

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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AUDITOR AND CONTROLLER

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JUAN R. PEREZ
CHIEF OF AUDITS

February 1, 2021

TO: Brian Hagerty, Director
Office of Financial Planning

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.

JUAN R. PEREZ
Chief of Audits

AUD:MPT:nb

Enclosure

c: Ebony N. Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Tracy Drager, Auditor and Controller
Rissa Japlit, 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 2018-19 and FY 2019-20.

Table No.1 illustrates the total funds allocated by program during the fiscal years under review.

Table No. 1 Total Funds Allocated by Program by Fiscal Year

District No.	FY 2018-19		FY 2019-20		Total \$ Allocated Both FY
	NRP	CE	NRP	CE	
1	2,007,277	1,255,971	1,590,424	1,134,822	5,988,494
2	2,001,876	1,253,247	1,828,945	1,137,113	6,221,181
3	2,078,173	1,257,111	1,946,930	1,157,514	6,439,728
4	2,425,855	1,247,514	1,450,405	890,505	6,014,279
5	2,007,267	1,246,295	1,927,762	1,135,080	6,316,404
Total	10,520,448	6,260,138	8,744,466	5,455,034	30,980,086

OAAS selected a judgmental sample of NRP and CE awards for audit testing as illustrated in Table No. 2:

**Table No. 2
NRP and CE Grants Selected for Testing by Fiscal Year**

Sample No.	Organization Name	Program	Fiscal Year	Award Amount
1	National Christian Inform. Ctr, Inc.	NRP	2018-2019	50,000
2	Helix Charter High School	NRP	2018-2019	250,000
3	El Caballo Park Conservancy	NRP	2018-2019	50,000
4	Zoological Society of San Diego	NRP	2018-2019	75,000
5	North County Fire Protection Dist.	NRP	2018-2019	108,896
6	Theater & Arts Foundation of SD	NRP	2019-2020	12,250
7	Helix Charter High School	NRP	2019-2020	170,000
8	Encinitas Chamber of Commerce	NRP	2019-2020	25,000
9	La Jolla Community Center	NRP	2019-2020	44,716
10	Boys & Girls Clubs of Oceanside	NRP	2019-2020	159,988
11	Borrego Village Association	CE	2018-2019	60,000
12	City of Chula Vista	CE	2018-2019	15,000
13	Julian Chamber of Commerce	CE	2018-2019	120,000
14	Reuben H. Fleet Science Center	CE	2018-2019	20,000
15	Tierrasanta Foundation	CE	2018-2019	12,000
16	University of San Diego	CE	2019-2020	300,000
17	City of Imperial Beach	CE	2019-2020	50,000
18	East County Econ. Dev. Council	CE	2019-2020	40,000
19	Christmas Circle Community Park	CE	2019-2020	35,000
20	Lucky Duck Foundation	CE	2019-2020	15,000
Total Sample Selected for Testing				1,612,850

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 periods 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 Requirements. 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:

Julian Chamber of Commerce:

- The required List of Expenditures Form was not accurate. The listing included:
 - Duplicate claims for the same expense.
 - Duplicate payments using the same invoice or the same date or services.
- Inadequate Proof of expenditures:
 - The organization submitted multiple expenses not allowed under the Grant Agreement.
 - The organization did not include a copy of detailed invoices or receipts for 23 of 40 expenditures reviewed.
 - The organization included expenses outside the grant period.

- The organization submitted payments to performers without a contract, invoice or affidavit documenting the money received.
- Reimbursement to employees without invoices, receipts, reimbursement forms or signatures of appropriate authorities.
- The organization submitted expenditures paid in cash without a proper invoice or receipt.

Tierrasanta Foundation:

- The organization submitted multiple expenses not allowed under the Grant Agreement.

Theater & Art Foundation of San Diego County:

- The check number, date and amount submitted does not reconcile with the check described on the List of Expenditures Form.

Borrego Village Association:

- Proof of expenditures was incomplete. The organization submitted multiple expenses without detailed invoices or receipts.

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

The OFP stated that prior to July 1, 2020, CE organizations were required to submit supporting documentation for grants to OFP at the same time. As a result, OFP was not always able to perform reviews of the documentation submitted on a timely basis. However, effective July 1, 2020, OFP began to allocate CE awards across the entire fiscal year. This change relieved staffing pressures by spreading the CE documentation review throughout the year. In addition, as a result of COVID19, some CE and NRP resources were temporarily reassigned to other programs such as the Economic Stimulus Program and the CARES Act allocation to local cities, which also impacted the timely completion of CE documentation reviews by OFP.

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

Recommendation: To ensure proper use of grant funds, the OFP should:

1. Continue performing risk based random sampling reviews of grantee expenditures files to ensure that OFP expenditure review procedures are being followed and adequately documented.
2. Review and update the OFP existing documentation review procedures to ensure that the staff have a complete understanding

of the documentation requirements and their significance, in order to quickly identify documentation issues.

3. Work with Borrego Village Association and Theater & Art Foundation of San Diego County to resubmit correct grant support according to the provisions of the written agreement.
4. Perform a detailed review of the Julian Chamber of Commerce and Tierrasanta Foundation files for unallowable expenses to determine the total expenses not allowed under the grant agreement and pursue the recovery of the funds.

Office of Audits & Advisory Services

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VALUE

DEPARTMENT'S RESPONSE
(OFFICE OF FINANCIAL PLANNING)



County of San Diego

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January 29, 2021

TO: Juan R. Perez
Chief of Audits

FROM: Brian Hagerty
Director, Office of Financial Planning

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

Finding I: During the review of the grant expenditures, the Office of Audits and Advisory Services (OAAS) noted the following deficiencies in the grantee files:

Julian Chamber of Commerce:

- The required List of Expenditures Form was not accurate. The listing included:
 - Duplicate claims for the same expense.
 - Duplicate payments using the same invoice or the same date or services.
- Inadequate Proof of expenditures:
 - The organization submitted multiple expenses not allowed under the Grant Agreement.
 - The organization did not include a copy of detailed invoices or receipts for 23 of 40 expenditures reviewed.
 - The organization included expenses outside the grant period.
 - The organization submitted payments to performers without a contract, invoice or affidavit documenting the money received.
 - Reimbursement to employees without invoices, receipts, reimbursement forms or signatures of appropriate authorities.
 - The organization submitted expenditures paid in cash without a proper invoice or receipt.

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Tierrasanta Foundation:

- The organization submitted multiple expenses not allowed under the Grant Agreement.

Theater & Art Foundation of San Diego County:

- The check number, date and amount submitted does not reconcile with the check described on the List of Expenditures Form.

Borrego Village Association:

- Proof of expenditures was incomplete. The organization submitted multiple expenses without detailed invoices or receipts.

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

OAAS Recommendation:

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

1. Continue performing risk based random sampling reviews of grantee expenditure files to ensure that OFP expenditure review procedures are being followed and adequately documented.
2. Review and update the OFP existing documentation review procedures to ensure that the staff have a complete understanding of the documentation requirements and their significance, in order to quickly identify documentation issues.
3. Work with Borrego Village Association and Theater & Art Foundation of San Diego County to resubmit correct grant support according to the provisions of the written agreement.
4. Perform a detailed review of the Julian Chamber of Commerce and Tierrasanta Foundation files for unallowable expenses to determine the total expenses not allowed under the grant agreement and pursue the recovery of the funds.

Action Plan:

In 2018, OFP added a quarterly random sampling procedure along with a documentation checklist to its documentation review. The checklists were also added to the documentation instructions so organizations could better understand what to send the County for review. To better protect the County from risk and exposure due to fraudulent claims, OFP slightly modified its 2018 random sampling procedure to mitigate for risk in larger grants. OFP will implement these modified procedures immediately to comply with OAAS recommendation 1.

In addition, OFP leadership will meet with CE/NRP staff to discuss current documentation review procedures, requirements, and how they can be improved to avoid future findings like this. The goal will be to identify means for addressing documentation issues with organizations quickly, before random sampling or auditing, and to ensure Finding I is limited to these organizations and isn't representative of a larger pool of grantee expenditure documents. OFP scheduled an initial meeting for the beginning of February and plans to complete any updates by the end of March 2021 to comply with OAAS recommendation 2.

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Finally, OFP is working with the organizations to address OAAS recommendations 3 & 4, and the summaries below provide a status update for each of the deficiencies in Finding I.

Borrego Village Association

The Borrego Village Association submitted incomplete proof of expenditures and also multiple expenses without detailed invoices or receipts. On January 22, 2021, the organization was contacted, and subsequently submitted many missing invoices and additional documentation. OFP plans to continue to work with the organization through the end of February 2021 to resolve the outstanding issues. The organization has clearly demonstrated a willingness and ability to resolve the issues.

Julian Chamber of Commerce

The Julian Chamber of Commerce submitted duplicate claims for the same expense and duplicate payments using the same invoice or the same date or services. The organization also submitted inadequate proof of expenditures such as submission of multiple expenses not allowed under the Grant Agreement, not including copies of detailed invoices or receipts, and expenses outside the grant period. On January 28, 2021, OFP contacted the organization regarding specific discrepancies and next steps they can take to correct the expenditure documents. Most of the organization's expenditure documents were deemed eligible, and the organization indicated its intent to work with the County to resolve the issues. OFP plans to work with the organization through the end of February 2021 to resolve the outstanding issues.

Theater & Arts Foundation of San Diego County

The Theater & Arts Foundation of San Diego County submitted documentation that did not reconcile with what was listed on the list of expenditures nor in the CE/NRP database. As of January 28, 2021, the organization was contacted regarding these discrepancies, and subsequently has corrected all of them.

Tierrasanta Foundation

Tierrasanta Foundation submitted multiple expenses not allowed under the Grant Agreement. The organization was contacted regarding these unallowable expenses and indicated a plan to write a check back to the County for the difference on January 27, 2021.

Planned Completion Date:

1. Random sampling procedures were revised and implemented on January 28, 2021.
2. A review and update of existing OFP procedures will be completed no later than end of March 2021 to ensure CE/NRP staff have a complete understanding of their role in reviewing grantee documentation.

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3. The Theater & Arts Foundation of San Diego County provided additional documentation to further demonstrate compliance on January 28, 2021.
4. The Borrego Village Association provided additional documentation to demonstrate partial compliance so far, and OFP will continue to work with the organization to obtain full compliance by February 28, 2021.
5. Julian Chamber of Commerce indicated they will provide additional documentation to demonstrate compliance no later than February 28, 2021.
6. Tierrasanta Foundation provided additional documentation to further demonstrate compliance and indicated they will refund the unsupported balance via check on January 27, 2021.

Contact Information for Implementation: Riza Bulante, 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 brian.hagerty@sdcounty.ca.gov.



BRIAN HAGERTY
Director, Office of Financial Planning

OFP/RB/nb

C: Ebony Shelton, Deputy Chief Administrative Officer/Chief Financial Officer
Damien Quinn, FG3 Finance Director
Tracy Drager, Auditor and Controller