

Managerial Summary

A. Objectives, Scope, and Methodology

We have completed our review of Citywide Grants for the period July 1, 2014 to June 30, 2016. Our review was conducted for the purpose of determining whether City departments were recording and processing grants in compliance with applicable federal requirements, and procedures, related to grants, specifically those in the federal Office of Management and Budget Super Circular (Super Circular).

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

The City's Finance Department provided overall guidance and monitoring of grant compliance. They provided periodic updates to the departments as to changes in the compliance requirements and other issues that effected grant management. Individual departments such as Fire, Police, and Chesapeake Integrated Behavioral Health that had a large number of grants had staff members that monitored compliance with the Super Circular and other grant requirements.

Each year during the operating budget approval process, the City provided awards to nonprofit organizations that provided a variety of services to Chesapeake citizens. These grants were provided through various departments and agencies such as Human Services, Chesapeake Integrated Healthcare, and the Chesapeake Fine Arts Commission.

To conduct this audit, we reviewed the Super Circular, reviewed and evaluated City and departmental policies and procedures relating to grant management. We also reviewed departmental staffing and level of training. External websites were reviewed to gauge grant compliance. Finally, we held discussions with various department heads and their staff in relation to grant compliance with the Super Circular.

Major Observations and Conclusions

Based on our review, we determined the City had provided adequate oversight and compliance with grant policies, procedures, and the Super Circular. However, we did identify one area of concern that needed to be addressed. The City did not verify that recipients of its Non-Departmental awards were current in their SAM.gov federal registration status. While any adverse financial effects from the lack of this pre-award

review would likely be minimal, the possibility exists that the City could be associated with a problematic award recipient or potential loss of the funds unless a review is undertaken.

This report, in draft, was provided to City officials for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. City management, Department management, supervisors, and staffs were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Performance Information

The federal Office of Management and Budget (OMB) assisted the President of the United States in the development and execution of his policies and programs and in meeting certain statutory requirements, including the preparation of an annual Federal budget. OMB ensured that enacted laws were carried out as efficiently and effectively as possible.

OMB issued the Super Circular on December 26, 2013 in the form of final regulations officially titled "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards." The Super Circular streamlined and merged eight other Federal circulars including A-102, A-122, and A-133. The intent was to standardize the grant compliance requirements into one comprehensive guide.

The Super Circular's primary objectives included: "eliminating duplicative and conflicting guidance; focusing on performance over compliance for accountability; encouraging efficient use of information technology and shared services; providing for consistent and transparent treatment of costs; limiting allowable costs to make best use of federal resources; encouraging non-federal entities to have family-friendly policies; strengthening oversight; targeting audit requirements on risk of waste, fraud and abuse."

Each budget year the City allocated funds that were classified as non-departmental costs. These costs included City-wide expenses not related to a specific department such as debt service, City Garage, and Information Technology. Also included as non-departmental costs were contingencies that were allocated to various departments as estimates were finalized or specific needs identified, and aid to outside agencies.

All agencies that received City support originating from Federal grant monies were considered sub-recipients. As sub-recipients these agencies were subject to the terms of the Super Circular. As the grant recipient it was incumbent on the City to monitor the sub-recipients to ensure that they were in compliance with all applicable regulations.

C. Verification of Recipients for Non-Departmental Awards

Finding - The City did not verify that recipients of its Non-Departmental awards were current in their federal registration status.

Recommendation - The City should verify the status of Non-Departmental award recipients on SAM.gov prior to approving the awards, if the recipient receives federal funding.

Response - We concur with Audit's findings. In the future, organizations/agencies will be required to document if they are recipients of federal funding the previous year and if they anticipate receiving funding in the year requesting the City's funds. The agency will be required to demonstrate that they have registered with SAM.gov. The City will release the funds to organization/agency after reviewing the SAM.gov information.