring reviews will be forwarded to subrecipients and filed with the accounting documents to ensure accessibility.*
4. *Prior to annual subrecipient monitoring, accounting staff will review the federal auditing clearinghouse for filed A-133 audit reports.*

COMMENT (2)

The City Grant Policies and Procedures Manual was developed by the Finance Department to support appropriate grant administrative procedures and maintenance of effective internal controls by all City departments managing grants. City grant policies and procedures requirements include, but are not limited to:

- Annually obtaining grant subrecipient certification of City Grant Policies and Procedures Manual review which also confirms compliance with all applicable grant requirements.
- Preparation of grant reimbursement requests using reported amounts from the City's financial system and submission to the awarding agency at least quarterly.
- Authorization of all grant expenditures by the Program Manager.

Planning Department grant administration procedures during the audit period did not include:

- Obtaining Emergency Shelter Grant subrecipient certification of City Grant Policies and Procedures Manual review with confirmation of applicable grant requirement compliance.
- Grant reimbursement request preparation using reported amounts from the City's financial system; requested reimbursement amounts, however, were accurate.
- Requests for Emergency Shelter Grant fund reimbursements at least quarterly.
- Authorization of all Community Challenge Planning Grant expenditures by the Program Manager, potentially resulting in \$160 of inappropriate grant charges.

Failure to follow all City policies and procedures for administering grants creates a risk of noncompliance with grant requirements.

RECOMMENDATION (2)

The Planning Department should follow City grant policies and procedures for ensuring subrecipient grant requirement compliance, preparing and submitting reimbursement requests, and authorizing expenditures to reduce the risk of related grant requirement noncompliance.

PLANNING RESPONSE (2)

Agree with recommendation. The Planning Department will require subrecipients to annually sign the City's ASD certification that subrecipients have read OMB Circular A-87 and A-102 in its entirety within the past year and are familiar with the City's Grant Policies and Procedures Manual and all grant reimbursement requests will be prepared and drawn using the City's financial management system not less than quarterly unless grant award period deadlines prohibit compliance. In those limited instances, draw requests will be documented as matching PeopleSoft reports as soon as possible after reimbursement requests are submitted. The Program Manager will authorize expenditures prior to forwarding to accounting for payment. The new procedures will be implemented immediately or at latest when next agreement renewals are implemented during the next program year.

TINKER-DRAPER TRAIL TRANSPORTATION ENHANCEMENT GRANT

Results of our audit indicate that, as of March 31, 2014, Public Works Department controls over compliance with Tinker-Draper Trail Transportation Enhancement Grant requirements were reasonably adequate and effective.

COMMENT (3)

The City received a Transportation Enhancement Grant through the Oklahoma Department of Transportation to partially fund construction of the Tinker-Draper Trail. Grant requirements prohibit the award of Federal contracts to parties specifically designated as ineligible for such contracts. The Federal government maintains a list of parties ineligible to receive Federal contracts on their System for Award Management (SAM) website.

Though the contractors used for the Tinker-Draper Trail project were eligible to receive Federal contracts, the Public Works Department had not verified this status using the SAM website and incorrectly assumed the Planning Department had performed this verification. Failure to verify the eligibility of contractors before awarding Federal contracts could result in noncompliance with grant requirements.

RECOMMENDATION (3)

The Public Works Department should verify the eligibility of contractors using the list of parties ineligible to receive Federal contracts on the SAM website before awarding Federal contracts.

PUBLIC WORKS RESPONSE (3)

Agree with recommendation. Effective immediately, the Public Works Department will verify compliance with eligibility to receive federal contracts using the System for Award Management (SAM) website.

COMMENT (4)

The City Grant Policies and Procedures Manual was developed by the Finance Department to support appropriate grant administrative procedures and maintenance of effective internal controls by all City departments managing grants. City grant administration procedures require grant reimbursement requests be prepared using reported amounts from the City's financial system.

Public Works Department grant administration procedures during the audit period did not include grant reimbursement request preparation using reported amounts from the City's financial system. While requested reimbursement amounts were accurate, failure to prepare the requests using reported amounts from the City's financial system creates the risk for inaccurate or unsubstantiated grant financial reporting.

PUBLIC WORKS RECOMMENDATION (4)

The Public Works Department should prepare grant reimbursement requests using reported amounts from the City's financial system in accordance with the City Grant Policies and Procedures Manual to reduce the risk of inaccurate or unsubstantiated grant financial reporting.

PUBLIC WORKS RESPONSE (4)

Agree with recommendation. Effective immediately, the Public Works Department will use the Budget Status Report from PeopleSoft to prepare grant reimbursement requests.

DNA BACKLOG REDUCTION GRANT

Results of our audit indicate that, as of March 31, 2014, Police Department controls over compliance with DNA Backlog Reduction Grant requirements were reasonably adequate and effective.

The City received the DNA Backlog Reduction Grant for the purchase of more technically advanced DNA analysis equipment to reduce the DNA case backlog by increasing DNA laboratory capacity. Reportable weaknesses in Police Department grant requirement compliance controls or grant requirement compliance were not identified during the audit.

OTHER COMMENTS

Certain centralized grant oversight procedures are not performed by the Finance Department in accordance with the City Grant Policies and Procedures Manual.

COMMENT (5)

The City Grant Policies and Procedures Manual states the Finance Department will periodically generate a report from the grant administration database to review the accuracy and timeliness of department reimbursement requests. However, such a report has not been developed and is not currently reviewed.

Lack of centralized procedures ensuring accurate and timely submitted reimbursement requests creates a risk for inaccurate reimbursements and excessive delays in reimbursement receipts.

RECOMMENDATION (5)

The Finance Department should monitor department reimbursement request accuracy and timeliness by reviewing a report developed from the grant administration database as described in the City Grant Policies and Procedures Manual or an alternative means.

FINANCE RESPONSE (5)

We agree with the recommendation. We will develop a report that contains the necessary information that will enable the Finance Department to monitor grant reimbursement requests for accuracy and timeliness. This report will be completed no later than March 1, 2015.

COMMENT (6)

The Finance Department does not ensure certification forms annually confirming review of and compliance with grant policies, procedures, and requirements are completed and returned by all Program Managers. The City Grant Policies and Procedures Manual states the Finance Department will annually distribute a Grant Policy and Procedure Review Certification Form for all Program Managers with active grants to complete and return. Certification forms were not completed and returned by 12 of the 24 Program Managers receiving them in 2014.

Lack of centralized, annual confirmation with all Program Managers of review and compliance with grant policies and procedures creates risk that grant requirement compliance responsibilities will not be sufficiently reinforced.

RECOMMENDATION (6)

To reinforce responsibilities for compliance with grant requirements, the Finance Department should ensure all Program Managers with active grants complete and return the Grant Policy and Procedure Certification Form annually.

FINANCE RESPONSE (6)

We agree with the recommendation. The initial correspondence with the Program Managers will be entered into our correspondence database that is reviewed by the Controller weekly. When it is noted that information has not been received, we will contact the Program Managers directly to ensure compliance with this policy requirement.



MEMORANDUM

The City of
OKLAHOMA CITY

TO: Jim Williamson, City Auditor
THROUGH: Jim Couch, City Manager *JJC*
FROM: Aubrey Hammontree, Planning Director *AH*
DATE: October 30, 2014
SUBJECT: Non-Major Federal Grant Compliance Controls



The Office of the City Auditor reviewed two non-major federal grants administered by the Planning Department. The federal programs reviewed included the Emergency Solutions Grant and the Community Challenge Grant. The Audit Report identified two audit report comments and associated recommendations.

Recommendation 1: Agree with recommendation.

The Planning Department will enhance Emergency Solutions Grant subrecipient monitoring by amending the grant fund reimbursement request form to include outcome measurement detail to better determine funds are used for authorized purposes; develop a risk analysis system for monitoring subrecipients and document results of subrecipient monitoring through reporting; and develop a process to identify subrecipients compliance with A-133 Single Audit requirements. The new procedures will be implemented immediately or at latest when next agreement renewals are implemented during the next program year.

Actions:

1. The grant fund reimbursement request has been amended (see attached)
2. Monitoring of all subrecipients will occur annually and prior to acceptance of proposals for future funding requests under any new funding solicitations
3. Monitoring reports that detail results of monitoring reviews will be forwarded to subrecipients and filed with the accounting documents to ensure accessibility
4. Prior to annual subrecipient monitoring, accounting staff will review the federal auditing clearinghouse for filed A-133 audit reports.

Recommendation 2: Agree with recommendation.

The Planning Department will require subrecipients to annually sign the City's ASD certification that subrecipients have read OMB Circular A-87 and A-102 in its entirety within the past year and are familiar with The City's Grant Policies and Procedures Manual and all grant reimbursement requests will be prepared and drawn using The City's financial management system not less than quarterly unless grant award period deadlines prohibit compliance. In those limited instances, draw requests will be documented as matching PeopleSoft reports as soon as possible after reimbursement requests are submitted. The Program Manager will authorize expenditures prior to forwarding to accounting for payment. The new procedures will be implemented immediately or at latest when next agreement renewals are implemented during the next program year.

03/10/2015
08:20:15 AM

CITY OF OKLAHOMA CITY

EMERGENCY SOLUTIONS GRANT REIMBURSEMENT REQUEST

AGENCY: THE HOMELESS ALLIANCE

DATE:

ADDRESS: 1724 NW 4TH ST.

CONTACT: DAN STRAUGHAN

MONTH OF REQUEST:

		Grant Amount	Previously requested	Total this request	Remaining Balance
A	Rapid Re-Housing				
	TOTAL ALLOCATION	\$49,156.00			
1	Rental Application Fees				
2	Security Deposit				
3	Previous Months Rent				
4	Utility Deposits				
5	Utility Payments				
6	Moving Costs				
7	Housing Search & Placement				
8	Case Management				
9	Mediation				
10	Legal Services				
11	Credit Repair				
12	Short Term Rental Assistance				
13	Medium Term Rental Assistance				
14	<i>Total Personnel Costs</i>		\$0.00	\$0.00	\$49,156.00
B	Prevention				
	TOTAL ALLOCATION	\$16,386.00			
1	Rental Application Fees				
2	Security Deposit				
3	Previous Months Rent				
4	Utility Deposits				
5	Utility Payments				
6	Moving Costs				
7	Housing Search & Placement				
8	Case Management				
9	Mediation				
10	Legal Services				
11	Credit Repair				
12	Short Term Rental Assistance				
13	Medium Term Rental Assistance				
14	<i>Total Personnel Costs</i>		\$0.00	\$0.00	\$16,386.00
C	Totals				
	TOTALS	\$65,542.00	\$0.00	\$0.00	\$65,542.00



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Jim Williamson
City Auditor

THROUGH: James D. Couch
City Manager

FROM: Eric J. Wenger, P.E., Director
Public Works / City Engineer

DATE: October 29, 2014

SUBJECT: Audit #12-03 Public Works Department - Non-Major Federal Grant Compliance Controls

The following are Management's responses to recommendations outlined in the recent Non-Major Federal Grant Compliance Controls Audit.

3. Agree with recommendation. Effective immediately, the Public Works Department will verify contractor eligibility to receive federal contracts using the System for Award Management (SAM) website.
4. Agree with recommendation. Effective immediately, the Public Works Department will use the Budget Status Report from PeopleSoft to prepare grant reimbursement requests.

Thank you for your review of this program.

FINANCE RESPONSE (5)

We agree with the recommendation. We will develop a report that contains the necessary information that will enable the Finance Department to monitor grant reimbursement requests for accuracy and timeliness. This report will be completed no later than March 1, 2015.

COMMENT (6)

The Finance Department does not ensure certification forms annually confirming review of and compliance with grant policies, procedures, and requirements are completed and returned by all Program Managers. The City Grant Policies and Procedures Manual states the Finance Department will annually distribute a Grant Policy and Procedure Review Certification Form for all Program Managers with active grants to complete and return. Certification forms were not completed and returned by 12 of the 24 Program Managers receiving them in 2014.

Lack of centralized, annual confirmation with all Program Managers of review and compliance with grant policies and procedures creates risk that grant requirement compliance responsibilities will not be sufficiently reinforced.

RECOMMENDATION (6)

To reinforce responsibilities for compliance with grant requirements, the Finance Department should ensure all Program Managers with active grants complete and return the Grant Policy and Procedure Certification Form annually.

FINANCE RESPONSE (6)

We agree with the recommendation. The initial correspondence with the Program Managers will be entered into our correspondence database that is reviewed by the Controller weekly. When it is noted that information has not been received, we will contact the Program Managers directly to ensure compliance with this policy requirement.