

OFFICE OF AUDITS & ADVISORY SERVICES

THIRD-PARTY RISKS - GRANTS AND CONTRACT MANAGEMENT AUDIT

FINAL REPORT



Chief of Audits: [Juan R. Perez](#)
Audit Manager: [Christopher Efird, CPA](#)
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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Susan Brazeau, Director
Department of Human Resources

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT

Enclosed is our report on the Third-Party Risks – Grants and Contract Management Audit. As there are no recommendations in the report pertaining to your department, no audit response is required.

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:MPT:nb

Enclosure

c: Brian Albright, Deputy Chief Administrative Officer, Finance and General Government Group
Joan Bracci, Chief Financial Officer, Finance and General Government Group
Tracy Drager, Auditor and Controller
Judy Ying, Group Finance Director, Finance and General Government Group



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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Christy Carlson, Director, Agency Operations
Business Assurance and Compliance

FROM: Juan R. Perez
Chief of Audits

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Enclosed is our report on the Third-Party Risks – Grants and Contract Management 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.

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Enclosure

c: Patty Kay Danon, Chief Operations Officer, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Dr. Luke Bergmann, Director, Behavioral Health Services
Erin Chanler, Administrator/Deputy Director, Behavioral Health Services, Edgemoor DPSNF



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JUAN R. PEREZ
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March 4, 2025

TO: Dr. Liz Hernandez, Director of Departmental Operations
Health and Human Services Agency – Public Health Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT

Enclosed is our report on the Third-Party Risks – Grants and Contract Management Audit. As there are no recommendations in the report pertaining to Public Health Services – Maternal, Child, and Family Health Services, no audit response is required.

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Kimberly Giardina, Deputy Chief Administrative Officer, Health and Human Services Agency
Patty Kay Danon, Chief Operations Officer, Health and Human Services Agency
Tracy Drager, Auditor and Controller
Christy Carlson, Director, Business Assurance and Compliance, HHSA



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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Allen Hunsberger, Acting Director
Department of Purchasing and Contracting

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Kelly A. Martinez, Sheriff
San Diego Sheriff's Office

FROM: Juan R. Perez
Chief of Audits

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Enclosure

c: Andrew Strong, Deputy Chief Administrative Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Lisa Keller-Chiodo, Group Finance Director, Public Safety Group



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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Tamika Nelson, Chief Probation Officer
Probation Department

FROM: Juan R. Perez
Chief of Audits

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Chief of Audits

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Enclosure

c: Andrew Strong, Deputy Chief Administrative Officer, Public Safety Group
Tracy Drager, Auditor and Controller
Lisa Keller-Chiodo, Group Finance Director, Public Safety Group



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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Damien Quinn, Director
Office of Financial Planning

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
CHIEF OF AUDITS

March 4, 2025

TO: Caroline Smith
Assistant Chief Administrative Officer

FROM: Juan R. Perez
Chief of Audits

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JUAN R. PEREZ
Chief of Audits

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Enclosure

c: Ebony N. Shelton, Chief Administrative Officer
Claudia Silva, County Counsel
Tracy Drager, Auditor and Controller

About the Office of Audits & Advisory Services

The mission of the Auditor and Controller's Office of Audits & Advisory Services (OAAS) is to provide independent, objective assurance and consulting services designed to add value and improve the County of San Diego's operations. OAAS helps the County accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Audit Authority

OAAS derives its authority to conduct audits of County departments and programs primarily from the County Charter, County Administrative Code, Board of Supervisors Policy Manual, and California Government Code.

Statement of Auditing Standards

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.



AUDIT OBJECTIVE & SCOPE

The Office of Audits & Advisory Services (OAAS) completed an audit of County of San Diego (County) contract and grant management practices. The objective of the audit was to assess whether the internal controls over grant/contract management and monitoring practices are adequately designed, and operating effectively to mitigate risks, and ensure compliance with applicable laws and regulations.

The scope of the audit included grants and contracts awarded during fiscal years 2020-21 to 2023-24.

AUDIT RESULTS

Within the scope of the audit, opportunities for improvement were identified in the design and effectiveness of internal controls over grant and contract management and monitoring practices. The following findings outline areas where improvements can be made to strengthen these processes.

Finding I: Food Service Provider – Contract Management Needs Improvement

OAAS conducted a review of the contract activity for the two primary users of the Sysco food service provider contract, Edgemoor Distinct Part Skilled Nursing Facility (Edgemoor) Dietetic Services Department (DSD) and the Sheriff's Department (Sheriff). This review identified several areas for improvement in contract management which are documented below in further detail.

Observations Applicable to Both DSD & Sheriff

- **COR Review and Approval:** None of the 60 invoices (30 DSD, 30 Sheriff) sampled were reviewed and approved for payment by the Contract Officer Representative (COR) as required by Article 5.1.1 of the contract.
- **Food Service Procedures:** The DSD lacks documented procedures for ordering, receiving, and authorizing invoices for payment. While the Sheriff's office has established robust procedures, OAAS identified several instances during the food ordering process where these procedures were not consistently followed. Further details on these instances are provided in the Sheriff Observations section.
- **Contract Monitoring:** Neither DSD nor the Sheriff have a monitoring plan/tool for the contract, nor has anyone at the department level been assigned to monitoring activities for the contract.
- **Volume Incentive Calculation & Payment:** OAAS was unable to verify that the volume incentives due to the County were calculated correctly and paid timely in accordance with Exhibit A-1 Clause 4 of the contract and Amendment No. 1, Exhibit D.

DSD Observations

- **Shared Access to Ordering System:** Two accounts with shared passwords are used by DSD staff to access the ordering system from any device, preventing verification of individual orders.
- **Lack of Segregation of Duties:** No segregation exists between the roles of ordering, receiving, and approving food and non-food items.
- **Non-Compliance with Contract Terms:** Orders are not exclusively placed by the food service supervisor as mandated by Article 6.2 of the contract.
- **Inventory Management:** DSD relies on the Periodic Automatic Replacement (PAR) system for inventory tracking and lacks a software-based perpetual inventory management system.
- **Food Waste Management:** No documented procedures exist for food waste management. To comply with California State Senate Bill 1383, local governments must implement organic waste reduction programs and food recovery initiatives to achieve specified reduction targets. Therefore, any unused or spoiled food needs to be adequately tracked and measured.
- **Invoice Review (Sample Size: 30):**
 - 29 invoices had unauthorized or inconsistent food items ordered.
 - One invoice was missing pages but was paid in full.
 - No invoices were approved by DSD management.
 - Orders are not pre-approved by DSD management.

Sheriff Observations

- **Invoice Review (Sample Size: 30):**
 - Seven invoices lacked the signature or initials of the individual receiving the orders.
 - No invoices were signed or initialed by the designated reviewer.
 - One invoice was paid twice

The COR responsible for managing the Sysco contract is a staff member from the Department of Purchasing and Contracting (DPC). However, despite being assigned oversight, DPC itself is not a direct user of the Sysco contract. Instead, the responsibility for oversight was informally and verbally delegated to the departments utilizing the contract, creating potential gaps in accountability and oversight.

While the contract stipulates that the COR is responsible for its oversight, Board of Supervisors Policy A-81 states that the Department Head is ultimately accountable for contract monitoring. Despite the verbal delegation of oversight from the COR to the departments, the specific responsibilities assigned to the departments were not clearly defined in the contract or any other documented agreement. This lack of clarity resulted in a breakdown in the overall monitoring and oversight of the contract.

Contract oversight is a critical component of effective contract management, serving as the foundation for ensuring compliance, mitigating risks, and achieving desired outcomes. The importance of diligent oversight is highlighted by the following key reasons:

1. Ensures Compliance with Terms and Conditions: Regular oversight and monitoring help ensure that all parties adhere to the contract's terms, conditions, and deliverables, reducing the risk of non-compliance.
2. Identifies and Mitigates Risks: Effective contract oversight allows for the early identification of potential risks or issues, enabling timely interventions and mitigating potential negative impacts.
3. Promotes Accountability: Ongoing monitoring establishes a clear line of accountability, ensuring that both the contractor and the overseeing entity fulfill their respective obligations.
4. Financial Control: Monitoring contract expenditures and financial performance helps ensure that payments are made in accordance with the contract.
5. Compliance: Regular monitoring ensures that the contract adheres to all applicable laws, regulations, and internal policies.
6. Achievement of Objectives: Adequate contract oversight ensures that the contract delivers the intended outcomes.

Furthermore, a vital element of comprehensive contract oversight is the establishment and implementation of rigorous internal controls over invoice review and approval. These controls are essential for upholding financial integrity, ensuring strict compliance with contractual and regulatory requirements, optimizing operational efficiency, and protecting the financial health and stability of the organization. Specifically, the implementation of strong internal controls in this area delivers the following key benefits:

1. Prevention of Fraud: By implementing strict review and approval processes, an organization can reduce the risk of fraudulent activities. This includes fake invoices, inflated charges, or unauthorized purchases. A system of checks and balances helps ensure that payments are legitimate and authorized.
2. Accuracy and Compliance: Internal controls help in maintaining accuracy in financial records. They ensure that invoices are correct and comply with contractual terms and pricing agreements. This is important for financial reporting, budgeting, and compliance with tax and regulatory requirements.
3. Cost Management: Effective controls help in identifying and avoiding unnecessary or excessive expenditures.
4. Vendor Management: Proper invoice control helps in maintaining good relationships with suppliers and vendors. It ensures that payments are accurate and timely.
5. Audit Trails: Having a robust invoice approval process creates a clear audit trail. This is important for internal audits, external audits, and any financial scrutiny. It helps in tracing transactions and proving their legitimacy.

RECOMMENDATION:

To address all identified issues and establish proper monitoring and controls moving forward, DPC, the Sheriff, and DSD should take the following actions:

1. DPC should work with the end-user departments to designate specific individuals responsible for the day-to-day oversight and monitoring of the food services contract. This collaborative arrangement should be formally documented in the contract with the food service provider and in a detailed agreement with each department. The agreement should clearly define the roles and responsibilities of all parties involved, ensuring robust monitoring and oversight by the departmental designees while also clarifying DPC's specific obligations in the contract management process.
2. DPC should develop and document a clear process for calculating and tracking contract-stated incentives to ensure that all amounts owed to the County are paid accurately and on time, in accordance with the contract terms. This process should also specify how and when incentive payments will be distributed to the departments using the contract.
3. The food service provider should be required to provide separate accounts and passwords for authorized individuals to place food orders.
4. Implement restrictions on ordering accounts to help ensure that only authorized food and non-food items are ordered.
5. DSD should design, implement, and document comprehensive internal controls for the food ordering process, including the review and approval of invoice payments. These controls should ensure that there is a clear segregation of duties. The individual placing the order should be separate from the person receiving the goods and approving the corresponding invoice for payment. Furthermore, a procedure should be established to guarantee that all orders, both food and non-food items, are processed exclusively through authorized accounts.
6. DSD should research, implement and document methods to reduce and track food waste. As part of this effort, DSD should also request sustainable menu planning, recipe development services and green education from the food supplier contractor, to help with preparation of meals and food waste reduction.
7. The Sheriff should provide training to all employees involved in the food ordering process to ensure they fully understand the process and their relevant roles and responsibilities.
8. The Sheriff should implement and document internal control procedures to detect any duplicate payments. Additionally, they should request a credit memo or a refund from the contractor for the duplicate payment identified.

Finding II:

Grant Management Needs Improvement

OAAS conducted a review of the grant activities associated with three County grants managed in partnership with the San Diego Foundation (SDF). An overview of these grants is provided in Table 1.

Table 1: Overview of Grants Reviewed

Item No.	Grant No.	Effective Date	Grantee	Amount
1	567265	6/28/2022	San Diego Foundation	\$6,000,000.00
	Purpose of the Grant: Community Food Production Program. Increase food sovereignty, especially in low-income communities and communities with limited access to healthy food.			
2	565531	7/13/2021	San Diego Foundation (San Diego Regional Policy Innovation Center (SDRPIC))	\$2,500,000.00
	Purpose of the Grant: Funding SDRPIC Operating Expenses for implementing key programs elements to build resilient and inclusive communities, and produce public long-term reports, targeted analysis and policy guided documents.			
3	562282	10/1/2021	San Diego Foundation	\$400,000.00
	Purpose of the Grant: Support youth career readiness, workforce development, mentorship, and/or access to green spaces.			

This review identified several areas where improvements in grant management practices are needed. These areas, along with specific recommendations to the County, are documented below in further detail.

- **Employee Salary Allocations:** The County did not clearly specify the documentation requirements or methodology for claiming employee salaries under the SDRPIC grant funds. As a result, SDRPIC allocated employee salaries to the County grant, but the supporting documentation lacked sufficient detail to demonstrate how these allocations were calculated. While the grant agreement does not prohibit claiming salaries and SDRPIC's actions were in line with the grant's requirements, the County should have explicitly defined the documentation expectations in the agreement.
- **Subrecipient Oversight:** As part of the review for the SDF Youth Career Readiness grant, OAAS selected a sample of five subrecipients to verify whether grant funds were spent in accordance with grant requirements and objectives. The County did not adequately articulate expected monitoring and documentation requirements to the SDF, resulting in concerns related to SDF and its subrecipients. Although the SDF complied with the requirements of the grant agreement, due to insufficient direction and oversight from the County, OAAS identified the following:
 - For two of the subrecipients reviewed, OAAS observed that they received funds from both Round 1 and Round 2 of the grant. However, the claims were consolidated by the recipient, making it impossible for OAAS to determine which expenses corresponded to each specific round.
 - The supporting documentation for salary expenses for three of the subrecipients reviewed was found to be insufficient. Specifically, one subrecipient lacked

documentation to support employee time allocation, while the other two were missing adequate documentation for the salaries claimed. Additionally, one of these subrecipients had minor errors in their salary calculations.

- Two subrecipient agreements were retroactive or backdated. For example, agreements were signed in December 2022, while the grant period was listed as March 2022 through April 2023. Additionally, these subrecipients were required to submit a progress report in September 2022 as part of the grant requirements, which would have been impossible since the agreements were signed after that date.
- One subrecipient hired an independent contractor, paid them via check, and claimed the payment as part of the grant. However, the contract was not signed by the subrecipient or the independent contractor.
- **Subrecipient Risk Assessment:** OAAS reviewed whether the SDF performed a risk assessment in accordance with the Uniform Guidance for Federal Awards for the SDF Youth Career Readiness grant and the SDF Community Food Production grant. According to 2 CFR §200.332(b), pass-through entities are required to assess each subrecipient's fraud risk and risk of noncompliance with a subaward to determine the appropriate subrecipient monitoring. Although the SDF Youth Career Readiness grant does not utilize federal funds like the SDF Community Food Production grant does, the Uniform Guidance should be followed as an overall best practice. OAAS determined that the SDF performed a robust review of the ability of subrecipients to carry out the objectives of the grants. However, each subrecipient's fraud risk was not evaluated, and the risk assessments performed did not result in the development of an adequate level of subrecipient monitoring, as highlighted by the issues identified above in the subrecipient oversight section. According to the SDF, they expect subrecipients to manage within their budgets and fully spend down their grant balances. They would only monitor the expenditures of subrecipients at a granular level if changes in the subrecipient's budget were to occur. The evaluation should have led to the development of regular monitoring activities to assess subrecipient performance and compliance, including activities such as site visits and financial desk reviews.

Based on discussions with grant administrators, OAAS identified several factors contributing to the observations noted. Specifically, except for the Community Enhancement and Neighborhood Reinvestment Programs, the County does not have a standardized agreement template for grants and has not established formal policies or procedures for monitoring grant recipients and grant-related activities. Additionally, there is no formal process for assigning grant administrators or ensuring that administrators receive sufficient and adequate training for their roles. Furthermore, for the SDF Youth Career Readiness grant, OAAS observed that subrecipient contracts with the SDF did not include a clause for auditing and inspecting records, resulting in grantees and their subrecipients not maintaining sufficient documentation to properly support claimed expenditures.

Insufficient grant management can lead to a range of adverse effects for both the recipient organization and the granting agency. Some of the key consequences include:

- **Financial Consequences:** Increased risk of fraud, misuse of funds or improper allocation which may result in financial penalties.

- Auditing Issues: Poor financial tracking and reporting can lead to discrepancies in audits, potentially resulting in fines, penalties, or legal actions.
- Missed Deadlines: Ineffective grant management can cause delays in project timelines, making it difficult to meet grant deliverables within the specified period.
- Incomplete Objectives: If resources are not properly allocated, the project might not achieve its goals, leading to partial or complete failure in delivering the expected outcomes.
- Non-Compliance with Legal or Grant Requirements: Poor grant management may result in non-compliance with grant terms and conditions, leading to legal consequences or the requirement to return funds.
- Reduced Services: Poor grant management can lead to reduced services or support for the intended beneficiaries of the grant, undermining the project's social or community impact.

Governmental agencies, whether managing federal or non-federal grants, should adhere to rigorous standards of accountability, transparency, and efficiency in their grant management practices. While the Uniform Guidance is a federal regulation specifically designed for the management of federal awards, it also provides a comprehensive framework that embodies best practices for grant management and internal controls. This framework provides the following guidance for general grant administration:

General Requirements

- Ensure financial and programmatic compliance with grant terms and conditions
- Maintain records that document compliance, performance, and expenditures
- Disclose in writing any potential conflicts of interest

Internal Controls

- Implement effective internal controls over grant-funded programs
- Safeguard assets and ensure accountability of funds

Financial Management

- Establish a consistent and transparent accounting system
- Ensure funds are used solely for authorized purposes

Subrecipient Monitoring

- Monitor subrecipients to ensure they comply with legal and grant requirements
- Perform risk assessments and maintain proper documentation

Cost Principles

- Ensure all costs charged to the grant are allowable, reasonable, and allocable

Performance and Reporting

- Submit timely and accurate financial and performance reports
- Ensure reports align with the terms and objectives of the grant

Record Retention

- Retain grant-related records for a minimum of three years after final expenditure report submission.

Closeout

- Complete all required actions to close out the grant
- Submit final reports and resolve any outstanding issues

By adhering to these standards, County departments can ensure that all grant funds, regardless of their source, are managed with the highest levels of integrity and accountability.

RECOMMENDATION:

To ensure proper administration and monitoring of grant agreements, the County's Chief Administrative Officer should:

1. Coordinate with County Counsel to design and implement templates to standardize the basic terms and conditions of grant agreements and ensure compliance with funding source requirements.
2. Design and implement Countywide policies and procedures regarding grant administration. These policies and procedures should cover the following:
 - a.) Scope and Applicability: Identify roles and responsibilities for grant management across the organization.
 - b.) Pre-Award Procedures: Outline the process for assessing and approving potential grant opportunities as well as assigning grant administrators based on expertise and experience. This assessment should include a risk assessment of the potential grantee considering financial stability, past performance, compliance history, and organizational capacity to manage the grant.
 - c.) Post-Award Management: 1.) Detail the processes for financial management, reporting, and performance monitoring. 2.) Include guidelines for managing subrecipients, if applicable, ensuring adherence to best practices such as those found in the Uniform Guidance.
 - d.) Compliance and Ethics: 1.) Incorporate provisions for maintaining ethical standards and avoiding conflicts of interest in grant administration. 2.) Define procedures for addressing non-compliance, including corrective actions and potential penalties.
 - e.) Monitoring and Evaluation: Include mechanisms for regular monitoring and evaluation of grant-funded programs to ensure they meet objectives and comply with laws and regulations.
 - f.) Training: Ensure the policy includes provisions for ongoing training and professional development in grant administration.
 - g.) Continuous Improvement: Periodically assess the effectiveness of the policies and procedures and adjust as necessary.

3. Develop and implement a comprehensive grant training program aimed at enhancing the knowledge and skills of grant administrators. This program should focus on ensuring adherence to grant requirements, best practices such as the Uniform Guidance, and other applicable regulations. The following key components should be considered as part of a grant training program:

Key Components of a Grant Training Program

a.) Initial Training Program:

- Grant Administration best practices
- Grant lifecycle management, including application, implementation, reporting and closeout
- Compliance with grant requirements
- Internal controls and financial management
- Monitoring of grant activities

b.) Refresher Training: All grant administrators should be required to complete a periodic refresher course

c.) Resource Library: Develop a centralized online repository containing resources such as policy manuals, checklists, templates, current grant agreements and FAQs

d.) Tracking: Implement a system to track training completion and certifications to ensure that all grant administrators have completed the required training and refresher courses

BACKGROUND

The County engages in both contract and grant agreements with external third-party organizations to advance initiatives and strategic goals. A contract is a legally binding agreement between the County and a third-party, typically established to procure goods or services. Contracts are transactional in nature, with clearly defined deliverables, timelines, and performance criteria. The third-party is expected to deliver specific outputs or outcomes in exchange for payment, with the County exercising significant oversight to ensure that the contract terms are met.

In contrast, a grant is a financial award given to the County or by the County to a third-party organization to support a project or initiative that aligns with the County's broader public goals, such as community development, public health, or educational programs.

Contract administration involves the activities performed by County employees to determine how well the contractor met the requirements of the contract. Contract administration starts with developing performance-based statements of work (SOW) and preparing a contract monitoring plan that effectively measures the contractors' performance. Contract monitoring varies by contract and by department, it can range from the acceptance of goods or services to extensive involvement by County staff throughout the term of the contract.

Departments designate select employees with contract administration responsibilities as Contract Officer Representatives (COR) for one or more contracts. Designated CORs must obtain COR Certification via training provided by the Department of Purchasing and Contracting (DPC). The certification ensures that a COR has the competencies that are essential to performing the COR role. It is the responsibility of each COR to know their training requirements and to monitor the progress of their COR certification.

Grant administration is performed by County employees to ensure that public funds are allocated effectively and responsibly to external organizations that can advance the County's strategic objectives and initiatives. Although Countywide grant policies and procedures do not exist, some limited grant administration procedures have been implemented for program-specific grants such as the Neighborhood Reinvestment and Community Enhancement programs. Grant administration involves the systematic management of the entire grant lifecycle, from the initial selection of grant recipients to the monitoring of project implementation and the evaluation of outcomes. This process ensures that the funds are used in accordance with applicable laws, regulations, and the specific terms of the grant agreement. By overseeing the use of grant funds, the County can verify that the projects or programs funded are achieving the desired impact, contributing to community development, public health, education, or other public benefits. Effective grant administration also includes providing guidance and support to grantees, ensuring compliance, mitigating risks, and ensuring that the use of public funds is yielding tangible, positive results.

METHODOLOGY

OAAS conducted the audit using different methodologies to accommodate the distinct characteristics of contracts and grants. Recognizing the unique aspects and requirements of each, the methodologies used for contracts and grants will be outlined separately in the following sections:

Contract Methodologies

- Reviewed County codes, policies, and procedures related to procurement, and other guidance provided by DPC.
- Interviewed DPC management regarding departmental responsibilities for performance of contracts and training available to staff who are responsible for day-to-day administration and oversight of contracts.
- Conducted interviews and observations within each of the selected departments to identify and evaluate controls in place related to contract management and monitoring.
- Judgmentally selected two County contracts (see Table 2) and conducted detailed testing to verify whether departments adequately developed monitoring plans, performed contract monitoring activities in compliance with applicable policies and procedures, and properly administered contracts.

Table 2: Contracts Selected for Testing

Item No.	Contract No.	Effective Date	Contractor	Amount
1	555560	4/12/2017	Sysco San Diego	\$260,000,000.00
	Purpose of the Contract: To provide food products and distribution, and related products, services and equipment to Sheriff, DSD, and other various County departments, as well as County providers who prepare food for County residents.			
2	559237	1/1/2019	California Forensic Medical Group (CFMG)	\$2,733,542.32
	Purpose of the Contract: To provide a broad range of health care and medical services for youth at various Probation facilities.			

- From the contracts listed in Table 2, OAAS judgmentally selected a sample of paid invoices and invoice batches for detailed testing to ensure payments had complete and accurate supporting documentation, received proper approvals, were free of duplicate payments, were accurately recorded, and complied with contract provisions.
- Conducted a review of the volume incentives for the Sysco contract to determine if incentives were paid timely and accurately.
- Reviewed internal processes to confirm the implementation of appropriate segregation of duties in the processes of ordering, receiving, approving invoices, and processing payments.
- For a sample of invoices for Contract No. 559237, OAAS reviewed the Chief Probation Officers of California Camps & Ranches Population Report to validate the total amount changed to the invoices selected.

Grant Methodologies

- Conducted a thorough review of the Uniform Guidance and other relevant best practices related to grant management and monitoring.
- Conducted interviews with grant administrators to clarify responsibilities related to grant performance, identify and assess the existing controls for grant management and monitoring, and evaluate the availability of training for staff responsible for daily grant administration and oversight.
- Judgmentally selected three County grants for in-depth analysis (refer to Table 1). Conducted detailed testing of a sample of expenditures claimed under each grant to verify that the costs were incurred within the grant period, aligned with the grant's objectives, were accurate, and properly supported by documentation.
- Reviewed the Board of Directors and key employees for both grantees and subrecipients to identify any potential conflicts of interest.
- Reviewed sub-agreements between the grantee and subrecipient to ensure that the agreement was signed before any funds were disbursed to the subrecipient.

DEPARTMENT'S RESPONSE
(HEALTH AND HUMAN SERVICES AGENCY)



County of San Diego

KIMBERLY GIARDINA, DSW, MSW
DEPUTY CHIEF ADMINISTRATIVE OFFICER

HEALTH AND HUMAN SERVICES AGENCY
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(619) 515-6555 • FAX (619) 515-6556

CHRISTY CARLSON
DIRECTOR, BUSINESS ASSURANCE AND COMPLIANCE

February 27, 2025

TO: Juan R. Perez
Chief of Audits

FROM: Christy Carlson, Director, Agency Operations
Business Assurance and Compliance

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT

Finding I: Food Service Provider – Contract Management Needs Improvement

OAAS Recommendations:

To address all identified issues and establish proper monitoring and controls moving forward DSD should take the following actions:

1. The food service provider should be required to provide separate accounts and passwords for authorized individuals to place food orders.

Action Plan: Management agrees with and has completed this recommendation effective July 2024. Accounts assigned to individual staff are further segmented into specific roles to provide segregation of duties.

Planned Completion Date: Completed

Contact Information for Implementation: Christy Carlson, Director, Agency Operations

2. Implement restrictions on ordering accounts to help ensure that only authorized food and non-food items are ordered.

Action Plan: Management agrees with and has completed this recommendation effective December 2024 with the food service provider confirming that all items noted as restricted have been flagged as such in their system.

Planned Completion Date: Completed

Contact Information for Implementation: Christy Carlson, Director, Agency Operations



County of San Diego

KIMBERLY GIARDINA, DSW, MSW
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CHRISTY CARLSON
DIRECTOR, BUSINESS ASSURANCE AND COMPLIANCE

3. DSD should design, implement, and document comprehensive internal controls for the food ordering process, including the review and approval of invoice payments. These controls should ensure that there is a clear segregation of duties. The individual placing the order should be separate from the person receiving the goods and approving the corresponding invoice for payment. Furthermore, a procedure should be established to guarantee that all orders, both food and non-food items, are processed exclusively through authorized accounts.

Action Plan: Management agrees with and has completed this recommendation effective July 2024. DSD documented and implemented an inventory control process inclusive of segregation of duties, management review, and fiscal oversight. Additionally, food service vendor accounts assigned to individual staff are provisioned with specific roles to align with established segregation of duties.

Planned Completion Date: Completed

Contact Information for Implementation: Christy Carlson, Director, Agency Operations

4. DSD should research, implement and document methods to reduce and track food waste. As part of this effort, DSD should also request sustainable menu planning, recipe development services and green education from the food supplier contractor, to help with preparation of meals and food waste reduction.

Action Plan: Management partially agrees with and has completed this recommendation effective August 2024. DSD established a formal meal census form to complete daily to track excess food and implemented a food donation program with Feeding San Diego in August 2024. As it relates to meal planning, recipe development, and green education, DSD is participating in the Good Food Sourcing initiative as guided by the County of San Diego Sustainable, Equitable, and Local Food Sourcing Policy, B-75. DSD will continue to seek opportunities to further refine sustainability efforts and will ensure as available partnership with the County food service vendor as part of those efforts.

Planned Completion Date: Completed

Contact Information for Implementation: Christy Carlson, Director, Agency Operations



County of San Diego

KIMBERLY GIARDINA, DSW, MSW
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CHRISTY CARLSON
DIRECTOR, BUSINESS ASSURANCE AND COMPLIANCE

If you have any questions, please contact me at (619) 338-2807.

A handwritten signature in blue ink, reading "Christy Carlson".

Christy Carlson
Director, Agency Operations

DEPARTMENT'S RESPONSE
(DEPARTMENT OF PURCHASING AND CONTRACTING)



ALLEN R. HUNSBERGER
ACTING DIRECTOR

DEPARTMENT OF PURCHASING AND CONTRACTING
5560 OVERLAND AVENUE, SUITE 270, SAN DIEGO, CALIFORNIA 92123-1204
PHONE (858) 505-6367 FAX (858) 715-6452

February 28, 2025

TO: Juan R. Perez, Chief of Audits
Office of Audit Advisory Services

FROM: Allen Hunsberger, Acting Director
County of San Diego
Department of Purchasing and Contracting

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT

Finding I: Food Service Provider Contract Management Needs Improvement

OAAS Recommendations:

1. DPC should work with the end-user departments to designate specific individuals responsible for the day-to-day oversight and monitoring of the food services contract. This collaborative arrangement should be formally documented in the contract with the food service provider and in a detailed agreement with each department. The agreement should clearly define the roles and responsibilities of all parties involved, ensuring robust monitoring and oversight by the departmental designees while also clarifying DPC's specific obligations in the contract management process.
2. DPC should develop and document a clear process for calculating and tracking contract stated incentives to ensure that all amounts owed to the County are paid accurately and on time, in accordance with the contract terms. This process should also specify how and when incentive payments will be distributed to the departments using the contract.

Action Plan:

1. DPC is currently in the process of updating the food services contract to include a specific section outlining the roles and responsibilities of designated departmental representatives. This section will clarify that the Department Designee or Representative will be responsible for overseeing activities such as ordering, receiving, monitoring, reviewing, approving, and processing orders and invoice payments for each respective location or facility. These responsibilities will be formally documented both in the food services

contract and in a detailed agreement with each relevant department to ensure clear accountability and effective contract oversight. This process will also extend to apply to any future contracts.

2. DPC is developing a comprehensive document that will outline the process for receiving the annual incentive rebate associated with the Sysco contract, based on total sales volume. This document will include a procedure for reviewing the annual usage reports provided by the vendor and reconciling these reports with the schedule of volume incentive payouts as outlined in Section 3 of the contract. This process will also extend to apply to any future contracts with stipulated incentives and define the methods and timelines for distributing incentive payments to the relevant departments utilizing the contract

Planned Completion Date: June 30, 2025

Contact: Marigene Lim-Viernes, Program Coordinator

If you have any questions, please contact Marigene Lim-Viernes at 858-505-6417.

Allen.Hunsberger
@sdcountry.ca.gov

Digitally signed by
Allen.Hunsberger@sdcountry.ca.gov
Date: 2025.02.28 16:36:54 -08'00'

Allen Hunsberger
Acting Director

DEPARTMENT'S RESPONSE
(SAN DIEGO SHERIFF'S OFFICE)

**SAN DIEGO COUNTY SHERIFF'S OFFICE*****Kelly A. Martinez, Sheriff****Rich Williams, Undersheriff*

DATE: February 26, 2025

TO: Juan R. Perez, Chief of Audits
Office of Audits & Advisory Services (O-305)

FROM: Kelly A. Martinez, Sheriff
San Diego Sheriff's Office (O-41)

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT**Finding I: Food Service Provider – Contract Management Needs Improvement****OAAS Recommendation 7:**

The Sheriff should provide training to all employees involved in the food ordering process to ensure they fully understand the process and their relevant roles and responsibilities.

Action Plan:

The Sheriff's Office agrees with the audit recommendation. The process shall be communicated by the Food Services Division (FSD) manager, or designee(s) to respective FSD staff via operations directive. FSD anticipates conducting an annual training to ensure the directive is clearly communicated and enacted on.

Planned Completion Date: December 31, 2025

Contact Information for Implementation: William G. Nemchek, Sheriff's Food Services Manager

OAAS Recommendation 8:

The Sheriff should implement and document internal control procedures to detect any duplicate payments. Additionally, they should request a credit memo or a refund from the contractor for the duplicate payment identified.

Action Plan:

The Sheriff's Office agrees with the audit recommendation. The following are procedures for budget, purchasing, receiving, and cost accounting. The procedures are already in place and shall be used for the purpose of detecting any duplicate payments and the actions required to resolve such payments.

Budgeting Procedures:

1. Food Service Supervisors shall submit all estimated food usage data for commercial vendor contracts when requested.
2. Food Service Supervisors shall follow the established menus when submitting usage data.
3. Records shall be kept on file on usage data for a period of three (3) years.
4. Any new items being requested must have all the necessary information, such as item description, brand, nutritional information, packaging, and weight.

Purchasing/Receiving Procedures:

1. Facilities shall have two account accesses to the vendor's online ordering system to be used to place orders with the vendor and account access cannot be shared with others.
2. Food Service Supervisors and Storekeeper shall submit all purchase orders from contract vendors based on the facility's daily needs and in a timely manner to ensure deliveries.
3. Facilities with Senior Cook and Stock Clerk: Food Service Supervisors shall review the orders prior to submission to ensure correct items and quantities are being placed.
4. Food Service Supervisors shall ensure that all orders are in line with weekly menus. Any out-of-stock items and substitution will need to be coordinated and approved by the Nutritionist and Food Service Assistant Manager.
5. Food Service Supervisor, Storekeeper, Senior Cook and Stock Clerk -or whoever is the assigned person that did not place the order shall receive items and ensure accuracy of ordered items, quantities, and pricing. They must sign their full name and date on the invoice upon receiving.
6. Food Service Supervisor and Storekeeper shall inspect for any missing, damaged, and incomplete items and coordinate with the vendor's sales representative to request a credit memo.
7. Food Service Supervisors shall conduct regular inventories to make any necessary menu changes needed to rotate and utilize any excess food items.
8. At no time shall Procurement Card (P-Card) be used for purchases of items currently on regular vendor contracts, unless at during times of emergencies or for special diet and food allergy needs.

Accounting Procedures:

1. Food Services Supervisor and Storekeeper shall ensure that original complete copies of invoices are submitted in a timely manner to the Food Services Accounting Unit for payment processing.

2. Food Service Supervisor and Storekeeper shall ensure that all invoice dates, invoices numbers and total invoice amount are recorded in the Food Services Budget file.
3. Food Services Supervisor & Storekeeper shall conduct audits of their facility budget file for accuracy against the invoices.
4. Food Service Supervisor & Storekeeper shall conduct quarterly inventories at the end of each quarter of all food and non-food items on hand in preparation for the quarterly report.
5. Food Services Accounting Unit shall compile, review, and audit all invoices submitted from all facilities.
6. Food Services Accounting Unit shall conduct a monthly reconciliation process between vendor monthly invoice billing statement and Facility Budget File to ensure invoice, total amount, and credit memo accuracy.
7. Food Services Accounting Unit shall create a monthly invoice statement. Statements should be approved for payment and signed by the Food Services Assistant Manager and Food Services Manager before submitting the statement to Account Payable Unit. Any duplicate payments identified shall be issued a credit memo or refund.

Planned Completion Date: Completed

Contact Information for Implementation: William G. Nemchek, Sheriff's Food Services Manager

If you have any questions, please contact William Nemchek at (619) 385-0314



Kelly A. Martinez, Sheriff

DEPARTMENT'S RESPONSE
(CHIEF ADMINISTRATIVE OFFICE)

**CHIEF ADMINISTRATIVE OFFICE**1600 PACIFIC HIGHWAY, ROOM 209, SAN DIEGO, CALIFORNIA 92101-2422
(619) 531-5880**EBONY N. SHELTON**
CHIEF ADMINISTRATIVE OFFICER**CAROLINE SMITH**
ASST. CHIEF ADMINISTRATIVE
OFFICER

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OFFICE OF AUDITS &
ADVISORY SERVICES

February 26, 2025

TO: Juan R. Perez, Chief of Audits

FROM: Caroline Smith, Assistant Chief Administrative Officer

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: THIRD-PARTY RISKS – GRANTS AND CONTRACT MANAGEMENT AUDIT**Finding II:** Grant Management Needs Improvement**Office of Audits and Advisory Services (OAAS) Recommendations:**

To ensure proper administration and monitoring of grant agreements, the County's Chief Administrative Officer should:

1. Coordinate with County Counsel to design and implement templates to standardize the basic terms and conditions of grant agreements and ensure compliance with funding source requirements.
2. Design and implement Countywide policies and procedures regarding grant administration. These policies and procedures should cover the following:
 - a.) Scope and Applicability: Identify roles and responsibilities for grant management across the organization.
 - b.) Pre-Award Procedures: Outline the process for assessing and approving potential grant opportunities as well as assigning grant administrators based on expertise and experience. This assessment should include a risk assessment of the potential grantee considering financial stability, past performance, compliance history, and organizational capacity to manage the grant.
 - c.) Post-Award Management: 1.) Detail the processes for financial management, reporting, and performance monitoring. 2.) Include guidelines for managing subrecipients, if applicable, ensuring adherence to best practices such as those found in the Uniform Guidance.
 - d.) Compliance and Ethics: 1.) Incorporate provisions for maintaining ethical standards and avoiding conflicts of interest in grant administration. 2.) Define procedures for addressing non-compliance, including corrective actions and potential penalties.
 - e.) Monitoring and Evaluation: Include mechanisms for regular monitoring and evaluation of grant-funded programs to ensure they meet objectives and comply with laws and regulations.

Department Response to Audit Recommendations: Third-Party Risks – Grants and Contract Management Audit

February 26, 2025

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- f.) Training: Ensure the policy includes provisions for ongoing training and professional development in grant administration.
 - g.) Continuous Improvement: Periodically assess the effectiveness of the policies and procedures and adjust as necessary.
3. Develop and implement a comprehensive grant training program aimed at enhancing the knowledge and skills of grant administrators. This program should focus on ensuring adherence to grant requirements, best practices such as the Uniform Guidance, and other applicable regulations. The following key components should be considered as part of a grant training program:

Key Components of a Grant Training Program

- a.) Initial Training Program:
 - Grant Administration best practices
 - Grant lifecycle management, including application, implementation, reporting and closeout
 - Compliance with grant requirements
 - Internal controls and financial management
 - Monitoring of grant activities
- b.) Refresher Training: All grant administrators should be required to complete a periodic refresher course.
- c.) Resource Library: Develop a centralized online repository containing resources such as policy manuals, checklists, templates, current grant agreements and FAQs.
- d.) Tracking: Implement a system to track training completion and certifications to ensure that all grant administrators have completed the required training and refresher courses.

Action Plan: The Chief Administrative Office (CAO) agrees with the findings of the audit for the grants listed. As these grants were distributed in 2021 and 2022 prior to the current leadership's tenure, these same gaps were also identified by the CAO team and have since been addressed.

In June 2023, the Board of Supervisors revised Board Policies B-72 and B-58, which govern the respective grant programs of the Board [Community Enhancement (CE) and Neighborhood Reinvestment Program (NRP)] and realigned the administration to the Office of Economic Development and Government Affairs (EDGA). Those formal policy revisions were developed in consultation with County Counsel and include all of the components noted in part 2 of your recommendations. Pursuant to these policies, grants that are outside of the CE and NRP grants are also aligned with reference to the policies so that guidelines are in place for grant awards and monitoring. Going forward, third party grants will not be administered from the CAO's office, but rather will be the purview of EDGA in alignment with the policies.

Furthermore, in conjunction with those policies, EDGA has created and rolled out templates and a training in FY 23-24 on these policies available to all County departments, and have given the training to departments such as Behavioral Health Services and the Office of Equity and Racial Justice. As part of the continuous improvement efforts they will also begin holding "office hours" to assist departments beginning this fiscal year. Finally, this training has been seen as a best practice and EDGA has provided information to other counties and local cities looking to replicate the work.

Department Response to Audit Recommendations: Third-Party Risks – Grants and Contract Management Audit

February 26, 2025

Page 3 of 3

Planned Completion Date: Completed

Contact Information for Implementation: Matthew Parr, Director, Economic Development and Government Affairs

If you have any questions, please contact me at (619) 531-5880.

Sincerely,



CAROLINE SMITH

Assistant Chief Administrative Officer

c: Ebony N. Shelton, Chief Administrative Officer
 Matthew Parr, Director, Economic Development and Government Affairs