



Grant Initiation and Approval Process

Internal Audit

April 2016

Bernalillo County Internal Audit Grant Initiation and Approval Process

Executive Summary

SUMMARY OF PROCEDURES

REDW performed an internal audit over the grant initiation and approval process for the County. Our internal audit focused on evaluating the County's grant initiation and approval process and determined if the current process was maximizing the potential for grant awards.

We performed the following procedures:

- Obtained an understanding of the grant approval process through reading the administrative instruction, viewing flowcharts, and making inquiries of key grant personnel.
- Tested a sample of grants and ensured they followed the grant approval process.
- Tested the grant notification process to ensure that emails sent for grant opportunities were addressed in a proper manner.
- Analyzed the data collection forms and inquired of management regarding significant decreases in federal funding.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

Based on discussions with the Grant Administrator, the County was in the process of purchasing software that would allow for more potential grant opportunities to be identified and pursued. The procedures the Grant Administrator performs are a critical component to identify grants as the application process is dependent on the department and is not centrally managed.

Significant high and moderate risk observations are presented below:

- *Grant Approval Tracking Process*—There was no tracking process in place to track all opportunities provided to the departments, whether they were further pursued and if funding was received. Departments were not consistently addressing the opportunities sent out by the Grant Administrator. Additionally, the grant approval process was not consistently followed.

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Further detail of our purpose, objectives, scope, procedures, observations, and recommendations are included in the internal audit report.

We received excellent cooperation and assistance from County personnel during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
June 10, 2016

Bernalillo County Internal Audit Grant Initiation and Approval Process

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Bernalillo County Internal Audit Grant Initiation and Approval Process Report

INTRODUCTION

We performed the internal audit services described below solely to assist Bernalillo County in evaluating the internal controls over the grant initiation and approval process. Our services were conducted in accordance with the Consulting Standards issued by the American Institute of Certified Public Accountants, Generally Accepted Government Auditing Standards, and the terms of our contract agreement for internal audit services. Since our procedures were applied to samples of transactions and processes, it is possible that significant issues related to the areas tested may not have been identified.

PURPOSE AND OBJECTIVES

Our internal audit focused on evaluating the County's grant initiation and approval process and determining if the current process was maximizing the potential for grant awards.

SCOPE AND PROCEDURES PERFORMED

In order to gain an understanding of the processes and operations, we interviewed the following personnel:

- Paul Herrera, Grants Administrator
- Trudy McGregor, Financial Projects Coordinator
- Rita Erickson, Administrative Officer/Grant Representative
- Luz Elva Gonzalez, Administrative Officer/Grant Representative
- Erica Martinez, Administrative Officer/Grant Representative
- Andi Taylor, Captain Bernalillo County Sherriff's Department
- Juan Caraveo, Fiscal Housing Administrator/Grant Representative
- Deborah Pollock, Fiscal Officer/Grant Representative

In order to gain an understanding of policies and procedures we read relevant portions of:

- Bernalillo County Administrative Instruction No. SG01
- Grant Internal Approval Process 1 Flowchart
- Grant Internal Approval Process 2 Flowchart

We performed the following testwork:

Grant Approval Process—We obtained a report of all grants from the SAP system for the period of July 1, 2014 through April 15, 2016, and selected a sample of 15 (total population of 66). To test that the grant approval process was followed we:

- Verified that the contract control form included a contract control number.
- Ensured email authorization was maintained to support review of the grant application and approval to route the grant.
- Verified the grant was approved by the budget department, Deputy County Manger, and the County Manager.

Grant Notification Process—While there was no tracking process in place to determine the total number of potential grants sent to departments, there were approximately 30 emails maintained showing the Grant Administrator reached out to departments with potential grant opportunities. From this population we selected 3 emails and reached out to the department to gain an understanding of the departmental process to apply for grants. We inquired with the department on the specific grant opportunity we selected for testing to determine if the grant was pursued or why it was not. We also read through the grant information to determine if the grant seemed to be applicable and relevant to the department (i.e. action should have taken place from the department to apply for the grant).

Analysis of Grant Revenue—We obtained the fiscal year 2005 through fiscal year 2015 Bernalillo County data collection forms showing all Federal grant expenditures which equals the amount of Federal grant revenue received by the County for each fiscal year. We analyzed this data to determine what the average annual Federal grant revenue was and to identify the year in that period with the highest revenue received. Grant revenue reached its peak in fiscal year 2008 with \$28.7 million received from Federal sources. In fiscal year 2015, \$17.4 million was received with an average over the period analyzed of \$23.8 million. We compared by catalog of federal domestic assistance (CFDA) number for fiscal year 2008 (highest received) and fiscal year 2015 to identify potential areas for improvement. For all decreases exceeding \$200,000 (10 met criteria) we inquired with the Financial Projects Coordinator and/or Grant Representative to determine if the cause of the decrease appeared reasonable.

OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

While the County does not have a centralized grant approval process, they are moving in the right direction in developing ways to identify grant opportunities and communicate these to departments. The Grant Administrator has developed processes to help ensure the County is

aware of grant applications that could benefit the County and is in the process of purchasing software that will assist in identification of potential grants.

We identified the following weaknesses relating to Bernalillo County's grant initiation and approval process:

1) Grant Approval Tracking Process

The Grant Administrator emails out grant opportunities to departments as they are identified; however, there is no tracking process in place to gather all these opportunities and determine which were relevant to the department, which were further pursued, or if funding was received. Without a tracking process it is unclear what action was taken based on the efforts of the Grant Administrator, and based on discussions this correspondence was not fully utilized. Additionally, during our testing of 15 grants, the approval process was not followed, including:

- 13 not having an email authorization from the Grant Administrator.
- 10 did not have a grants routing memo.
- 3 did not have a contract control number form.

In addition, the process does not address State allocated grants.

Potential Risk: High/Moderate—Missed grant revenues could have a significant impact to the overall County budget. In times where there are budget shortfalls it is even more important to pursue all opportunities.

Recommendations:

1. All potential grant opportunities should be tracked. Grant tracking should include who was notified, whether the grant was applied for or not, and if the grant was received. This will help ensure the process can be adjusted based on feedback received from departments including types of grants that are applicable, who should receive the notification in the department, etc. to ensure revenues are maximized. Additionally, consider tracking and comparing the date the grant opportunity was identified to the grant due date. This will assist in verifying adequate time is available to act on the grant application and if additional resources need to be identified to apply for the grant.
2. Grant representatives should be trained on what to do with the email notifications they receive about potential grant opportunities.
3. Consider providing additional resources to departments to help identify and develop grant revenues. Since there are limited resources allocated to identifying grant opportunities there could be missed grant funding due to the availability of staffing at the department levels. Additionally, some departments did not feel they had enough time or resources to complete the grant application. While applications may be time consuming to complete the average grant received in fiscal year 2015 was approximately \$117,000 (this excludes the Section 8 housing choice vouchers grant).
4. It appears that there were quite a few one-time grants applied for in the past; however, new one-time grants have not been consistently applied for which has decreased the overall grant revenue received by the County.

5. Consider making the grant training courses mandatory for all Grant Representatives. This will help ensure they understand the process and resources available to them. This training should include the grant application approval process.
6. Consider simplifying the grant approval process to help improve the efficiency and time spent by key personnel including allowing either the DCM or CM to approve the application (not requiring both).

Management Responses:

1. The Grant Administrator developed and has since revised, the grant tracking tool through Excel as recommended to track grant opportunities. This tracking tool includes the opportunity, date of notification, application deadline, responsible person, comments, and follow-up.
2. The Grant Administrator will provide grant opportunity training at the grant representative meeting scheduled on June 9, 2016, and continue to present training updates at future meetings. The training will include how opportunities should be routed through the various departments, required response back to the grant administrator, and open discussion.

A Grant Hub committee will be established to enhance partnership with the County departments for searching, detail analysis, strategically matching, and working with local resources to promote successful completion of grant application and receiving of awards. As part of the Grant Hub initiative; training will be developed and provided to Grant Representatives on grant opportunity processes.

3. The Grant Administrator has identified and began the process of procuring two user licenses for eCivis, which is grant identification software. The eCivis contract is scheduled to be executed by July 1, 2016, for a 3-year licensing agreement term. The software will help identify new grant opportunities on a more prompt basis providing departments' additional time to meet application deadlines.
4. The Grant Administrator is currently obtaining a request list of grant search criteria from departments within the County. Once eCivis license agreements have been fully acquired the request list will be entered into eCivis by the Grant Representatives and/or the Grant Administrator. This process will help identify non-recurring grants in both the federal and private sectors. Grants will also be identified earlier in the process allowing the departments' additional time to complete and submit a quality application.
5. As part of the Grant Hub initiative; training will be developed and provided to the Grant Representatives on grant processes. The Grant Administrator and Financial Manager have formed a sub-committee to develop the training material for the mandatory training on Grants Administrative Instruction (AI) SG01 through MyBLC. The anticipated time of completion is January 31, 2017.
6. The Grant Administrator and Financial Manager will amend the Grants AI SG01 as well as the In Process flowchart to expedite the approval routing process. The anticipated time to execute training is January 31, 2017.

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This report is intended for the information and use of Bernalillo County management, the audit committee, members of the Board of Commissioners of Bernalillo County and others within the organization. However, this report is a matter of public record, and once accepted its distribution is not limited.

We discussed and resolved other minor observations with management and received excellent cooperation and assistance from County personnel during the course of our interviews and testing. We sincerely appreciate the courtesy extended to our personnel.

REDW LLC

Albuquerque, New Mexico
June 10, 2016