



CITYWIDE GRANTS

SPECIAL AUDIT

JULY 1, 2014 THROUGH JUNE 30, 2016

**CITY OF CHESAPEAKE, VIRGINIA
AUDIT SERVICES DEPARTMENT**

June 30, 2016

The Honorable Alan P. Krasnoff and
Members of the City Council
City of Chesapeake
City Hall – 6th Floor
Chesapeake, Virginia 23328

Dear Mayor Krasnoff and Members of the City Council:

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.

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.

Sincerely,



Jay Poole
City Auditor
City of Chesapeake, Virginia

C: James E. Baker, City Manager
Dr. Wanda Barnard-Bailey, Deputy City Manager

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).

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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

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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.

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A. Objectives, Scope, and Methodology

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Methodology

To conduct this audit, we reviewed the federal Super Circular and reviewed and evaluated City and departmental policies and procedures. We also accessed and reviewed data on external web sites used for tracking the compliance of grants and recipients.

We collected and reviewed data from the City's Operating Budget and CAFR for Fiscal Years 2015 and 2016. We also evaluated grants data provided by the City's Finance Department. Additionally, we conducted interviews with various City department heads and their staffs relative to grants management. External web sites used to track grants and compliance were also accessed to determine the City's level of compliance both as a recipient and for its sub-recipients.

B. Performance Information

1. Super Circular 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 reviewed agency budgets, management, legislative, regulatory, financial, procurement, and provided both short-range and long-range analysis and advice to government officials on a variety of subjects. OMB developed and provided oversight and guidance on Government-Wide policies. One of these areas was the monitoring, and regulating of compliance with all federal grants from recipient through to any sub-recipients. OMB has done this over the years through the use of various circulars covering specific grant areas or groups.

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 include: "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".

Changes included raising the single audit threshold to \$750,000, up from the existing \$500,000 threshold. The reporting of questioned costs had the threshold amount raised from \$10,000 to \$25,000. Also, a table was included that made it easier to determine if a program was Type A or Type B as well as changing some of the criteria used to assess if a program was high risk or not. The new guidelines effectively reduced the number of high risk programs. The levels of coverage also changed decreasing from 25% to 20% of total federal awards for low-risk auditees and from 50% to 40% for all other auditees.

2. Citywide Grants

The City of Chesapeake received grant monies and other awards from various federal, state, and private sources. As shown in Table 1, for FY 2015 these grants totaled in excess of \$5,700,000. (This number excluded the Community Development Block

Grants and other HUD grants.) The majority of the grants went to Public Safety or Social Services programs. As of February 11, 2016, the City Finance Department was tracking 52 active grants.

FY 2015 Grant Totals by Program
Table 1

Program	Program Description	Total Amount
00000	All Programs	\$272,833.95
12124	Bureau of Comm. Programs	\$42,744.00
12250	Public Information Office	\$213,255.00
21600	Court-Circuit Clerk	\$227,292.00
22100	Commonwealth Attorney	\$40,000.00
22101	Commonwealth Atty. - Grant	\$98,109.46
22102	Commonwealth Atty. - DEA Seized	\$13,788.92
31100	Police	\$57,240.64
31402	E-911 Operations	\$152,000.00
31710	Public Safety Grants	\$122,759.00
31720	Police-Special Purpose Funds	\$212,231.31
32100	Fire	\$1,650,523.29
32301	EMS Vehicle Registration	\$200,000.00
32410	Fire Programs – State	\$105,515.00
32420	Fire Dept. – Grants	\$390,400.00
33100	Sheriff	\$650,745.00
33124	Sheriff DEA Seized	\$1,471.38
33212	JDH Det Home Grants	\$120,000.00
33300	Court Service Unit	\$18,000.00
33400	Diversion Services	\$549,296.00
35101	Animal Control	\$8,889.33
52699	CIBH Conting/Admin Summary	\$332,099.00
53500	Social Services Grants	\$158,110.98
71200	P&R Grounds Maintenance	-\$2,000.00
71400	P&R Administration	\$5,061.73
71401	P&R Athletic Rec Spec Rev	\$500.00
71402	P&R Community Cntrs	\$550.76
71404	P&R Maint-Athletics	\$78.00
71406	P&R Park Operations Spec Rev	-\$6,805.74
71407	P&R Senior/Therapeu Spec Rev	\$7,630.00
71408	P&R Special Program	\$26,816.00

Program	Program Description	Total Amount
71409	P&R Fine Arts	-\$3,996.00
72101	PR&T – Administration	\$8,560.25
72109	PR&T - Fine Arts	\$5,000.00
73100	Public Library	\$39,494.13
Grand Total		\$5,718,193.39

Each grant had to meet certain criteria set forth in the grant documentation. These criteria govern such things as what expenses can be charged, reporting schedules, and timelines for completion.

3. Non-Departmental Grants

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.

This aid to outside agencies generally took the form of grants for non-profit organizations providing services beneficial to the citizens of Chesapeake. For FY 2016 the City budgeted just over \$331,000 and for FY 2017 just under \$328,000. Agencies receiving City support for FY 2016 included the Chesapeake Free Clinic, Child Abuse Center of Hampton Roads, For Kids / Our House Families, Tidewater Builders Academy, and the Foodbank. The Endependence Center (Tidewater) and PARC Place both received City support in FY 2016 but were not funded in FY 2017. Grant recipients were determined through an application process conducted by Department Heads and a City Manager's Office representative. The application required the proposed use of the funds be identified as part of the organization's budget. If selected, the organization was required to provide proof of their non-profit status by submitting an IRS 1045 or 947 Determination Letter prior to the distribution of funds.

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 SAM.gov federal registration status.

The federal System of Award Management website (SAM.gov) provided the registration status for entities which received federal funding, including state governments, local governments, and nonprofit organizations. Each year during the operating budget approval process, the City provided awards to nonprofit organizations that provided a variety of services to Chesapeake citizens. Because many of these same nonprofits also received direct or indirect federal awards, the SAM.gov website could be utilized as a tool to determine if they were experiencing any issues relative to their federal awards that could potentially impact their ability to provide the services anticipated as a result of their City awards. Also, if these agencies did not have federal grant support, they would not have a need to report to SAM.gov.

We noted that two of the City's Non-Departmental award recipients were in expired registration status on Sam.gov. Although there were a number of valid reasons for that status, it did serve as an indicator that there may be some reporting or registration issue that needed to be addressed.

This situation occurred because City staff was not reviewing the SAM.gov status of Non-Departmental award recipients prior to award approval in the City's budget process. While any adverse financial effects from the lack of pre-award review would likely be minimal (these awarded only \$331,000 in FY 2016), 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.

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.

Prior to submitting the list of Non-Departmental awards for approval, the City should verify the status potential Non-Departmental awardees grantees on SAM.gov who receive federal funding. If there is an issue with their status, the City should follow up with the organization involved to ensure that there are no issues that could impair the appropriate use of the award.

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.

APPENDIX A

RESPONSE FROM

CITY

OFFICIALS

Office of the City Manager
306 Cedar Road
Chesapeake, Virginia 23322
Office: (757) 382-6166
Fax (757) 382-6507
TDD: (757) 382-8214

MEMORANDUM

TO: Jay Poole, City Auditor

VIA: Wanda Barnard-Bailey, Deputy City Manager. 

FROM: James E. Baker, City Manager 

DATE: July 20, 2016

SUBJECT: Non-Departmental/Grants Funding Audit

In response to Audit performed on Non-Departmental/Grants Funding, the following is provided:

We concur with the City's Audit 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 confirmation of the SAM.gov registration and review of information in the data base.

If you have any additional questions, please feel free to contact Dr. Wanda Barnard-Bailey 757-382-6605 or me at 757-382-6602. Thank you for time and consideration in this matter.

WBB:sjm

