

OFFICE OF AUDITS & ADVISORY SERVICES



NEIGHBORHOOD REINVESTMENT PROGRAM AND COMMUNITY ENHANCEMENT PROGRAM – SUPPORT FOR EXPENDITURES AUDIT

FINAL REPORT

Chief of Audits: Juan R. Perez
Audit Manager: Laura Flores, CIA, CFE, CGAP
Auditor I: Kotomi Johnson, CPA

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County of San Diego

TRACY M. SANDOVAL
DEPUTY CHIEF ADMINISTRATIVE OFFICER/
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JUAN R. PEREZ
CHIEF OF AUDITS

September 30, 2016

TO: Tracy M. Sandoval
Deputy Chief Administrative Officer/Auditor and Controller

FROM: Juan R. Perez
Chief of Audits

**FINAL REPORT: NEIGHBORHOOD REINVESTMENT PROGRAM AND COMMUNITY
ENHANCEMENT PROGRAM – SUPPORT FOR EXPENDITURES AUDIT**

Enclosed is our report on the Neighborhood Reinvestment Program and Community Enhancement Program – Support for Expenditures Audit. We have reviewed your response to our recommendations and have attached them to the audit report. The actions taken, in general, are responsive to the recommendations in the report.

Thank you for the courteousness and cooperation extended to the Office of Audits & Advisory Services during the course of the audit.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:KJ:aps

Enclosure

c: Damien Quinn, Group Finance Director, Finance and General Government Group
Ebony Shelton, Financial Policy & Planning Director, Finance and General Government Group

INTRODUCTION

Audit Objective

The Office of Audits & Advisory Services (OAAS) completed an audit of the Neighborhood Reinvestment Program (NRP) and the Community Enhancement Program (CE) – Support for Expenditures. The objective of the audit was to conduct a review of program expenditures to ensure proper documentation is obtained and retained by the Office of Financial Planning (OFP).

Background

The NRP and the CE are discretionary programs that allow the County of San Diego (County) to reinvest taxpayer money into the communities for the benefit of the public. Each Board member recommends the allocation of grant monies based on proposals offered by eligible organizations.

The NRP provides grant monies to County departments, public agencies, and non-profit community organizations for the funding of one-time community, social, environment, educational, or recreational needs.

The CE provides grant monies to fund cultural activities, museums, visitor and conventions bureaus, economic development councils, and other similar organizations including County programs and projects, which promote and generate tourism and/or economic development within the County.

The Office of Financial Planning (OFP) acts as the NRP and CE's fiscal agent for the Board of Supervisors (BOS). OFP's responsibilities include:

- Working closely with the BOS Offices and County Counsel to initiate timely payment of grant awards by compiling grant agreements and purchase requisitions.
- Reviewing grantees' compliance with grant provisions by providing general guidance on properly accounting for grant funds and meeting grant deadlines.
- Reviewing documentation of costs submitted by grantees and following-up to determine whether expenditures are made in accordance with grant terms.
- Monitoring the remaining available balance for each program by BOS District Office.

Audit Scope & Limitations

The scope of the audit focused on grant expenditures incurred during FY 2014-15.

OAAS selected a judgmental sample of NRP and CE awards for audit testing, as illustrated in Table 1.

Table 1: NRP/CE Grant Sample Selected for Testing

Fiscal Year	Program	Organization Name	Award Amount
FY 2014-15	CE	Environmental Health Coalition	\$ 10,000
	CE	Lakeside Chamber of Commerce	\$ 50,000
	CE	San Diego East Visitor's Bureau	\$ 65,000
	CE	San Diego Symphony Orchestra Association	\$ 40,000
	CE	Valley Center Parks and Recreation District	\$ 5,000
FY 2014-15	NRP	Episcopal Community Service	\$ 32,410
	NRP	San Diego North Chamber of Commerce	\$ 20,000
	NRP	Solana Center for Environmental Innovation	\$ 17,000
	NRP	San Diego Historical Society	\$ 43,884
	NRP	Honorary Deputy's Sheriffs' Association	\$ 10,000

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Reviewed policies related to the administration of NRP and CE, including Board of Supervisors Policy and Grant Expenditure Instructions.
- Identified NRP and CE Program Fund Allocations during the period under review.
- Interviewed OFP's key personnel regarding applicable policies and procedures.
- On a sample basis, conducted the following audit procedures for NRP and CE awards:
 - Reviewed expenditure support and compared to the purpose outlined in the respective grant agreements.
 - Reviewed individual grant award files to ensure that complete supporting documentation is submitted by the established deadlines and retained by OFP.
 - Reconciled supporting documents to grant expenditure list to ensure validity and adequacy.

AUDIT RESULTS

Summary

In our opinion, within the scope of the audit, there is reasonable assurance that proper documentation for NRP and CE program expenditures are obtained and retained by the OFP. However, OAAS noted the following exception:

Finding I:

Required Documentation for CE Expenditures is Not Consistently Submitted

According to the Community Enhancement Program Documentation of Grant Expenditures Instructions, specific documents are required for expense submissions. An expenditure paid with a check requires the following three items:

- Invoice from vendor itemizing goods or services purchased.
- Check or check stub or image of the check from the bank statement showing that the check was cashed.
- Related page of the bank statement showing that the check was cleared.

Additionally, salary expenses require a quarterly payroll report produced by a third party company.

OAAS tested a sample of 30 CE and NRP grant expenditures and determined that required documentation is not consistently submitted by the grantee. Specifically, OAAS found the following:

- Three of the CE expenditures submitted by the Environmental Health Coalition related to goods and services did not include copies of the bank statement.
- One of the CE expenditures submitted by the Lakeside Chamber of Commerce related to salary expense was not supported with a copy of the payroll report.

According to OFP staff, copies of bank statements for the purchase of goods and services are not always necessary if copies of the cancelled checks are submitted. In addition, while reviewing documentation submitted by Lakeside Chamber of Commerce, Internal Revenue Service (IRS) Form 941¹ was accepted by OFP staff in lieu of the required payroll reports without complete knowledge of such form.

Incomplete supporting documentation submitted by grantees increases the risk of non-compliance with grant requirements.

¹ IRS Form 941 is filed by employers to report the total amount of tax withheld from employees during the quarter.

Recommendation

To ensure that grant expenditures are validated in accordance with program documentation requirements, OFP management should:

1. Evaluate the CE and NRP Program Documentation of Grant Expenditures Instructions to determine whether submission of bank statements is necessary if an alternate form of expense validation is provided.
2. If applicable, make the necessary changes to the instructions provided to CE and NRP applicants.
3. Revise OFP procedures for reviewing supporting documentation submitted by grantees to ensure that staff is fully aware of program documentation requirements and their significance.

Office of Audits & Advisory Services

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DEPARTMENT'S RESPONSE



County of San Diego

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September 20, 2016

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TO: Juan R. Perez
Chief of Audits

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Tracy M. Sandoval
Deputy Chief Administrative Officer/Auditor and Controller

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: NEIGHBORHOOD
REINVESTMENT PROGRAM AND COMMUNITY ENHANCEMENT PROGRAM – SUPPORT
FOR EXPENDITURES AUDIT

Finding I: Required Documentation for CE Expenditures is Not Consistently Submitted

OAAS Recommendation:

To ensure that grant expenditures are validated in accordance with program documentation requirements, OFP management should:

1. Evaluate the CE and NRP Program Documentation of Grant Expenditures Instructions to determine whether submission of bank statements is necessary if an alternate form of expense validation is provided.
2. If applicable, make the necessary changes to the instructions provided to CE and NRP applicants.
3. Revise OFP procedures for reviewing and supporting documentation submitted by grantees to ensure that staff is fully aware of program documentation requirements and their significance.

Action Plan: We concur with this recommendation, and have implemented changes to program documentation and a more structured training program to address the finding. In June 2016, CE and NRP instructions were reviewed and updated to more accurately reflect program requirements as provided for in Board policy. The updated instructions no longer require redundant documents, but still require sufficient documentation related to costs by check.

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OFP procedures and desk manuals have been updated to provide more comprehensive training on the different forms of documentation that are submitted by grantee organizations, specifically documents that may be submitted to support payroll costs. Semi-annual training in program documentation will be implemented in order to provide refresher and any updated information on documents to staff.

Planned Completion Date: September 30, 2016.

Contact Information for Implementation: Toosdhi McGowan, Financial Policy and Planning Officer, (619) 531-4887, and Joan Bracci, Financial Policy and Planning Manager, (619) 531-4855.

If you have any questions, please contact Ebony Shelton, Director, Office of Financial Planning, at (619) 531-5175, or by email at ebony.shelton@sdcounty.ca.gov.



TRACY M. SANDOVAL
Deputy Chief Administrative Officer / Auditor and Controller

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c: Damien Quinn, FG3 Finance Director
Ebony Shelton, Director, Office of Financial Planning