



Internal Audit Department
350 South 5th Street, Suite 302
Minneapolis, MN 55415-1316
(612) 673-2056

Audit Team on the Engagement:
Jacob L. Claeys, CGAP, CICA
Magdy S. Mossaad, MBA, CIA, CMA, CFE, CPA
Julie M. Schaller

Grant Management Process Review

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To: Kevin Carpenter, Chief Financial Officer (CFO), Finance
 Chief Timothy Dolan, Minneapolis Police Department (MPD)
 Steve Kotke, Director of Public Works
 Chuck Lutz, Community Planning & Economic Development (CPED)
 Gretchen Musicant, Department of Health & Family Support (HFS)
 Gene Ranieri, Intergovernmental Relations (IGR)
 Gregory Stubbs, Regulatory Services

Re: Grant Management Process Review

The Internal Audit Department (IA) conducted a review of the Grant Management Process. This review was included in the 2011 Internal Audit Plan and was completed in November 2011.

Background

Grant funds are a significant source of revenue for the City of Minneapolis. Many grant awards are received through a highly competitive application process. All grant awards come with their own set of guidelines and requirements. Satisfying these requirements is critical to preserve the City's current funding, protect the City's reputation, both with the grant funder and with the general public, and to ensure the City's continued eligibility for future grant awards.

Revenue from grants and contributions accounted for 10% of government-wide revenue in 2009 and 15% of government-wide revenue in 2010. The table below illustrates the award totals along with the number of awards granted by Department.

Department	2009 Award Totals	Number of Awards	2010 Award Totals	Number of Awards
City Attorney	\$ 179,532	1	\$ 85,000	1
CPED	54,545,134	62	34,292,698	46
City Clerk	35,000	1	18,000	1
Fire	2,039	2	192,335	3
Health and Family Support	4,217,856	11	4,426,191	12
Police	11,552,970	25	2,302,879	17
Public Works	23,383,710	11	6,242,642	14
Regulatory Services	4,573,278	17	2,172,100	5
City Coordinator	127,000	2	-	-
Mayor	-	-	75,000	1
NCR	-	-	100,000	1
Citywide (Totals)	\$ 98,616,519	132	\$ 49,906,845	101

Source: *Results Minneapolis* published June 2010 and October 2011

Objectives

The review was performed to assess whether controls are adequate to ensure:

- Grant contracts are appropriately executed, managed effectively, and the terms and conditions are adhered to;
- Revenue is accurately and completely requested, collected, balanced and deposited completely in a timely manner, and recorded in appropriate accounting books;
- Expenses are supported by appropriate documentation, allowable by the grant terms, and properly recorded in accounting books;
- Policies and procedures are current, being followed, and adequate to ensure compliance with grant terms and conditions;
- Special grant conditions are being followed; and
- Grant reporting, including end of grant closeout, is done as required and in a timely fashion.

Scope

This review included gaining an understanding of internal controls, including current policies and procedures, through observation, inquiry, and limited testing surrounding the processes listed above. We performed, on a sample basis, testing of processes and transactions within the period January 1, 2010 through June 30, 2011. Grants previously audited by external sources (i.e. grantors) were not included within the scope of this review.

Summary of Findings and Management Action Plans

1. COMPASS Functionality

The City's financial system, COMPASS, is not set up to easily provide grant managers and accountants the information they need to adequately monitor their grants. IA recommends Finance management work with COMPASS users to understand their current needs and perform a cost benefit analysis for customizing COMPASS, to better support the grant management function.

Management Action Plan

Finance will continue to work with all grant managers to provide assistance in helping them understand the information contained within the COMPASS system and the various reporting options.

2. Debarred and Suspension List

Verifying contractors are not on the Excluded Parties List System (EPLS)¹ is required by Federal grant requirements. The Department responsible for verifying contractors are not on the EPLS is unclear. IA recommends Finance management establish written policies and procedures to assign responsibility for verifying contractors are not on the EPLS.

Management Action Plans

The Finance Department will work with City Departments to explore ways that the process of checking the ELPS system, as required for federal grants, might be centralized.

3. Citywide Application Procedures

Specific procedures regarding grant applications have been developed and administered by the City Coordinator; however, it appears these procedures are not consistently followed. IA recommends IGR Department management periodically update and disseminate grant handling procedures to all Departments to remind them of the procedures and encourage consistent adherence Citywide.

¹ Excluded Parties List System (EPLS) is a web based listing provided by the United States General Services Administration for the purpose of efficiently and conveniently disseminating information on parties that are excluded from receiving Federal contracts, sub-contracts or other Federal funding. This is the list of debarred and suspended entities who have failed to perform in accordance with the terms of one or more contracts, including serious offenses, such as committing fraud.

Management Action Plan

IGR management will conduct a review of the grant application procedures in the first half of 2012. The review will consider audit suggested improvements as well as recognize the changing nature of the City's resources and staff capacity.

4. Grant Users Meeting

In the past, periodic grant user meetings were held; however, it appears these meetings have not taken place for some time. IA recommends IGR management continue, as necessary, facilitating and holding grant user meetings for grant managers, writers and accountants.

Management Action Plan

IGR staff will schedule semi-annual grant user meetings and ask participating departments to rotate the responsibility for setting the agenda for discussions.

Conclusion

Based on our review, we believe there are opportunities for improvements that address risk areas identified in this report. City Departments involved in this review worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to CPED, Finance, HFS, IGR, Police, Public Works, and Regulatory Services personnel who assisted and cooperated with us during the review.

cc: Bill Anderson, Regulatory Services
Mark Anderson, CPED
Dana Banwer, Regulatory Services
Matthew Bower, IGR
Thomas Deegan, Regulatory Services
Mary Dunning, Finance
Hubert Fernandez, Finance
Scott Gerlicher, Police
Connie Griffith, Finance
Wendy Guck, Police
Lynn Gustafson, Finance
Randy Hager, Finance
Kelly Hoffman, CPED
Jayne Khalifa, City Coordinator
Jerry LePage, CPED
Dirk Marshall, Finance
Paula Mazzacano, Finance
Lucy McAlpine, Finance
Becky McIntosh, HFS
Timothy Meidinger, Police
Larry Poppler, Finance
Lynn Rychly, Finance
William Schroeder, Finance
Roger Simonson, Finance
Terri Spencer, Finance
LeaAnn Stagg, Finance
Jeffrey Stredler, CPED
Mike Sunderman, Finance
Lilly Theis, Police
Jon Wertjes, Public Works

Grant Management Process Review

Audit Findings and Management Action Plans

1. COMPASS Functionality

The City's financial system, COMPASS, is not set up to easily provide grant managers and accountants the information they need to adequately monitor their grants. Specifically, the system is not designed to alert for overspending or notify appropriate personnel when spending approaches or exceeds the grant budget. Furthermore, grant related reporting capabilities are limited in the system as follows:

- Programming for developing new reports is not readily available;
- Access to COMPASS reports is limited outside of Finance;
- Available reports are not detailed enough to provide all of the information requested by funding agencies in required financial reports; and
- Current system setup does not allow wage and benefit data from HRIS to interface into COMPASS project costing data used to create reports.

These aforementioned system limitations may result in employees spending excess time and efforts to prepare the information needed.

Recommendation

IA recommends Finance management work with COMPASS users to understand their current needs and perform a cost benefit analysis for customizing COMPASS, to better support the grant management function.

Management Action Plan

Finance will continue to work with all grant managers to provide assistance in helping them understand the information contained within the COMPASS system and the various reporting options. When the COMPASS financial system was implemented, the Executive Steering Committee considered the feasibility of installing the grants management module and decided it was not advisable at that time. Developing more robust management reporting, for grants and other activities, remains a high priority for Finance and Finance will revisit the decision concerning the grants management module.

Responsible Party

Kevin Carpenter, CFO

Expected Completion Date

March 31, 2012

2. Debarred and Suspension List

Federal grants require verifying that contractors are not on the EPLS <https://www.epls.gov/>. The Department responsible for verifying contractors are not on the EPLS is unclear. Furthermore, the frequency of monitoring the EPLS for existing contractors is also unclear. The consequences of paying a contractor on the EPLS range from having to reimburse the funder the amount of the payment made to the contractor to the City being placed on the EPLS and thereby being prohibited from receiving government contracts and grants.

Recommendation

IA recommends Finance management establish written policies and procedures to assign responsibility for verifying contractors are not on the EPLS and to establish the frequency of monitoring existing contractors.

Management Action Plan

The Finance Department will work with City Departments to explore ways that the process of checking the ELPS system, as required for federal grants, might be centralized.

Responsible Party

Kevin Carpenter, CFO

Expected Completion Date

June 30, 2012

3. Citywide Application Procedures

Per City Council direction, specific procedures regarding grant applications have been developed and administered by the City Coordinator. Department responsibilities within the procedures specifically require preparation of a Grant Review Form and the City Coordinator's signature for the application cover letter or any other documents. It appears Grant Review Forms are not consistently completed and submitted to IGR. Additionally, the City Coordinator's signature on applications has not been obtained. Also, in the case of grant applications over \$250,000, City Council approval is not consistently obtained. Not consistently adhering to these procedures may hamper the City's ability to track and report on grant opportunities applied for by the City.

Recommendation

IA recommends IGR Department management periodically update and disseminate grant handling procedures to all Departments to remind them of the procedures and encourage consistent adherence Citywide. We also recommend that City Departments establish a process to help ensure compliance with the internal City requirements.

Management Action Plan

The City of Minneapolis adopted a grant management policy in 1972. That policy has been amended periodically to account for changes in federal and state policies or to implement recommended procedures. The policy as amended recognizes the decentralized nature of grants management within the City. The last review and changes occurred in 1999. Recognizing the gap in time for review of this policy, management will conduct such a review in the first half of 2012. The review will consider audit suggested improvements as well as recognize the changing nature of the City's resources and staff capacity.

Responsible Party

Gene Ranieri, IGR

Expected Completion Date

June 30, 2012

4. Grant Users Meeting

In the past, IGR held periodic grant user meetings; however, it appears these meetings have not taken place for some time. These meetings provide a way to discuss, in an open forum, different tools and techniques various Departments have found useful in the grant process. Additionally, they can be useful to discuss new trends observed, share useful knowledge amongst one another, and discuss any issues that may warrant further discussion with experienced staff for resolution.

Recommendation

IA recommends IGR management continue, as necessary, facilitating and holding grant user meetings for grant managers, writers and accountants.

Management Action Plan

Despite the fact that IGR has experienced personnel reductions amounting to more than half (57%) of its staff in the last ten years, IGR staff will schedule semi-annual grant user meetings and ask participating departments to rotate the responsibility for setting the agenda for discussions.

Responsible Party

Gene Ranieri, IGR

Expected Completion Date

June 30, 2012

Abbreviations Used Throughout the Report	
CFO	Chief Financial Officer
City	The City of Minneapolis
COMPASS	City's financial accounting system
CPED	Department of Community Planning and Economic Development
EPLS	Excluded Parties List System
HFS	Department of Health & Family Support
IA	Internal Audit Department
IGR	Intergovernmental Relations Department
MPD	Minneapolis Police Department
PW	Public Works Department