Office of the City Auditor

City of Gainesville, Florida

General Government Grant Administration Consultation

-Phase I-

March 22, 2021

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INTRODUCTION

The City of Gainesville (City) General Government and Gainesville Regional Utilities Grant Administration Audit is included in the City Auditor's Audit Plan, last reviewed by the Audit and Finance Committee on December 9, 2020 and approved by the City Commission on January 7, 2021. The audit has been divided into two phases. Phase I is a General Government Grant Administration Consultation that was performed during the General Government ERP system pre-implementation period, and Phase II is a Citywide Grant Administration Audit to be performed post-ERP system implementation.

Grant awards are one funding source the City uses to help implement new initiatives and current projects that align with the City's strategic goals and objectives.   Various City departments and functional areas currently receive grant funds from several state and federal agencies such as the Florida Department of Health, Federal Emergency Management Agency (FEMA) and the U.S. Department of Housing and Urban Development (HUD). When awarded a grant, the City becomes responsible for successfully administering the grant to the highest regulatory and budgetary requirements of the granting agency and the City.   Non-compliance with grant requirements could trigger the return of awarded funds and jeopardize future funding opportunities for the City.

Annually, the City expends millions of dollars for grant-awarded projects for which the grantor either provides funds to the City in advance or as reimbursement for qualified expenditures. Some grants require matching funds for which the City identifies a funding source in order to meet the grant requirement. In fiscal years 2019 and 2020, the City managed $16,350,167 and $14,351,578 in grant expenditures involving 68 and 62 separate grant awards, respectively, as depicted in Figure 1. Types of expenditures for each grant vary greatly.

Figure 1

Expenditures of Federal Awards and State Financial Assistance

Fiscal Year	Federal Awards	Expenditures	State Awards	Expenditures	Total Awards	Expenditures
2019	48	$ 11,722,979	19	$ 4,627,188	68	$ 16,350,167
2020	50	$ 11,086,563	12	$ 3,265,015	62	$ 14,351,578

Source: City of Gainesville CAFR for FY19 and Draft SEFA for FY20

ENGAGEMENT OBJECTIVE

The objective of this engagement was to identify risks in General Government grant administration processes (see Figure 2), review policies, procedures and guidance for best practices and equity considerations and review plans for process improvements related to implementation of a new ERP system grants module.

ENGAGEMENT SCOPE AND METHODOLOGY

The scope of this engagement included General Government grant administration processes, policies, procedures and guidance. Specifically, we performed the following:

Governance
- Evaluated current grant administration governance, such as functional area policies, procedures and guidance, to determine if sufficient guidance is provided for staff to administer grants in a uniform manner and consistent with the Draft Grant Administration Manual.

Equity Consideration
- Reviewed the draft Grant Administration Manual and functional area procedures of five grant-receiving departments, and evaluated the level of equity considerations in grant selection and utilization as it relates to the achievement of the City's Strategic Plan.

ERP System Implementation
- Assessed the level of functional area subject matter experts involvement with the implementation of the ERP system grants module and current status of the implementation to ensure the City is improving processes to sufficiently leverage ERP system capabilities and gain efficiencies.

BACKGROUND

Grant Administration Roles and Responsibilities

Grants awarded to the City have funded many projects such as purchasing new Regional Transit System (RTS) buses, providing housing assistance to our neighbors, improving roads and sidewalks to enhance safety within the city, providing relief to our neighbors from hardships related to the COVID-19 pandemic, and enhancing the training and equipment of our City firefighters. The City is awarded grant funding largely from state and federal agencies, while other grants are received from non-governmental entities.

Grant administration is decentralized within the City. Individual functional areas seeking grant funds manage much of the grant life-cycle with assistance from other City departments. The City of Gainesville has developed Administrative Procedures that define the roles of departmental personnel to include the Program Manager, the Department Grant Administrator, and Grant Specialist who have the daily responsibility of administering the grant award for their respective functional areas. Though a draft Grant Administration Manual has been developed, individual functional areas (such as, but not limited to, RTS, GRU and Public Works) are required to develop specific procedures to administer and manage their grants throughout the grant lifecycle which flows through three distinct phases as depicted in Figure 2 below.

Figure 2

Grant Administration Lifecycle
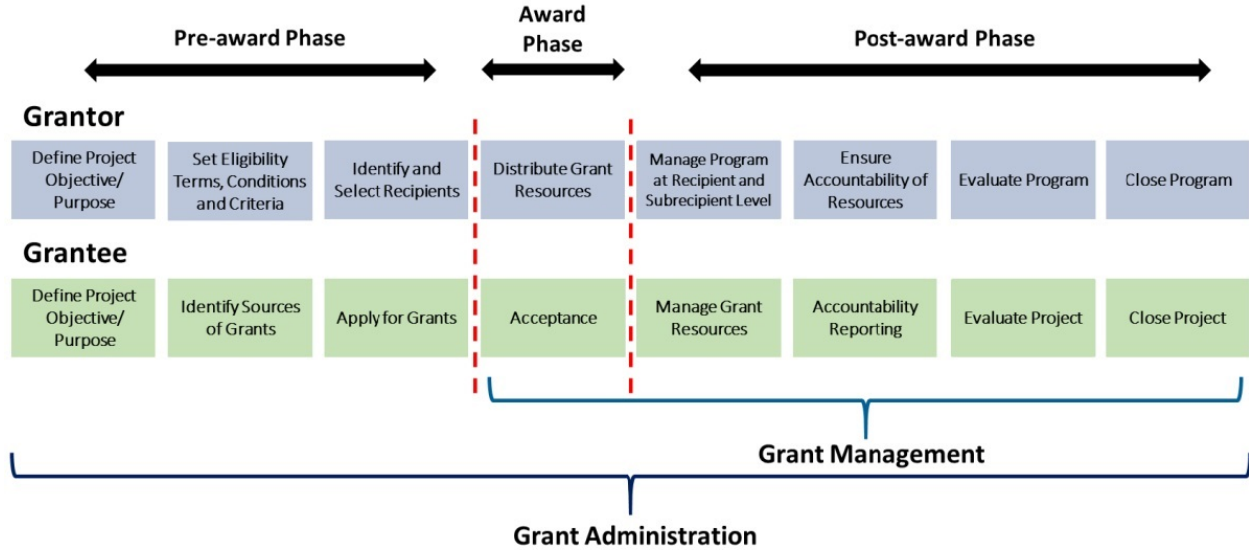
Source: IIA: Auditing Grants in the Public Sector, April 2018

In the Pre-Award Phase, the Intergovernmental Affairs Coordinator (IAC) assists functional areas in identifying grant opportunities and monitors the progress of applications. The IAC also provides guidance to the function areas in the preparation and submission applications to the grant agencies. Some grant applications require approval of the City Commission prior to submission depending on the deadline to submit and the size of the expected award. Functional areas that apply for grants work with the Budget and Finance Department to identify sources for matching funds if required by granting agencies.

In the Award Phase, functional areas coordinate with Budget and Finance Department personnel and other departments to accept grant funds through the preparation of contracts and agreements. When the contract or agreement is received by the granting agency, the funds are either distributed or available on a reimbursement basis depending on the specifics of the grant award. The Budget and Finance Department establishes the accounting record to manage the grant funds during this phase.

The Post Award Phase encompasses the utilization/expenditure of the grant funds to meet the objective of individual awards, periodic evaluating and reporting on the status of projects, closing the project, and completing any audits required by the granting agency. Functional areas work with the Budget and Finance Department to ensure expenditures are recorded to the appropriate grant and that reporting to the granting agency is timely and accurate. Accounting personnel are responsible for closing the grant in the financial records at the end of this phase and coordinate any required audits.

ERP System Implementation

The City Commission approved Resolution No. 170056 on July 13, 2016 providing funding for a new General Government Financial ERP system. The City Commission approved the purchase and implementation of the new ERP system in February 2019 with an initial go-live date of March 23, 2020. Originally, only data from RTS grants were to be included in the grants module due to time constraints with meeting the original implementation date. However, delays have occurred in the ERP system implementation which provided management with the opportunity to expand the ERP grants module implementation scope. All General Government grants will now be included in the initial implementation phase of the project.

RESULTS AND CONCLUSION

As a consulting engagement our review did not include detailed testing of the control environment. However, we identified the following areas where improvements in the Grant Administration control environment and ERP system implementation processes should be considered to enhance the centralized grant administration capabilities of the City:

Observations	Risks Identified	Consideration to Enhance Grant Administration Capabilities
Policies, Procedures and Guidance The Grant Administration Manual was not finalized and communicated to functional areas as citywide uniform grant administration guidance. Some functional areas have not developed area-specific procedures or guidance for grant administration. The Grant Administration Manual did not include equity considerations when applying for new grants.	Without citywide uniform grant administration procedures and guidance, the City risks grant non-compliance with granting agency requirements. This may lead to a reduction in grant awards and adversely affect the capability of the City to meet strategic goals of being and equitable community for all.	Management should consider enhancing citywide uniform grant administration procedures and guidance, providing training where needed, and providing for a means of monitoring for compliance. Procedures and guidance should include guidance to help ensure general funds used as matching fund sources or expenditures of discretionary grant funds have an equitable impact to marginalized communities.
Leveraging Technology Initial ERP system pre-implementation activities did not incorporate functional area consultation in grant set-up (pre-award phase). Utilization of the pre-award portion of the grants ERP system module is slated for phase II of the ERP system implementation.	Manual grant administration processes increase the risk of data integrity and operational inefficiencies, errors and noncompliance with grant terms, which may result in delayed funding or return of funds received.	Management should consider implementing full capabilities of the ERP system grants module at the earliest opportunity to ensure best practices and efficiencies are achieved throughout the grant administration lifecycle.

Oversight and Monitoring	A lack of centralized grant	Management should consider
The City does not have a centralized function for monitoring and reporting on grants throughout the grant lifecycle on a Citywide basis.	administration oversight increases the risk of: - Late or incomplete application submission which could lead to lost funding opportunities - Operational inefficiencies resulting from duplication of effort by multiple functional areas applying for the same grant - Weak controls and inconsistencies in administrative practices across various functional areas resulting in reduced data quality.	improving communication with internal stakeholders and implementing a quarterly grant users group discussion for sharing lessons learned, training and continuous improvement. Implementation of consolidated reporting to executive management on the status of all grants in all phases of the grant lifecycle would also provide an added benefit to decision makers and a dedicated centralized grant administrator could oversee policy and process improvements recommended in this table for management's consideration.

We would like to thank the staff and management of the following functional areas for their professionalism and cooperation during this engagement;

- Budget and Finance
- Gainesville Fire and Rescue
- Housing and Community Development
- Parks, Recreation and Cultural Affairs
- Public Works
- Regional Transit Authority
- General Government Department of Technology

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this consulting engagement in accordance with *Generally Accepted Government Auditing Standards and* the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the engagement to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

INTERNAL AUDIT TEAM

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