

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: [Lynne Prizzia, CISA, CRISC](#)
Auditor II: [Rani Gorgis, CPA](#)
Auditor I: [Peter Serwach](#)

Intentionally Left Blank



County of San Diego

TRACY DRAGER
AUDITOR AND CONTROLLER

AUDITOR AND CONTROLLER
OFFICE OF AUDITS & ADVISORY SERVICES
5530 OVERLAND AVENUE, SUITE 330, SAN DIEGO, CA 92123-1261
Phone: (858) 495-5991

JUAN R. PEREZ
CHIEF OF AUDITS

September 9, 2019

TO: Tracy M. Sandoval
Deputy Chief Administrative Officer/Chief Financial Officer

FROM: Juan R. Perez
Chief of Audits

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

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 and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. You or your designee will receive email notifications when these quarterly updates are due, and these notifications will continue until all actions have been implemented.

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

A handwritten signature in blue ink, appearing to read "Juan R. Perez".

JUAN R. PEREZ
Chief of Audits

AUD:RG:nb

Enclosure

c: Tracy Drager, Auditor and Controller
Damien Quinn, Group Finance Director, Finance and General Government Group
Ebony N. Shelton, Financial Policy & Planning Director, Office of Financial Planning

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 2017-18.

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 2017-18

Sample No.	Organization Name	Program	Award Amount
1	Palomar Health Foundation	NRP	25,000
2	San Diego State University Foundation	NRP	65,000
3	Boys & Girls Club of Oceanside	NRP	18,926
4	Gompers Preparatory Academy	NRP	31,000
5	CYT San Diego, Inc.	NRP	15,000
6	San Diego Convention & Tourist Bureau	CE	69,000
7	Julian Chamber of Commerce	CE	120,000
8	Jacobs & Cushman San Diego Food Bank	CE	40,000
9	League of Extraordinary Scientists and Engineers	CE	10,000
10	Solutions for Change, Inc.	CE	100,000
Total Amount of Awards			493,926

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: Strengthen Internal Controls Over Reviewing and Approving Grant Expenditures Documentation

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

1. Jacobs & Cushman San Diego Food Bank did not have the grant expenditure documentation submitted within the 13-month timing requirement. The documentation was 22 days late and there is no evidence of the Board being notified as required by policy.
2. Solutions for Change, Inc. had the following deficiencies in the grantee files:
 - Payroll expenditures did not match the support provided and there was a lack of explanation for variances between the amounts charged to the project and the amounts stated in the support.
 - Multiple expenditures had checks as form of payment on expenditure list, but the support stated direct deposit.

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

According to County NRP and CE Documentation of Grant Expenditures Instructions, grantees that received a 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 letter head 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 following 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 or related page of the bank statement showing that the check was cashed.

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

- 1. Continue performing random sampling reviews of the grantee expenditures files to ensure that OFP expenditure review procedures are being followed and adequately documented.
- 2. Work with Solutions for Change, Inc. to resubmit corrected grant support according to the provisions of the written agreement.

Office of Audits & Advisory Services

C Compliance R Reliability E Effectiveness A Accountability T Transparency E Efficiency

VALUE

DEPARTMENT'S RESPONSE
(OFFICE OF FINANCIAL PLANNING)



County of San Diego

TRACY M. SANDOVAL
DEPUTY CHIEF ADMINISTRATIVE OFFICER /
CHIEF FINANCIAL OFFICER
(619) 531-5413
FAX (619) 531-5219

FINANCE & GENERAL GOVERNMENT GROUP
1500 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

RECEIVED

SEP 05 2019

OFFICE OF AUDITS &
ADVISORY SERVICES

September 4, 2019

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 AUDIT

Finding I: Strengthen Internal Controls Over Reviewing and Approving Grant Expenditures
Documentation

OAAS Recommendation:

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

1. Continue performing random sampling reviews of the grantee expenditure files to ensure that OFP expenditure review procedures are being followed and adequately documented.
2. Work with Solutions for Change, Inc. to resubmit corrected grant support according to the provisions of the written agreement.

Action Plan

In August of 2018, OFP staff revised quarterly random sampling procedures to require a signed checklist that serve as documentation to demonstrate that random sampling validation efforts occurred in accordance with the audit recommendation. The Office of Financial Planning has leveraged the results of these random samplings to further enhance staff procedures and guidance provided to the grantees.

Finding I refers to documentations received from the Jacobs & Cushman San Diego Foodbank 22 days late and that there is no evidence of the Board being notified as required by OFP procedures, which is accurate. In regards to the delinquent documentations, OFP staff took immediate actions in accordance with internal staff procedures to ensure compliance with the terms of the agreement.

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

Page Two

September 4, 2019

Additionally, in August 2018, OFP emailed a Delinquency Report to the Board offices, which included Jacobs & Cushman San Diego Foodbank as a delinquent organization. A copy of the August 2018 Delinquency Report was provided to OAAS as requested; however, in accordance with the retention policy for County electronic communications, OFP does not maintain an email copy as proof of notifying the Board offices. To address this finding, OFP procedures have been revised to include retention of email communications notifying Board offices about delinquent organizations.

Finding I also identifies deficiencies in the grantee files for Solutions for Change, Inc. in reference to the County NRP and CE Documentation of Grant Expenditures Instructions which includes directions to grantees to assist with submission of grant documentation. The Office of Financial Planning interpreted and accepted that the documentation submitted by Solutions for Change, Inc. was sufficient. The grantee submitted payroll documentation in excess of the required grant amount. An explanation of the excess documentation submitted was not necessary in order to determine compliance. In addition, the inaccurate use of the word "check" for support provided in the form of direct deposit was not grounds to deem the documentation provided as inadequate. Nonetheless, due to the findings of this report, the Office of Financial Planning has requested and received additional documentation from Solutions for Change, Inc. to further demonstrate compliance addressing Finding I.

Planned Completion Date

1. Random sampling procedures were revised and implemented on August 31, 2018.
2. Solutions for Change, Inc. provided additional documentation to further demonstrate compliance on July 11, 2019.
3. OFP procedures have been revised on August 28, 2019 to address Finding I related to retention of email communications notifying Board offices about delinquent organizations.

Contact Information for Implementation

Joshua Ramirez, Financial Policy and Planning Officer, (619) 531-4887, and Fatima Barredo, 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@sdcounty.ca.gov.



EBONY SHELTON
Director, Office of Financial Planning

OFP:ES:nb

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