

OFFICE OF AUDITS & ADVISORY SERVICES



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

FINAL REPORT

Chief of Audits: [Juan R. Perez](#)
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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

September 5, 2018

TO: Ebony N. Shelton, Financial Policy & Planning Director
Office of Financial Planning

FROM: Juan R. Perez
Chief of Audits

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

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

Thank you for the courtesousness 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:MPT:nb

Enclosure

c: Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Damien Quinn, Group Finance 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, environmental, 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 OFP acts as the NRP and the CE's fiscal agent for the Board of Supervisors (BOS). The 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 processing claims.
- 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 the BOS District Office.

Audit Scope & Limitations The scope of the audit focused on grant expenditures incurred during FY 2016-17.

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

Table 1: NRP and CE Grants Selected for Testing FY 2016-17

Sample No.	Organization Name	Program	Award Amount
1	Salvation Army	NRP	100,000
2	Steele Canyon High School	NRP	227,319
3	Boys & Girls Clubs of East County	NRP	500,000
4	Girl Scouts, San Diego-Imperial Council, Inc.	NRP	35,000
5	Valley Center Parks & Recreation District	NRP	530,000
6	South County Economic Development Council	CE	42,000
7	Alpine Chamber of Commerce	CE	70,000
8	California Center for the Arts, Escondido	CE	25,000
9	San Diego Bowl Game Association	CE	45,500
10	Visit Oceanside, Inc.	CE	40,000
Total Amount of Awards			1,614,819

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 the NRP and the CE, including the BOS Policy and Grant Expenditure Instructions.
- Identified NRP and CE Program Fund Allocations during the period under review.
- 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 the OFP.
 - Reconciled supporting documents to grant expenditures to ensure validity and adequacy.

AUDIT RESULTS

Summary

In our opinion, within the scope of the audit, there is reasonable assurance that proper documentation was obtained and retained by OFP. However, OAAS identified opportunities to strengthen the adequacy of OFP review, approval, and retention of grantees support

for expenditures to ensure compliance with Grant Expenditure Instructions. Audit findings and related recommendations are described as follows:

Finding I:

During the review of the grant expenditures, OAAS noted the following deficiencies in the grantee files:

Alpine Chamber of Commerce:

- The List of Expenditures Form was incomplete. Itemized expenditures were not listed as required on the Grant Expenditures Instructions form.
- Proof of expenditures was incomplete:
 - The organization submitted a Grant Recap Report listing expenditures for payroll and rent/lease. However, they only provided one quarter of payroll reports.
 - The organization did not include copy of invoices, cashed checks, or bank statements for the rent/lease expenditures.
 - The total of the rent/lease expenditures listed on the report was incorrect. OAAS recalculated the expenditures listed and noted a difference of \$1,299.99.
 - The organization did not provide any additional documentation for other grant expenditures, even when they noted on the cover letter that they had spent grant funds for other activities.

Steel Canyon High School:

- Bank statements, or image of the checks cashed, were not in the file.
- OAAS noted that Check No. 10008297 dated 07/07/17 issued to FieldTurf USA, Inc. in the amount of \$385,071.00 was dated before the invoice date.

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

According to CE Documentation of Grant Expenditures Instructions, grantees that received a CE grant must complete a documentation of grant expenditures report. The purpose of this documentation is to verify that the grant funds have been spent in accordance with the purpose of the grant as specified in the grant agreement. The grant expenditure report must include the following:

1. Cover letter on the organization's letterhead detailing how the grant funds were spent,

2. Original complete documentation of grant expenditures form signed by two members of the organization,
3. Completed List of Expenditures Form,
4. Proof of expenditures (supporting documentation) for the entire grant amount, giving each supporting document and item number that corresponds to the associated line on the List of Expenditures. In addition, for purchases by check the organization should provide the follow documents:
 - a) Copy of the invoice from vendor itemizing goods or services purchased;
 - b) Check or check stub;
 - c) Image of the check from the bank statement showing that the check was cashed or,
 - d) Related page of the bank statements showing that the check was cashed.

Recommendation: To ensure proper use of grant funds, the Office of Financial Planning should:

1. Implement procedures to demonstrate that a random sampling review of the grantee expenditures files by another individual different from the original reviewer has taken place, to confirm that the review of the grant documentation was performed in accordance with the provisions of the written agreement and the Documentation of Grant Expenditures Instructions.
2. Request Alpine Chamber of Commerce resubmit the grant expenditures according to the provisions of the written agreement.

Office of Audits & Advisory Services

Compliance Reliability Effectiveness Accountability Transparency Efficiency

VALUE

DEPARTMENT'S RESPONSE
(OFFICE OF FINANCIAL PLANNING)



County of San Diego

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August 31, 2018

RECEIVED

SEP 04 2018

OFFICE OF AUDITS &
ADVISORY SERVICES

TO: Juan R. Perez
Chief of Audits

FROM: Ebony Shelton
Director, Office of Financial Planning

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

Finding I: Incomplete or inappropriate supporting documentation submitted by grantees

OAAS Recommendation:

To ensure proper use of grant funds, the Office of Financial Planning should:

1. Implement procedures to demonstrate that a random sampling review of the grantee expenditures files by another individual different from the original reviewer has taken place, to confirm that the review of the grant documentation was performed in accordance with the provisions of the written agreement and the Documentation of Grant Expenditures Instructions.
2. Request Alpine Chamber of Commerce resubmit the grant expenditures according to the provisions of the written agreement.

Action Plan: The Office of Financial Planning (OFP) concurs with the OAAS recommendations, and have implemented changes to program processes to ensure review of grant documentation is occurring as provided in the grant agreement and the Documentation of Grant Expenditures Instructions.

OFP staff have procedures to randomly select representative samples from the grant documentation population to validate initial grant expenditure review results. Procedures now require a signed checklist that will serve as documentation to demonstrate that random sampling validation efforts occurred in accordance with the audit recommendation.

**Department Response to Audit Recommendations: Neighborhood Reinvestment Program and
Community Enhancement Program – Support for Expenditures**

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The Alpine Chamber of Commerce has subsequently submitted all necessary documentation related to the grant for the Fiscal Year 2016-17. The documentation provided by Alpine Chamber of Commerce was reviewed by OFP staff and found to be in compliance with program documents and guidelines which demonstrated that the grant funds were used in accordance with the agreement addressing all observations in Finding I.

Although not an audit recommendation, Steele Canyon High School has also subsequently submitted additional documentation related to the grant for the Fiscal Year 2016-17 including written documentation explaining why the check for payment was dated prior to the invoice (to ensure payment was ready to be issued during a planned vacation).

Planned Completion Date: August 31, 2018

Contact Information for Implementation: Joshua Ramirez, 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 me at (619) 531-5175, or by e-mail at ebony.shelton@sdcountry.ca.gov.



EBONY SHELTON
Director, Office of Financial Planning

c: Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Damien Quinn, FG3 Finance Director