



OFFICE OF THE CITY AUDITOR

TO: Mayor and Members of the City Council
THRU: Margaret Krym, City Auditor *MK*
FROM: Oscar B. Claudio, Assistant City Auditor *OC*
DATE: December 19, 2014
SUBJECT: **Follow-up Audit of Management of Grants**

The audit of Management of Grants final report was issued on January 8, 2013. The audit report identified four findings and provided six recommendations to address these findings. Although these findings were not material in nature, we believe they warrant management's attention. All of the findings were discussed with management and management's responses were included in the original final report.

We performed this engagement as a follow-up to a prior published audit report. The scope was narrow and limited to ascertaining the status of the implementation of previously agreed recommendations only. The nature of this engagement therefore constitutes an audit and complies with generally accepted government auditing standards (GAGAS). We believe that the evidence obtained provides a reasonable basis for our conclusions.

Our test procedures included: 1) personnel inquiries; 2) examination of contract documents; and 3) review of the status of recommended corrective actions provided by management.

Based on the follow-up audit results, we concluded that:

- ***Management implemented recommendations 1b), 2b) and 3). These three recommendations are part of the six recommendations in the original audit report;***
- ***Management is in the process of revising Administrative Regulation 11 – Grant Program Pre-Award and Post Award Process. The completion and implementation of this Regulation will satisfy closure of recommendations 1a) and 2a). The promised implementation date is January 2015.***
- ***Management has not completed the required corrective actions to resolve recommendation 4).***

Attached is a grid that defines the underlying finding; audit recommendations; management's agreed action response; management's actions as of September 11, 2014; and finding status as of November 12, 2014.

We appreciate the assistance provided by management and staff for their efforts to complete this follow-up engagement.

We are available to respond to any questions or concerns you may have about the information contained in this document. You may contact us at 242-3382.

C: John Szerlag, City Manager
Victoria Bateman, Director of Financial Services
Michael Ilczyszyn, Interim Assistant City Manager
Terri Hall, Senior Assistant to City Manager / Legislative Coordinator
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Audit Committee

City of Cape Coral
City Auditor's Office
Management of Grants Audit

	Finding	Recommendation	<i>Original Management Response January 8, 2013</i>	Management's Action As of September 11, 2014	Audit Finding Status As of November 12, 2014
1	The City's Administrative Regulation #11 – Grant Application Process is inadequate and is no longer in accordance with industry standards. Also, the City has not established written policies and procedures for the grant management process.	a.) Management should develop a citywide standardized process for grant management and oversight which would encompass the complexities of various grant applications and must be incorporated into a comprehensive grant management and administrative policy and procedures manual. Management should ensure that this manual is updated regularly and accordingly to meet current industry standards. The purpose of the policy should promote a strategic approach to grant seeking, to enhance the City's ability to coordinate grant activity on a citywide basis and provide an annual overview of departmental level needs that have the potential for being met through grant funding. Consequently, the grant management process and regulation must be aligned with the City's strategic plan and department or business plans.	<i>Financial Services staff are currently reviewing Administrative Regulation #11 and preparing recommendations to management for changes to strengthen the grant application and management process. Specifically, there are changes that can streamline the application process without jeopardizing control and accountability, allowing for a greater number and more timely applications. Additionally, confirmation of the alignment of a grant with the City's strategic priorities can be incorporated within the grants management procedures. A decision to prioritize training and provide for a single point of administration for grants through a dedicated position has been discussed but has not been finalized due to funding and process management concerns.</i>	1a) Management stated that "a draft policy is in process of completion." The responses further stated that "the policy will provide staff guidance during the interim as Council and Administration evaluate staffing priorities in a responsible, responsive manner."	1a) Management is in the process of revising Administrative Regulation 11 – Grant Program Pre-Award and Post Award Process. The completion and implementation of this Regulation will satisfy closure of recommendations 1a) and 2a). The promised implementation date is January 2015.
		b.) Management should ensure to provide staff training on grant writing and grant management and administration.		1b) Management stated that "a grant training exercise was conducted earlier this year."	1b) Management's action satisfies closure of this recommendation.

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2	The City did not effectively use its grant management software in obtaining potential grant revenues.	<p>a) Management should implement control procedures that will direct and compel employees to prioritize the use of the grant management software in order to possibly increase the chances of obtaining more grant fund revenues. Implementation of these control procedures will provide guidance that is necessary to properly and consistently carry out organizational activities at a required level of quality.</p>	<p><i>The City has negotiated a settlement with the software company, eCivis, which allows employees continued access and use of the grants management software. Future contracts for this or other grants management software will be determined in concert with the decision regarding centrally coordinated grants management.</i></p>	2a) Management had not addressed the stated audit recommendation or implemented control procedures.	2a) The same status as recommendation 1a).
		<p>b) Also, management should determine the need and/or usefulness of the additional purchased grant software module. This additional software module increased the license and service agreement annual payment to \$20,600.</p>			2b) Management negotiated with eCivis Software Company to reduce the number of licenses to two at a lower cost. The licenses allow employees continued access and use of the grants management software.
3	The labor hourly rates applied in the calculation of employees' salaries were not in accordance with the City's established hourly rates.	<p>Management should require supervisory review be performed on the work of staff to ensure applicable rates are used and potential errors are corrected and prevented prior to finalizing the calculation process. Oversight provides management with reasonable assurance that functions are performed accordingly.</p> <p>In addition, staff performing such process should be required to perform due diligence by researching the most current applicable rates established by the City.</p>	<p><i>Additional oversight and sign-off by management personnel was implemented subsequent to a similar review in the FY2011 external audit. Additionally, staff is working to develop regularly scheduled updates and review of the rates to be utilized in any grant reimbursement requests to ensure City-wide consistency and compliance with state and federal regulations. These regular reviews will be incorporated into either the grant application or annual audit process.</i></p>	3) Management had not provided documentation to evidence any corrective action to resolve this finding.	3) Management provided documentation and implemented additional oversight to ensure that the review process is performed accordingly. These corrective actions satisfy closure of this recommendation.

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4	The equipment rates used in the calculation of equipment costs were not in accordance with the Federal Emergency Management Agency's (FEMA) established rates.	<p>Management should require supervisory review be performed on the work of staff to ensure applicable rates are used and potential errors are corrected and prevented prior to finalizing the calculation process. Oversight provides management with reasonable assurance that functions are performed accordingly.</p> <p>In addition, staff performing such process should be required to perform due diligence by researching the most current applicable rates established by the grantor agency.</p>	Same as #3.	4) Management had not provided documentation to evidence any corrective action to resolve this finding.	4) Management has not completed the required corrective actions to resolve this finding.