

# Office of the City Auditor and Clerk

## Internal Audit



### GRANTS ADMINISTRATION

Audit #21-08

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A handwritten signature in blue ink that reads "Shayla Griggs". The signature is written in a cursive style.

Audit Reviewed and Approved by:  
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# Executive Summary<sup>1</sup>

## Audit #21-08 Grants Administration

### Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of grants received by the City.

The purpose of this audit was to provide reasonable assurance that the City is in compliance with grant terms, conditions, regulations, and that there was effective management of grants received by the City.

The scope of this audit included a review of all active grants that the City has received during the audit period of October 1, 2018 to March 31, 2021<sup>2</sup>.

### Audit Objectives

1. Determine if the City is in compliance with the terms, conditions, and regulations of grants received.
2. Determine if the City has established adequate internal controls to effectively manage the accounting, disbursement, and compliance monitoring of grant funds.

### Summary Background

The City of Sarasota (City) applies for and receives grant funds from multiple sources for a variety of projects to support important programs and services including economic development, social services, public safety, recreation, and infrastructure improvements, among others. Each department manages their individual grants while the City has a Grants Coordinator, the primary person responsible for providing City-wide coordination and monitoring of grants. There is some inter-department coordination on federal grant reporting.

### Summary of Conclusions

- The City was generally in compliance with the terms, conditions, and regulations of grants received. Individual grants reviewed appeared to generally be in compliance with their individual grant requirements and conditions.
- Internal controls relating to accounting and disbursement is adequate however, the process for requesting reimbursements and recording the corresponding receivables needs to be improved.
- There is no one City-wide database or location containing all grant documentation or even a listing of active grants in place to easily monitor and track each individual grant lifecycle from proposal, award, task tracking, funding and reporting.
- Not all City staff members involved with grants have received grant management training.

At the conclusion of the audit management set a timeline for implementing a grants management system and grants management training.

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<sup>1</sup> This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

<sup>2</sup> This audit did not include housing related SHIP or HUD development grants as those were audited separately in prior years and will be audited separately in future years.

# Detailed Audit Report Audit

## #21-08 Grants Administration

### Background and Introduction

The City of Sarasota (City) applies for, and receives funds from multiple sources, federal, state, and private, each year for a variety of projects to support important programs and services including economic development, social services, public safety, recreation, and infrastructure improvements, among others. Grants may span several years, or they may be for only one specific purpose or project. Grants may repeat annually with similar funding and reporting requirements. In every grant the grantor providing the funds specifies the timing for task completion and reporting requirements for the City to accomplish to receive the approved funds. Should the City not be in compliance with the grant document, the grant funding may be cancelled, payment to the City delayed or reimbursement denied.

Under the City's current process each department manages their individual grants and are considered the grants project manager. The City has a Grants Coordinator, the primary person responsible for providing city-wide coordination and monitoring of grants. At times some additional assistance is provided from the Grants Coordinator to the departments depending on the grantor – federal grants in particular.

### Audit Purpose, Scope and Time-period

The purpose of this audit was to provide reasonable assurance that the City is in compliance with grant terms, conditions, regulations, and that there is effective management of grants received by the City.

The scope of this audit included all active grants that the City has received during the audit period including accounting, disbursement, and compliance monitoring of grant funds.<sup>3</sup>

The audit period was October 1, 2018 to March 31, 2021.

### Audit Objectives

The audit focused on the following objectives:

1. Determine if the City is in compliance with the terms, conditions, and regulations of grants received.
2. Determine if the City has established adequate internal controls to effectively manage the accounting, disbursement, and compliance monitoring of grant funds.

### Audit Standards

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

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<sup>3</sup> This audit did not include housing related SHIP or HUD development grants as those were audited separately in prior years and will be audited separately in future years.

evidence obtained provides a reasonable basis for findings and conclusions based on the audit objectives.

### Testing Methodology

- Interviewed appropriate personnel from departments receiving grant funding and Finance staff to gain an understanding of the duties of each department
- Obtained and reviewed a sample of grant files
- Reviewed individual grant reporting requirements
- Reviewed FMS accounting software entries for receipt of grant funding
- Compared grant funding disbursement reporting to FMS entries
- Reviewed provided documentation for indications of supervisory approval of submitted documents

### Audit Criteria

- Individual specified grant requirements contained within each approved grant
- City of Sarasota Administrative Regulations and Municipal Codes, in particular the Grant Policy and Procedures Manual of November 2, 2016
- Government Auditing Standards (GAO) “General Standards for Preparing Accounting Records and Financial Standards”

### Noteworthy Accomplishments

- Financial Administration sets up individual funds in FMS that allows for properly recording and maintaining grants separately.
- Sarasota Police Department (SPD) grant files and documentation are all electronic, very well organized, and easily accessible for review.

### Objectives – Assessment

- For **objective one**, we determined that the City was generally in compliance with the terms, conditions, and regulations of grants received. Individual grants reviewed appeared to generally be in compliance with their individual grant requirements and conditions.
- For **objective two**, we determined that accounting and disbursement controls are adequate, however, additional internal controls should be implemented for requesting and recording corresponding receivables. Additionally, implementing a grants management system will allow the Grants Coordinator to better monitor and track each individual grant lifecycle from proposal, receipt, task tracking, funding, through reporting.

### Observations and Recommendations – Grants Management System

- There is no one City-wide database or location containing all grant documentation or even a listing of active grants. This does not allow for the Grants Coordinator or other staff to have easy access for reviewing and monitoring grants. Individual grant records must be requested from each department for access. Depending on the department, some grant files are electronic, others are hard copy paper files.

- Financial Administration Department staff has no immediate access to review grant documents to ensure compliance or monitor individual grant requirements. Depending on the grant and the department managing the grant, copies were not always forwarded to the Grants Coordinator who is tasked with “city-wide coordination and monitoring of grants”.
- Installment reimbursement requests are not always being submitted during ongoing grants. For example, one grant selected for testing allowed for three installment payments, however only one reimbursement request at the end of the project was made for the entire award amount of \$296,498. Individual payment requests could have twice been submitted for \$88,949 with the remaining balance of the grant submitted with the third and final installment. This resulted in a 60-to-120-day delay for receipt of both payments of \$88,949 prior to the conclusion of the grant.
- Funds expended by the City that are awaiting reimbursement are not posted to accounts receivable during the year. Grants generally had only year-end receivables recorded. However, one grant for \$242,696, selected for testing, had no receivables recorded during the year or at year end. Receivables should be recorded to ensure accountability and accuracy of records. Management currently has limited ability to monitor or track pending grant receivables.
- No indications of supervisory reviews were noted in the grant files reviewed. The Grants Coordinator or department managers may wish to review grant reporting prior to submission to the grantor for approval.

The areas noted above are primarily related to one root cause: There is no grant management system in place. The lack of a centralized grants management system has resulted in grant managers relying on self-maintained spreadsheets or other resources and manual processes to manage grants which has caused, among the items noted above, inconsistencies in grant management among departments and communication issues between the departments and the Grants Coordinator. **Internal audit recommends** the implementation of a grants management system that can be implemented with the following considerations:

- Each department should upload all grant files to one central location for each submitted proposal and approved grant. Management in each department applying-for-or-receiving grants, should be aware of their responsibility to report grant related activity to the Grants Coordinator to allow for improved communication between departments.
- Departments should update proposals to indicate either their approval and funding, or their cancellation. The ability to track and confirm grant funding should be available to management to confirm the accomplishment of the grant goals.
- Grant reimbursement installment requests should be submitted in a timely manner, for proper cash management. Reimbursement of grant funds should be sought as quickly as possible to pay or reimburse City expenses.
- Account receivables should be posted in FMS for all approved grants. Knowledge of pending receipts allows tracking to confirm the receipt of all promised grant funding.
- The Grants Coordinator should review and monitor grant files and provide guidance to each department on grant management issues as needed.

## Management Response

Based on pending City Commission approval (8-2-21), Finance will be implementing the Enterprise Resource Planning (ERP) system beginning in January 2022. The implementation will take 15 months, with an anticipated completion date of April 2023. The ERP platform, WORKDAY, has a Grants module. This grants module will monitor all grant financial activity including reporting, in the City and will assist with meeting compliance requirements, track expenditures and manage effort certifications, and increases efficiencies by automating common processes associated with grant activity.

The Senior Process Analyst is currently requiring quarterly reports from each Department that performs their own grant activities (Public Works, Utilities, Police, and Office of Housing and Community Development) and is compiling this information in excel. This information will later be used for year-end reporting purposes.

## Observations and Recommendations – Grant Management Training

Staff involved with complying with individual grants have limited training in grant management with the exception of SPD whose grantors require documented staff training. Staff members were not all aware of the City's Grant Policy and Procedures Manual requirement that files be retained for 10 years. Failure to comply with grant provisions could result in disallowed costs.

**Internal Audit recommends** creating a comprehensive training program that covers all aspects for grant management and compliance. Regular training will help prevent errors from occurring. After the initial implementation of a grants management system, additional training should be added to include management system capabilities, expense and budget tracking, reporting functions, and supervisory approvals.

## Management Response

We will begin scheduling Grant Training for departments in the City of Sarasota and with City conservation organizations working with the City, in Fiscal Year 2022 (10/1/2021-9/30-2022). The Grant Administration Policy and Procedure Manual will be part of each training to ensure that each department understands the processes involved. The training will be periodic (potentially annually) or as new employees who are grant contacts join the City. After the ERP is fully implemented, training will be revised to fit the software.

## Audit Conclusions

The observations noted above could be resolved with the implementation of a grants management system and comprehensive grants management training. It should be noted that none of the grants selected for testing had denied reimbursement requests or cancelled funding.

Staff members who were assigned grant management responsibilities appear to be working to comply with individual grant requirements in a generally adequate manner. Management, however, has limited access to evaluate the ongoing performance of grants awaiting funding or reimbursement for already expended funds.

Individual departments have expressed the need to direct the activities of subcontractors engaged for the completion of grant projects managed by their department. Internal Audit concurs that the individual departments with the most knowledge should direct the activities of grants under their

responsibility. Information regarding each individual grant should however be accessible to the Grants Coordinator, department management and Financial Administration to properly monitor, review, assess and approve as necessary.

We would like to thank department staff members in every department contacted and Financial Administration personnel for providing their time and assistance during this audit.