



Douglas County Internal Audit

February 27, 2015

Douglas County Board of Commissioners
1819 Farnam Street, Suite LC2
Omaha, NE 68183

Attention: Mary Ann Borgeson, Mike Boyle, Jim Cavanaugh, Clare Duda, Marc Kraft,
PJ Morgan, and Chris Rodgers

Dear Commissioners and Officials:

I have completed a performance audit of Douglas County's grants management processes. The purpose of the audit was to assess the adequacy and effectiveness of the controls in place over administering grants once they have been awarded. The audit revealed that the lack of a consistent process resulted in varying levels of effectiveness. Opportunities to improve controls were identified and appear below.

Background

Governmental and private Grants are an important source of funding that help Douglas County provide services to its citizens. As such, it was determined to be included in the Internal Audit plan for 2014/2015. The County's federal financial grant activity is summarized and reported each year in the Schedule of Expenditures of Federal Awards (SEFA). The County Clerk/Comptroller's office prepares the SEFA using the Oracle Project Module, General Ledger and other miscellaneous sources of information. Federal grant expenditures for Douglas County totaled more than \$19.6 million in fiscal year 2014.

The County Board approves the grant agreements, but grant administration is decentralized. Each department administers its grants using its own set of policies and procedures for their operational and financial activities. Administration requirements for each grant are detailed in the grant agreements which provide detailed instructions that are normally detailed in the conditions section of the agreements. Generally, the operational and financial activity must be reported to granting agencies on a regular basis. Additionally, most agreements reference additional requirements which are determined by the type of legal entity receiving the grants.

The overall requirements for federal grantees are issued by the Federal Office of Management and Budget (OMB). The requirements the County is subject to are outlined in OMB Circulars A-87, Cost Principles for State, Local, and Indian Tribal Governments, A-102, Grants and Cooperative Agreements with State and Local Governments, and A-133, Audit of State, Local Governments and Non-Profit Organizations. The Circulars for all entities have been consolidated under 2 CFR, Part 2xx for new awards and incremental funding after December 26, 2014.

Objective

Specific objectives to be achieved by the audit included determining if:

- The County has an effective grant administration process in place to ensure compliance with grant agreement terms and conditions.
- Specifically identified grants are in compliance with the grant agreements.
- Grant reporting is complete and accurate.
- Grant transactions are properly documented and support the purpose of the grant.

Scope

The scope of the audit included the processes in place to administer grants in effect as of November 2014. Transactions from November 2013 through October 2014 were sampled. Summarized amounts from earlier periods were reviewed in some cases to provide more complete analysis.

Methodology

The information used by Internal Audit (IA) was obtained through analysis of policies and procedures in place, interviews of staff and external parties, reviews of original invoices, electronically compiled data, and electronically obtained data from the Oracle financial system. Grant agreements were obtained from the individual department heads and project managers. Federal government websites were accessed to obtain pertinent grant requirements where referenced. Along with an assessment of the policies and procedures as provided, seven grants were judgmentally selected and tests were performed to verify compliance with the individual grant agreements. The grants tested appear below:

Grant	Responsible County Official/Dept.	Grant Period	Grant Amount
Felony Motor Vehicle Prosecution Unit		10/1/13 - 9/30/14	\$163,125
Felony Motor Vehicle Prosecution Unit	County Attorney	10/1/14 - 9/30/15	\$185,000
	Lead – County Admin, Criminal Justice Grants Coordinator Other Participants - Juvenile Assessment Center/ Juvenile Alternative Detention Initiative	7/01/13 - 6/30/14	\$60,000
Omaha/Douglas County JABG Phase 15	Coordinator/Youth Center	7/01/14 - 6/30/15	\$21,643
Omaha/Douglas County JABG Phase 16*			
Douglas County Health Dept. - Omaha Lead	Health Dept.	6/1/2010 - 5/31/2017	\$5,367,386
High Intensity Drug Trafficking Area		6/14/13 - 12/31/14	\$29,333
High Intensity Drug Trafficking Area	County Sheriff	1/1/14 - 12/31/15	\$40,797
Omaha Public Schools - Title I		8/1/13 - 7/31/14	\$179,720
Omaha Public Schools - Title I	Youth Center	8/1/14 - 7/31/15	\$209,131
Nebraska Emergency Management Performance Grant			
Nebraska Emergency Management Performance Grant	County Emergency Management	7/1/14 - 6/30/15	\$120,000
		7/1/14 - 6/30/15	\$125,000
Juvenile Alternative to Detention – Title II	Juvenile Alternative Detention Initiative	10/1/12 – 12/31/13	\$54,874
Juvenile Alternative to Detention – Title II	Coordinator	1/1/14 - 9/30/14	\$36,583

*JABG Phase 16 was managed exclusively by the Juvenile Assessment Center.

The tests included but were not limited to the following steps below:

- There was evidence that operational and financial reporting to agencies was completed according to the grant agreements.
- There was evidence that training was obtained where required.
- Miscellaneous filings and certifications were properly completed in a timely manner.
- Agency reporting of financial activity was consistent with financial activity in the Oracle financial system including the Oracle Project module.
- Financial activity of the seven grants was accurately reported in the 2014 SEFA.
- Salary activity was verified using the Oracle Payroll system where personnel costs were being reimbursed.
- Twenty-four individual transactions were examined to determine their validity and grant purpose.

The issues identified appear in the Findings section below:

Findings

Grant Management Policy

Criteria: Management should define and communicate the necessary policies and guidelines needed to effectively administer grant compliance with grant agreements and general governing agency requirements.

Condition: There were no county-wide policies or guidelines in place to help ensure that all departments had effective grant administration processes in place. Various aspects of compliance with grant agreement conditions were not followed or documentation evidencing compliance was not available. Specific findings related to the individual grants tested appear below:

- Late submission or inadequate documentation of Cash and Activity Report filings
 - Cash Reports for the first three quarter of Phase 15 of the Juvenile Accountability Block Grant (JABG) were not submitted on time. The reports are due the 15th of the month following the end of each quarter. The reports for the quarters from July 2013 - March 2014 were not submitted until after April 21, 2014.
 - The Grant Activity Report for the Juvenile Alternatives to Detention Initiatives (JDAI) grant for the first quarter of 2014 could not be located.
- Lack of training documentation
 - Neither the JDAI Coordinator nor the Criminal Justice Grants Coordinator could provide any evidence that training was obtained as required by special condition No. 8 of the JDAI grant agreement.

- Payroll certifications not prepared
 - According to OMB Circular A-87, Attachment B, Paragraph 8 (h) (3), employees who work solely in a single federal award or cost objective should prepare certifications at least semi-annually that they worked solely on that program. The certifications should be signed by the employee or a supervisor who has direct knowledge of the work. The JDAI Coordinator, three employees in the Felony Motor Vehicle Prosecution Unit, four employees in Emergency Management, and three Health Department employees working on the EPA Dust Project were subject to this requirement. The required certifications were not prepared.

- Late submission or inadequate documentation of other miscellaneous reports and filings
 - Administrative Condition no. 13 of the EPA Interior Dust Project required semiannual reporting of the use of Minority and Women Business Enterprises when procuring items for the project. Two semiannual reports were due for the period October 1, 2012 through September 30, 2013. One report was due April 30, 2013 and the other October 30, 2013. There was only one report provided to Internal Audit as proof of filing for the period. It was not completed until July 22, 2014. The report stated that there were no procurements made during the period. Financial reporting with the EPA indicated that there was \$166,000 of expenditures made during the period. Filing was changed to an annual basis for the following period, October 1, 2013 through September 30, 2014. There was no evidence showing a report had been prepared for this period.

 - There was no documentation available providing evidence that special condition no. 14 of Phase 16 and special condition no. 20 of Phase 15 of the JABG grant requiring filing according to the Federal Funding Accountability and Transparency Act (FFATA) was completed. FFATA filing was not available for the JDAI grant as required in special condition no. 20 of the agreement.

 - The Quality Assurance Project Plan for the Lead Dust grant was not available. It was required per programmatic condition no. 8.

Effect: Not filing or preparing reports and other required documentation in a proper and timely fashion risks losing current and future funding as well as incurring repayment demands for prior funding. Without appropriate documentation, departments may not be able to provide proof that agreement terms were followed if questions arise.

Note: The fact that there was not documentation did not necessarily mean that filings were not made. Agencies will normally contact grantees to obtain the most pertinent reports once due dates have passed.

Cause: The County did not consider the central oversight of grant administration a high priority.

Recommendation: Develop formal policies and procedures requiring consistent, grant administration oversight. Administration oversight should include the preparation and monitoring of project plans for all grants that include when applicable:

- A timeline for all deliverables
- Individual responsibilities
- Spending and revenue strategies (Share the information with the Treasurer's Office for Cash Management purposes.)
- Training requirements (including federal cost principles) for all persons working on the grant including administrative and financial personnel
- Regular outcome assessments of operational and financial performance
- Communication of sub-grantee requirements
- Requirements for sub-grantee monitoring
- Appropriate documentation retention

Consider the use of project management software to coordinate and monitor the grant project planning steps outlined above.

Consider consolidating the oversight of grant administration in a single position to help ensure and enforce consistent grant administration and compliance. Other options include adding oversight duties to the Grants Committee. One other possibility is to explore coordination of oversight with the City of Omaha's Grant Department (City).

County Administration Response: The Douglas County Administrator will consider the options proposed by the Internal Auditor to improve grants management, and may consider additional options as well, and will present proposed solutions to the County Board for its consideration.

Among the possible options, the County Administrator will discuss with the County Board whether the mission and responsibilities of the existing Douglas County Grant Review Committee should expand.

The proposed option to consolidate grants administration into a single position is one that is definitely worth further consideration and will be fully vetted. Any option to consolidate grants management under a single supervisory umbrella will require the cooperation of County departments and offices that are not under the County Board's supervision (e.g. Health Department, Sheriff, County Attorney).

The Criminal Justice Grant Coordinator and County departments and offices cooperate consistently with the City of Omaha grants staff on multiple grant applications and awards and will continue to do so, seeking additional opportunities for collaboration when and where appropriate. Oversight of the County grants process, however, should remain solely with the County as the City and County compete for some grant funds.

The Juvenile Assessment Center (JAC) and Emergency Management departments agree that the County should develop formal policies and procedures requiring consistent grant management and oversight, further recognizing that departments may have limited staff support for grant management.

The JAC submitted all necessary reports to the Grant Coordinator on time; however, it is unclear why reports were not submitted to funder in a timely manner.

It is important to note that the Criminal Justice Grants Coordinator position was transferred from District Court Administration to County Administration in September of 2014, and a new employee was hired into that position. County Board had no oversight or control of the position prior to that time.

The JAC agrees that documentation was not available to affirm that a special condition was met. These items can be corrected by ensuring all reports are submitted to the Grant Coordinator with sufficient time before the reporting due date and obtaining additional clarity as to special conditions from the funding agency.

Health Department Response: The Health Department is over 60% grant-funded and has developed an internal structure designed to minimize errors in grant reporting and compliance, which has contributed to an outstanding reputation among funders. Performance reports and financial reports are prepared by appropriate staff and are reviewed, approved, and signed after proceeding through a defined process of hierarchical review, insuring direct responsibility and accountability. While the system in place for the Health Department insures the accuracy of the reports submitted, the Health Department agrees that some policy and system should be established to insure that submissions are made in a timely manner. The Health Department does not believe that hiring an individual to manage grant compliance at the County level would benefit the Health Department. Alternatively, the department suggests that all grant performance milestones and reporting requirements should be added to the Cobblestone system that is currently used by the County to track contract expirations.

With regard to specific items identified in the audit report, the Health Department submits that an inability to produce a copy of requested records does not mean that same were not timely submitted. Had we actually failed to submit a required report, it would certainly have been brought to our attention by the grantor.

Financial Reporting Accuracy

Criteria: Management should have policies and procedures that help ensure that grant reporting is complete and accurate. Management should periodically substantiate and evaluate recorded values related to grant activity.

Condition: There were differences in the expenditures recorded for individual grants in the Cash Activity reports, the General Ledger, Oracle Project, and the SEFA. The detailed differences are outlined below:

- Overtime for the Sheriff's HIDTA grant was not properly reported in Oracle. Oracle is used to prepare the SEFA and consequently, the SEFA underreported expenditures by \$6,375 for FY 2014. The amount was reported correctly in the Cash Activity report submitted to the State Patrol.
- There was an additional \$583 difference between the amount submitted to the State Patrol and the amount recorded in Oracle Project for the HIDTA grant. The majority of the difference between the amount submitted to the State Patrol and Oracle Project was due to seminar attendance not being included in Oracle Project. The cost of the seminar was \$515. The cost was included in the general ledger suggesting an additional difference between Oracle Project and the General Ledger.

- For FY 2014, the difference between the amount submitted to the Nebraska Crime Commission and the Oracle and SEFA amounts was \$5,424 for the JABG grant. The majority of the difference is from a \$6,763.21 invoice from a July 2013 chargeback from DOTComm for work done by Handel Information Technologies Inc. The work done by Handel was actually completed in June 2013 and should have been included in the 2013 SEFA. The remainder of the difference, \$1,339, is unexplained.
- A WRS Group Ltd. invoice for \$3,808 was recorded on the 2014 SEFA spreadsheet as unearned revenue. It should have been included as a payable (i.e. expenditure). The error was corrected before the SEFA was finalized.

Effect: The 2014 SEFA report included the errors outlined in the Condition section above. The amounts are immaterial.

Cause: The Cash Activity reports, Oracle General Ledger, Oracle Project Module, and the SEFA report were not formally reconciled to each other. Revenue Questionnaires used to disclose unrecorded liabilities are distributed to County departments, but not to DOT.Comm.

Recommendation: The Grant Accountant should reconcile on a quarterly basis the Cash Activity reports, Oracle General Ledger, Oracle Project Module, and the SEFA at year-end. At a minimum, the individual departments filing Cash Activity reports should share the reports, preferably electronically via a shared drive, so that the Grant Accountant can have easy access to complete the reconciliations. Consider consulting with the City to determine if similar processes they use for reporting grant transactions will work for the County. (The City has one accountant who files all Cash Activity reports, reviews and approves all grant invoices, records the activity in Oracle Project and reconciles all activity as recommended above. Their federal expenditures for FY 2013 were over \$24 million.) Lastly, The County Clerk/Comptroller's office should submit Revenue Questionnaires to DOT.Comm for disclosure of unrecorded liabilities that would be charged back to County departments.

County Administration Response: County Administration and the Criminal Justice Grant Coordinator will review the audit recommendations and will develop proposed solutions for consideration by the County Board.

The City of Omaha administered Phase 14 JABG and prepared and submitted all reports. Payment for the amount in question was issued in fiscal year 2014 but attributable to fiscal year 2013.

Sheriff Response: Both items pertaining to the Sheriff's Office have been corrected. Moreover, the Sheriff's Office agrees with the audit's recommendation that the County look into the grant financial management process used by the City.

Clerk/Comptroller Response: There is a necessity for those departments who are responsible for managing grants received to communicate expenses and revenues; the Clerk/Comptroller's office cannot know what is done with grants expenses and revenues by the departments unless the departments communicate with our staff. Currently, we review all information provided and ask questions when we receive questionable information provided by county offices and departments.

The City of Omaha Finance Department has eight accountants and one grants manager who oversees all of the City's grants and works with one dedicated grants accountant to assure accurate reports are submitted per grant requirements. Douglas County has no grants manager to oversee all of the County's grants.

The Douglas County Clerk/Comptroller's office has four accountants who perform all accounting functions for the County, including grants accounting. If County management recognizes the need for a grants manager to assure compliance with all financial reporting requirements, the Douglas County Clerk/Comptroller's office will be pleased to work with that individual.

The Douglas County Clerk/Comptroller's office will request grant Cash Activity reports quarterly from each County office/department that receives grant monies and if those reports are provided, we will reconcile those to the General Ledger and Grants application quarterly, and to the SEFA at year end. The Douglas County Clerk/Comptroller will include DOT.Comm with all other County offices/ departments in the annual revenue questionnaire processes (mid-year and year end).

Audit Standards

Internal Audit conducted this audit in accordance with Generally Accepted Government Auditing Standards and the International Standards for the Professional Practice of Internal Auditing. Those standards require that the audit is planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. Internal Audit believes that the evidence obtained provides a reasonable basis for its findings and conclusions based on the audit objectives. This report was reviewed with the Clerk/Comptroller Chief Deputy, Youth Center Manager of Admin. Services, Emergency Management Director, Juvenile Assessment Director, County Admin Grant Coordinator, Health Department, Chief of Administration & Finance for the Health Department, County Attorney Office Manager, Sheriff's Grant Consultant, County Administrator, and the Assistant County Administrator.

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Internal Audit appreciates the excellent cooperation provided departmental management and staff. If you have any questions or wish to discuss the information presented in this report, please feel free to contact me at (402) 444-4327.

Sincerely,

Mike Dwornicki
Internal Audit Director

cc: Paul Tomoser
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