



Cobb County...Expect the Best!

INTERNAL AUDIT DIVISION

Report Number: 2013-009

***FINAL REPORT - Review of the Cobb County
Nonprofit Grant Program***

September 3, 2013

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COBB COUNTY INTERNAL AUDIT

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Division Manager

September 3, 2013

MEMORANDUM

TO: COUNTY MANAGER

FROM: Latona Thomas, CPA, Manager

SUBJECT: **FINAL REPORT** – Review of the Cobb County Nonprofit Grant Program

Attached for your review and comments is the subject audit report. The objective of our audit was to determine if controls are adequate to mitigate the inherent risks in the Cobb County (the County) Nonprofit Grant Program. We evaluated whether grant awards are being monitored properly, scoring of applications and awarding of funding is consistently applied using established criteria, and whether best practices by other entities (i.e. other counties, CDBG, Parks Grant Program) are appropriate for implementation in the Nonprofit Grant Program.

Impact on the Governance of the County

When addressed, the findings in this report will lessen the County's exposure to risks in the Nonprofit Grant Program. Through increased transparency and oversight, citizens can be more confident that their tax dollars are being spent to support nonprofits that are making a significant impact in the community.

Executive Summary

At the request of the Chairman and County Manager, we conducted a review of the Cobb County Nonprofit (CCNP) Grant Program. We discussed guidelines and procedures that govern the program with key officials in the County and the Cobb Community Collaborative (CCC) who administers the program on behalf of the County. We analyzed the grant process from availability notification, through the application submission and review, to the award and monitoring of expenditures. We discussed best practices with various internal and external resources. Based on our review, we determined that the CCC developed and implemented a comprehensive set of guidelines governing the application and award process. Generally, the Finance Department monitored the grant financial statuses and some industry best practices were implemented by CCC.

Our review identified three areas (Guidelines and Goals, Scoring and Awards, and Expenditure Monitoring) where the development and implementation of additional directives and best practices will reduce the level of inherent risk in the program.

Recommendations

We made several recommendations designed to:

- Develop additional guidelines to provide focus, transparency and structure to the program.
- Simplify and improve the application, scoring and award processes.
- Provide additional reports to monitor the status of funding and the impact of the program.
- Implement additional best practices to improve the effectiveness and efficiency of the program.

We also made two recommendations to the Finance Director/Comptroller to discontinue service and payment of an unused phone line for Legal Aid and provide instructions for the submission of adequate program expenditure receipts by grant recipients.

Response

The Cobb County Collaborative responded to recommendations two and six for which they have direct responsibility. They partially agreed with recommendation two which included suggestions to simplify and improve the application, scoring and award processes and fully agreed with recommendation six to reemphasize the need for timely submission of final request for reimbursement prior to the cut-off date. They also provided comments, where applicable, to the remaining eight recommendations that require County actions. Their full response is presented as Appendix VI.

The Finance Director/Comptroller agreed with recommendation three and four for which they have direct responsibility. Finance staff will meet with the County Attorney to discuss whether any reimbursement is due to Legal Aid for payment of the unused phone line and will develop standards for submitting adequate support (receipts) for requests for reimbursement. Finance's full response is presented as Appendix VIII.

The Chairman, Board of Commissioners requested additional time to consider the CCC input, conduct additional research, and discuss best practices options with subject matter professionals prior to developing a specific corrective action plan. He will provide his plan of action by December 31, 2013. We will perform our follow-up to all the recommendations after receipt of the Chairman's plan of action. The Chairman's full response is presented as Appendix VII.

Copies of this report are being sent to the CCC and County departments affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Barry Huff, Auditor-in-Charge, at (770) 528-2558.

Background

The Board of Commissioners allocate approximately \$1 million each year from the General Fund to subsidize a nonprofit grant program. The grant program is administered by the Cobb Community Collaborative (CCC), a nonprofit 501(c)3 organization which provides a broad-based focal point through which nonprofits, businesses, faith-based groups, and concerned citizens can collaborate as needs and challenges emerge. The work of CCC is accomplished through policy councils, committees, and task forces.

Our research indicates, in 1997, the Cobb County Board of Commissioners (BOC) empowered CCC to coordinate a team of community representatives to develop and oversee the nonprofit grant review process. CCC's Planning and Evaluation Committee¹ (P&E) currently oversees this process. Every two years, the committee solicits applications from nonprofits with 501(c)3 designations to request grant funding. Below is a synopsis of the application process:

- Nonprofits are notified of the grant program using the local newspaper and CCC website.
- Orientation is made available to interested agencies.
- Applications for funding are submitted by interested agencies.
- Volunteers are trained and provided written guidelines to evaluate the applications.
- Requests for funding are evaluated based on three areas with pre-assigned points: Program/Project Review (45), Organization Review (25) and Site Visits (30).
- Requests are divided into three priority/program areas: Basic Needs, Education/Employment, and Public Safety/Legal System/Crime Prevention.
- Agencies can apply for funding in one or more priority areas.
- Minimum funding request is \$10,000. There is no maximum request amount.
- Minimum score to qualify for funding is 80, but can be changed at the discretion of the Peer Evaluation Committee.
- Feedback on scoring is provided to the applicants.
- An appeal process is in place for disputed scoring.
- CCC Board and general membership vote on recommendations to BOC.
- BOC reviews and approves recommendations during biennial budget process.

The grant amount is awarded for two years, which corresponds with the County's biennial budgeting cycle; however, the BOC approves the funding on an annual basis. Applicants must sign contracts with the County to meet certain terms, including pledging to provide the services stipulated in their applications and maintaining accurate records of their expenditures.

In May of the grant year one, a mid-term report form is sent to all grant recipients for completion and in October, a final report form is sent. These progress reports are evaluated by CCC to monitor how grantees are proceeding in executing their programs and using the grant. No summary of these reports are forwarded to the County. Any negative findings indicated in the reports could affect an agency's funding. No grantee reports are required for year two. In June 2012, the Chairman requested and received a summary overview and status of the FY13-14 grant process. It is our understanding that any other communication is handled verbally.

¹ Includes interim Executive Director (part-time) and 15 volunteers.

Since 2004, over \$10 million has been allocated to the grant program. The amount of the yearly grants has dropped in recent years due to budgetary constraints countywide (See Table Below). Between 29 and 45 different agencies received funding during these years. However, review of grants for FY 2004 to FY2011 showed that four or five agencies are awarded approximately 50% of the total grant money each year. The disproportion in the funding distribution was attributable to these agencies' ability to service a larger number of clients.

**Cobb County Government
Nonprofit Grant Award Amounts**

FY	Actual Expenses
2004	\$1,113,324.84
2005	\$1,103,941.59
2006	\$1,108,114.11
2007	\$1,165,723.00
2008	\$1,132,557.20
2009	\$1,222,309.80
2010	\$1,200,673.33
2011	\$974,374.33
2012	\$945,503.86
Total	<u>\$9,966,522.06</u>

Table 1 – Source: The County's AMS Financial System.

Results of Review

Since 1997, the Cobb Community Collaborative (CCC) has provided oversight of Cobb County's Nonprofit Grant Program (CCNP). Instructions and guidelines for the submission and review of grant applications, and general grant award procedures were developed and implemented. Award expenditures were approved and monitored by the Finance Department and CCC required a midterm status report to monitor the agencies' progress in achieving the grant goals. However, there are improvements that can be made to the administration of the program to ensure the objective is met and risks associated with the activity are mitigated.

Improvements are Needed in the Administration of the Cobb County Nonprofit Grant Program

We noted improvements are needed to ensure:

- Guidelines are written to mitigate risks and achieve BOC strategic goals and operational objectives.
- Scoring and Awarding is simplified and more efficient.
- Monitoring of expenditures is appropriate.
- Additional Best Practices are considered and implemented.

Additional Program Guidelines and Goals are Needed

Guidelines were not adequate to ensure that potential risks (i.e. lack of transparency and perception of bias) inherent in the program were mitigated. BOC direction is needed to provide additional guidance in the following areas:

- Program direction/focus.
- Internal oversight responsibilities.
- Grant notification process.
- Citizen input.
- Compliance with Immigration Law.
- BOC Appeal procedures.
- Performance metrics.
- Record Retention procedures.
- CCC compensation.

CCNP Grant Program needs a clear focus

The BOC needs to give the CCC a clear focus on the intent/purpose of the grant funding. In determining the focus of the program, the BOC should consider the different methodologies of funding and provide direction to the CCC. A few areas for consideration are presented below.

- **Type of Grants**

Some grantors direct their giving to fund a particular cause or problem like homelessness or child abuse, awarding a targeted group of nonprofits over an extended time with the goal of making a transformative change. Other grantors support several agencies who qualify for funding based on established criteria. The goal is to provide support for nonprofits with different missions but provide a worthy service to the community.

The latter approach is the County's current methodology using the three priority areas of Basic Needs, Education/Employment and Public Safety/Legal System/Crime Prevention. BOC guidance and input is needed to ensure the priority areas are consistent with the County's strategic goals. The Citizen Oversight Committee² also recommended that agency evaluations be consistent with the County's strategic goals.

- **Program versus Administrative Expenditures**

Another area of consideration for the BOC is to determine if grants should be used for either programmatic³ or administrative⁴ operating expenditures. During our review, we determined that most requests were for administrative cost reimbursements such as salaries. Support for administrative expenditures usually requires the recipient to supply documentation (i.e. payroll records) that equal or exceed the amount of the grant award. Reimbursements for administrative expenditures are favored by the nonprofits because it makes the grant distribution less restrictive.

Requiring grant money to be applied toward programmatic expenses focuses the money to one or more programs or projects that the grantee is proposing. It requires more specific documentation be furnished to support the expenditures of the program.

Advantages to funding administrative services:

- Less paperwork for the County and Grant recipient and thus, reduces the cost to administer the grant.
- Lessens the County's concern on whether funding is sufficient to support a proposed program or project. A CCC representative stated that they did not want to fund a request at less than 50% because it may materially affect the agency's ability to deliver a program.

Advantages to funding programmatic services:

- Specific program or project impact can be measured.
- Reduces the risk of County funding being used to support activities not aligned to the County's mission.

BOC guidance is needed to ensure inconsistencies between grantees are eliminated during the application, scoring and monitoring process.

- **Direct Services**

The BOC should decide whether to limit funding to organizations that provide direct services only. Doing so would eliminate those organizations that solicit donations and subsequently grant money to other agencies which is essentially the same function as the CCC. In addition, the County does not have any control over where the money is directed once it is given to these types of agencies; and thus, puts the County at risk of indirectly supporting agencies that may not be aligned with the County mission or strategic goals.

² Final report dated February 28, 2012.

³ Expenditures related to the execution of a specific program or project.

⁴ Expenditures related to the cost of operating the nonprofit including salaries, fundraising, utilities, etc.

- **Grants to Controversial Agencies**

The BOC should give direction on what category of agencies, if any, they would not like to see supported by the program. This direction would reduce the risk of the County supporting agencies whose mission may be controversial and not widely supported by the community we serve.

- **Area of Distribution**

The BOC should consider whether funding should be allocated to agencies that service certain geographical areas of the County or continue to fund any qualified agency within the County, regardless of their service area. There could be justification for concentrating funding in a particular area to meet specific needs or address historically underserved areas.

Internal oversight responsibilities are needed

In order for the CCNP grant program to operate effectively, an internal department/agency should be designated to ensure program guidelines are developed and followed. They should also participate and oversee efforts of the CCC and report on program accomplishments. The BOC does not have the resources to administer the program; therefore, a department/agency should be responsible for overseeing the day-to-day operations of the program.

Sound management principles dictate that organizations appropriately assign authority and delegate responsibility to proper personnel to deal with organizational goals and objectives. Authority and responsibility should be clearly assigned and communicated, responsibility for decision-making should be clearly linked to the assignment of authority, and management should have effective procedures to monitor results.⁵

Notification Process should be improved

Although the CCC notifies the public of the grant program using the Marietta Daily Journal, postings on its website, and email and calls to its members, notification should be expanded to include the County's website, Commissioner town hall meetings and other communications with the public. The BOC should also consider highlighting the program's service impact during their meetings and other interactions. Expanding the notification of the program enhances its transparency and helps ensure that all qualified nonprofits are informed.

Citizen Input should be solicited

In order to make the grant process more transparent, input from the citizens should be requested. Input could be solicited during Commissioner town hall meetings and other communiqué with their constituents. In addition, the listing of nonprofits recommended for funding should be included in the detailed presentation at proposed budget hearings for public review and comment. Providing citizens the opportunity to provide input makes the award process more open and transparent and lessens the perception of political influence in the process.

⁵ GAO, United States General Accounting Office, Internal Control Standards, August 2001 Internal Control Management and Evaluation Tool.

Compliance to Immigration Law needs clarification

During our preliminary survey, we determined that the Finance Department Grant Accountant is responsible for obtaining a signed affidavit from the head of each nonprofit, attesting that they are a legal resident of the United States. This procedure was put in place this budget cycle to comply with the new law⁶ designed to prevent federal, state or local public benefits from being distributed to persons who are illegally in the country.

Our layman's interpretation of the law indicates the County is in compliance in that they require the applicant for grant funding to sign the affidavit. We question whether the law is clear as it is being carried out. The signing of the affidavit, by the executive, only confirms that the executive is legally in the country, it does not require that they affirm to not distribute benefits, derived from our grant, to illegal aliens. Although this is a legislative issue, we believe the BOC should take this into consideration in their deliberation on whether public funds should be given to nonprofit agencies who cannot attest that the funding will not be distributed to persons who are not legally in the country, unless within the exceptions allowed by the law. The ambiguity of the law's intent could provide a debatable point for those who question whether public funds should be given to nonprofits.

Written BOC Appeal Procedures are needed

Historically, the BOC has awarded money to nonprofits who have appealed directly to the BOC for reconsideration of funding when they did not receive funding through the CCNP grant program. If this process will continue in the future, it should be documented as part of the program guidelines. All agencies that are denied funding through the grant process should be informed of the additional appeal provision.

Performance Metrics are needed

Performance measurement is the ongoing monitoring and reporting of program accomplishments, particularly progress towards pre-established goals. A 'program' may be any activity, project, function, or policy that has an identifiable purpose or set of objectives.

In order to determine the effectiveness of the CCNP, the BOC should require the CCC to provide a periodic report of the overall impact of grant money within the community. CCC should develop a set of performance metrics to measure the success of the program.

Record Retention Procedures should be followed

During our audit, we determined that records from prior budget cycles were not retained by CCC and they were unaware of the County's record retention policy. Since CCC is functioning as an administrator of the County's program, they should be required to adhere to the record retention policy as other departments.

There is no specific retention schedule for the documents they accumulate, but they could be categorized under the general category of Administration General or Fiscal Correspondence which requires five-year retention. The BOC should require that CCC adhere to our retention policy and submit their records for storage using our established procedures.

⁶ The Illegal Immigration Reform and Enforcement Act of 2011.

Guidelines for CCC compensation needs to be developed

The fee that CCC charges the County for administering the program is allocated from the available grant funding. We were not given any documentation to support how the fee is calculated, but an exhibit of a CCC agreement indicated that the funding includes CCNP administrative services and two additional services. The BOC should include in the CCC service agreement, a requirement to explain the methodology used to determine the cost of the services they provide.

Generally, accepted management principles dictate that appropriate policies, procedures, techniques, and mechanisms exist with respect to each activity. All relevant objectives and associated risks should be identified in conjunction with conducting the risk assessment and analysis function. Management should identify the actions and control activities needed to address the risks and direct their implementation. The development of adequate guidelines and procedures will ensure the objectives of the CCNP grant program are met and help mitigate the risks associated with the activity.

Recommendation

The Board of Commissioners should:

Recommendation 1: Develop additional written guidelines and procedures for the Nonprofit Grant Program. These guidelines should include, but not be limited to:

- Develop a clear focus for the program.
- The establishment of an internal department responsible for the oversight of the grant program.
- Procedures to increase the transparency and knowledge of the program through County media and Commissioner meetings.
- Listing the grant recommendations in the detailed presentation at proposed budget hearings for public review and comment.
- Instructions on how to comply with the Illegal Immigration Reform and Enforcement Act of 2011.
- Procedures on the direct-to-BOC appeal process.
- A set of performance metrics to monitor the success of the program.
- Requirement to adhere to retention guidelines.
- Procedures on the relationship with the CCC and how they receive their compensation.

CCC Response: The Collaborative concurs with all items under Recommendation 1, with the following comments:

1.f. There are currently written procedures for agencies to appeal to the Collaborative on scoring and funding recommendations. All appeals are carefully reviewed by a committee. There are no written procedures for agencies to appeal to the BOC when resolution cannot be reached with the Collaborative. The Collaborative concurs that written appeal procedures to the BOC are needed.

1.g. The Collaborative concurs there is a need for performance metrics to measure the impact of the overall non-profit grant funded activities in addressing the human service needs of the County.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

The Scoring and Award Process Needs Improvement

Generally, the scoring of applications and awarding of funds was consistently applied using established criteria. The application for funding captured essential information used in the rating process; the applications were scored by three-member peer review teams using established rating criteria; a formal appeal process was utilized if applicants wanted their scoring to be reconsidered; and, although it should be simplified, an award process was in place to determine which agencies received funding and at what amount.

Application Process

Streamlined application is needed

We randomly selected a sample of 20 agencies (10 agencies awarded grants and 10 agencies not awarded grants) who applied for funding during the FY2013/14 award cycle. We reviewed the rating sheets⁷ and peer review team scores for each agency. We also compared the grant application to the three rating sheets to identify any information not utilized during the scoring process and thus could be discontinued.

Most of the information requested in the application was utilized in the rating process. There was additional information requested not utilized in the award process, but was used to determine if the applicant met the minimum qualifying criteria.⁸ We discussed this matter with CCC staff and were informed the application was already in the process of being streamlined. Extraneous information is either being eliminated or requested with the status reports. We have not reviewed a copy of the revised application and thus are unable to provide any assurance on its effectiveness.

When we compared the rating form questions, we determined that four of the six (67%) rating criteria on the site evaluation rating form were the same or similar rating criteria used on the program or organization rating form. See Table 2 on the next page.

⁷ Organization Rating Criteria Form, Program/Project Rating Criteria Form, and Site Evaluation Rating Form.

⁸Minimum qualifying criteria: project in one of three priority areas; funds used in Cobb County; complete application.

Comparison of Rating Criteria On-Site and Application Rating Forms

Site Evaluation Rating Form	Program/Project Rating Criteria Form	Organization Rating Criteria Form
Q2- Demonstrated funds used for Cobb County residents only.	Q2- Clearly describes the target population...Service area location within the County.	n/a
Q3- Clearly communicates how they are going to provide services/program.	Q3- Describes a project/ service/program. States how funds will be used.	n/a
Q4- Clearly communicates how they track outcomes/indicators.	Q7-Lists the outcomes they plan to achieve which are a measurable change.	n/a
Q6- Board routinely reviews financial statements.	n/a	Q3-Has a Board that meets and provides financial oversight.

Table 2 - Source: Instruction Guide, Cobb County Non-Profit Grant, FY2013 and FY2014.

Eliminating or combining duplicate rating criteria will produce a streamlined, more effective application process. In addition, site visit evaluation criteria should be limited to the physical observation and confirmation of information provided in the agency's application.

Better Use of Financial Data is Needed

In addition, the evaluation of applicant budgetary, statistical and financial information is not effective. A significant amount of budgetary, statistical and financial information is requested in the CCNP application, but the rating criteria is based solely on the applicant's submission of complete and accurate information, including any explanations of variances. There is no reference in the application, instructions, or on the rating forms to indicate how this information is used to determine the applicant's financial management practices or overall financial stability. Simply completing an application does not provide any assurance of sound financial management practices. Additional analyses are needed to ensure requested information is effectively used for rating.

Scoring Process

Variability of using different peer review teams/anonymity

We also noted some inconsistency in the ratings given for outcome measures. Some agencies were penalized for not presenting the outcomes as required by the instructions, while others were not. This could be an area that needs attention during peer team training, or it could just be a difference due to the subjectivity in the process. Having one group perform all the evaluations could help ensure that all agencies are evaluated using the same interpretation of the evaluative criteria and may ensure more uniform scoring. The utilization of one evaluation committee or group is the standard practice within the County and is a common practice among other granting agencies.

Explanation for lower than maximum rating

The CCNP rating sheets include sections where peer review team members are to list any observations and explanations for point deductions on any criterion; however, we found that when the applicant's final score is communicated, a summary of why points were deducted is not included. Several requests were made for this information during applicant appeals for the FY2013/14 process. Including a summary of deductions in the score notification may reduce the number of appeals received.

Award Process

Funding Methodology

Agencies applied for funding in any of the three priority categories⁹ established by the CCC P&E Committee. Forty-five agencies submitted applications, 26 were awarded funding, and five agencies received funding in two categories. After the scoring of the applications and the appeal process is completed, the agencies were grouped by the priority categories for which they applied and then sorted by the rating score. A group comprised of peer team captains, agency board members and CCC staff considered three possible funding scenarios in order to determine which agencies would receive funding. According to CCC staff, the methodology selected would ensure more applicants are funded, but the process used to award funding, in our opinion, is too complicated and needs to be reevaluated.

Each priority category received a pool of funding from the total available for distribution. This pool was calculated by determining the amount of funding requested by the agencies in each category that met or exceeded the middle¹⁰ score and dividing that amount by the total amount available for distribution. The percentage of requested funding for each pool was applied to the available funds to determine the funds available for that pool. Funding for each pool was determined using this methodology.

The amount of funding each agency received would be a percentage of what they requested. Each score was assigned a percentage used to calculate the award amount for the agency that received the score. The highest score was assigned the highest percentage; the next score down was assigned a lower percentage and so on down to 50%. CCC did not want to fund any agency below the 50% level. We could not determine how CCC determined what the highest percentage would be, nor the incremental differences between the scores. We also could not determine why, although there was a standard increment between the percentages, the incremental differences in the score were not the same. For instance, the table below reflects the scores and percentages assigned for the 'Basic Needs' priority category where an increment of 10 between the percentages was used.

⁹ 'Basic Needs', 'Education/Employment' and 'Public Safety/Legal System/Crime Prevention'. According to CCC, these categories were discussed with the Chairman and approved by the CCC Board.

¹⁰ When each qualified applicant was ranked according to score, the middle score was the score half of the agencies received or exceeded.

‘Basic Needs’ Priority Category Scoring Matrix

Scores	Percentage
100	92
96	82
95	72
94	62
93	51.27

Table 3 - Source: Lee Freeman, Interim Director CCC, EXCEL spreadsheet used to analyze scoring.

As reflected above, the 10-point increment between the percentages used does not correspond with the incremental difference in the scores. We received an extensive explanation of the award process from the Interim Director, but not an explanation of why the initial percentage started at 92%. In addition, the spreadsheet used to facilitate the award process did not have a formula that showed us how the amount was calculated. The last percentage of 51.27% was calculated by determining the remaining amount available for funding and setting the percentage accordingly to distribute the remaining amount.

The remaining two categories were computed in the same manner; however, different increments were used between the percentages assigned to the scores received by the agencies. Again, we do not know how these percentages, nor how the increment between the percentages was determined.

The process used to analyze the amount for the award should be simplified and based on less subjective criteria.

Minimum cut-off score

CCNP funding and guideline requirements indicate that each applicant must have a combined review score of at least 80 points on a 100-point scale (70 for application review and 30 for site evaluation). The requirements also indicate that this minimum cut-off score may be adjusted based on the availability of funds and number of applicants. We found that complex algorithms with subjective criteria were utilized to select the cut-off score for each priority category and the amount of funding to be awarded to each agency at or above the cut-off score. The initial cut-off score was 80, but in the recent award cycle, the score was moved up to 93 in the ‘Basic Needs’ category, 93 in ‘Education,’ and 97 in the ‘Public Safety’ category. Raising the score eliminated 13 requests for funding from agencies whose scores exceeded 80 points -- seven of the 13 scored 90 or greater.

Raising the cut-off to higher levels reduces the number of agencies that can be included in the award pool; but it also narrows the qualification window and makes the reward of a few points too critical to the selection process. Since the grant program utilizes public funds, we believe any agency who demonstrates, through the application process, that they are a viable and responsible agency that serves the needs of the community, should receive funding. A reasonable cut-off score should be established and any agency above that score should receive funding.

We recognize that there are several justifiable ways to determine what agencies should be awarded funding. However, since a scoring system is used to evaluate and identify qualified nonprofits, using a lower cut-off score will include more qualified agencies in the grant process and help eliminate any perception of unfairness.

Recommendation

The CCC (in collaboration with the County) should:

Recommendation 2: Incorporate the following changes into the application, scoring, and award process of the Nonprofit Grant Program:

- Continue to analyze data requested in the application and eliminate extraneous requests for data.
- Streamline the application review process by eliminating duplicate evaluation criteria and consider limiting site visits and the information gathered.
- Develop methods to use financial data received to analyze the financial stability of agencies. Consider using tools like financial ratios or financial analysis products like Guidestar's online financial analysis.¹¹
- Change the team peer review methodology and use one team to analyze all applications.
- Include persons, other than nonprofit representatives, on the review team. Reference the County's current request for proposal structure as a basis.
- Determine if additional training is needed to effectively analyze outcome measures.
- Provide a justification summary for scores lower than the maximum when providing feedback to all applicants.
- After receiving direction from the BOC, reassess the award process to determine if it can be simplified and less subjective. Consider using the technique of establishing a reasonable cut-off score and award all agencies who receive that score or higher.

¹¹ Financial SCANSM goes beyond IRS Form 990 data to create comprehensive, standardized analyses of nonprofits' financial health.

CCC Response: The Collaborative concurs with all items under Recommendation 2, with the following exceptions/comments:

2.b. The Collaborative agrees with streamlining and eliminating duplicate evaluation criteria. Part of each grant cycle includes review and revision of the application and processes. The CCNP Grant Process Committee began the most recent process of revising application materials in the fall of 2012 and streamlined the document significantly. We disagree with limiting site visits as we feel they are an important tool to verify an organization's viability and capacity to produce promised results.

2.c. The Collaborative has provided basic financial review. Applicants are required to provide an audit or financial review, operating budget, and a detailed description of how the requested funding is to be used. Detailed analysis of an organization's financial stability would require additional resources for the Collaborative.

2.d. The Collaborative disagrees with the recommendation of using one team to analyze all applications. The Collaborative was originally started to provide a peer review process among nonprofits to recommend and monitor grant funds. As an organization with representation from a broad range of community organizations and stakeholders, the CCC and its membership provide the expertise and knowledge of our community needs necessary to ensure the best use of County funds in meeting the human service needs. The peer review process creates synergy and builds partnerships, collaborative opportunities, and increases the capacity of the nonprofit providers. Although the draft report states on page 9 it is common practice among granting agencies to use one evaluation committee, please note it is also common practice for many granting agencies to use multiple evaluation teams.

2.e. The Collaborative has always been open to including people with a background in business, finance, or grants management. Those with a nonprofit background have a unique understanding of opportunities, challenges, and services provided by non-profits and the impact they have on the community. The peer review teams have always included representatives who are not grant recipients and do not represent a non-profit organization.

2.g. The Collaborative agrees with providing a summary for scores lower than the maximum when providing feedback to all applicants. The peer review training includes explicit instructions that all reviews explain the reason for scores lower than the maximum.

2.h. The Collaborative disagrees with awarding funding to all agencies who receive a **predetermined** minimum score because it does not reward excellence and is inconsistent with best practices. It has been the Collaborative's practice to establish a minimum score for funding **after** all scores have been compiled. Dividing the pool of available funding among a larger number of organizations results in small awards which may limit an organization's ability to provide services that will truly meet the needs of the community. The Collaborative is very much aware of the need to balance the distribution of these grant funds so they have a significant impact on community needs with funding as many nonprofits as possible.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

Monitoring of Expenditures Needs Improvement

We randomly selected 15 of the 38 agencies awarded grant money in cycle FY2011/2012 and obtained the reimbursement requests. We discussed the review and approval process of expenditures submitted by agencies awarded funding. We then reviewed the documentation submitted to determine if the expenditures were properly monitored and whether final requests for reimbursement were submitted timely.

Our analysis showed that the Finance Department Grant Accountant had a file for each of the grant recipients. In the file was a copy of the application, the grant contract and supporting documentation for requests for reimbursement. The expenditures were properly monitored prior to payment, except for the three instances discussed below. In addition, all recipients spent 100% of their grant amount except for the Atlanta Legal Aid agency.

Status Reports

We reviewed the mid-year and annual status reports for the 15 agencies identified in the sample and determined that CCC used a checklist to ensure consistency in the evaluative criteria. The reports were submitted timely and indicated that grant money was spent according to the proposal in the agency's application or the agency provided an explanation for any changes.

We also noted the County was not informed of the results of the CCC reviews, no financial reporting was submitted or reviewed other than whether the agency received all their funding, and no status reports were submitted for the second year of the award cycle.

Although CCC provides the County with a report at the end of the award budget cycle detailing the results of the grant process, they do not provide the County with the results of the periodic review of the status reports. Forwarding a summary of the review to the County would give them an additional tool to monitor the program and determine whether the agencies awarded money are abiding by the commitment they made on how they would use the money.

Review of financial information may help identify agencies in financial trouble. The Interim Director stated that there have only been two instances she can remember, where the results of the status resulted in a significant action taken. In both instances, the agency went out of business. Review of financial information to make an assessment of the financial stability of the agency could have an impact on whether an agency receives additional funding.

Receiving a status report after the second year of funding will help ensure the agency adhered to their commitment and could provide information that affects future funding.

Legal Aid Phone Bill

The Atlanta Legal Aid Society, Inc. (Cobb Location) had a special arrangement with the County where the County provided their phone service. The phone expenses are included and paid with the County's phone bill each month but are expensed to Legal Aid and charged against their grant award. We spoke with various County personnel and could not locate any such agreement. Subsequent to the issuance of our draft report, Legal Aid provided correspondence of their October 2011 notification to the County of their intent to discontinue this arrangement. The FY2012 grant award contract included a \$2,100 allocation to phone expenses, along with a note that any unused amounts would be transferred to the salary line item. Per Legal Aid's correspondence, they migrated to a new phone system on December 21, 2011; however, we were unable to locate any evidence of the final notification to discontinue using the County service.

The Grant Accountant continued to process Legal Aid's reimbursement requests for salary amounts only. Monthly phone expenditures totaling \$2,085 were charged against Legal Aid's grant award for the entire FY2012 period.

If the County had discontinued the phone service in December 2011, there would have been 9 months (January through September 2012) of unused phone service. This amount (approximately \$1,866¹²) would have been available for Legal Aid's use under the salary line item. The County needs to research and discontinue the Legal Aid phone service line immediately. As a result of not discontinuing the service timely, the County has paid \$5,241 for the unused service over the last 17 months.¹³ Additional discussions between the County and Legal Aid are needed to determine if any amounts are due to Legal Aid.

Consistent Documentation Required for Reimbursement

Although the Grant Accountant stated that she compares items in the request for reimbursement to the stated use of funds in the contract budget and verifies that expenditures are within the award fiscal year, we noted that, in two of the 15 agencies reviewed, the support provided should have been questioned and one request submitted past the cut-off date should not have been processed.

In the two cases with questionable documentation, the agencies did not provide copies of the receipts for expenditures to administer their programs; rather, they provided a self-prepared invoice or listing of participants as justification to support program costs. In the remaining case, the documentation supplied to justify the final reimbursement was presented 21 days after the October 7th cut-off date. All requests for reimbursement not received by the cut-off date are supposed to be forfeited by the agency. The Grant Accountant stated that she paid the late invoice because historically, they processed the reimbursement if it is received in time for year-end processing.

The review performed by the Grant Accountant is the only control to ensure the County only reimburses the nonprofit agencies for expenditures that have been approved in their contract. If the Accountant does not require proper documentation to support the requests for reimbursement, the County can pay for expenses not authorized per the contract with the nonprofit. The County paid \$23,422 in requested reimbursements that were not adequately supported by documentation. Although the late request was received in time for processing before year's end, submitting untimely requests for reimbursement may result in the agency losing their available funding.

Recommendations

The Finance Director/Comptroller should:

Recommendation 3: Direct Information Services staff to discontinue the Legal Aid phone service and discontinue payment of the bill. Also, discuss with the County Attorney's Office and Legal Aid whether Legal Aid is due any additional reimbursements.

¹² Total of phone bills paid from January 1, 2012 to September 30, 2012.

¹³ January 2012 through May 2013.

CCC Response: Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

County Response:

The Finance Department concurs with this recommendation. Finance Department Staff will arrange a meeting with the County Attorney's Office by September 27, 2013 to discuss the contract between Cobb County and Legal Aid to determine if any remaining reimbursements are due to Legal Aid.

Recommendation 4: Provide instructions to the Grant Accountant to require agencies to provide adequate receipts of program expenditures to justify and support requests for reimbursement.

CCC Response: Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

County Response:

The Finance Department concurs with the recommendation to provide insertions to the Grant Accountant that will require agencies to provide adequate receipts of program expenditures to justify and support requests for reimbursements. The Finance Department will implement this procedure by creating guidelines in the form of a handbook for nonprofit recipients that will establish proper standards for submitting requests for reimbursements. The Finance Department will implement this procedure prior to finalizing contracts with nonprofits in October of 2013. The Finance Department will require the nonprofit to review the handbook and sign a form stating they have read the handbook and understand what is required for submission for reimbursement requests.

The County Manager should:

Recommendation 5: Direct an audit of the County's phone bill to ensure the County is only billed for services used.

CCC Response: Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

County Response: The County Manager directed and Internal Audit has initiated a review of the telecommunications expenditures in the County.

The CCC should:

Recommendation 6: During training/orientation of nonprofits, reemphasize the need for timely submission of their final request for reimbursement prior to the cut-off date.

CCC Response: The Collaborative concurs with this recommendation. This best practice is already in place and is stated in the instruction guide as follows: *"Please note that all final invoices should be received preferably before September 30, 2013 but no later than October 4, 2013. Agencies will forfeit all funds that are not expensed or requested by this date. Any unused funds will not roll forward to the next year."*

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

The Board of Commissioners should:

Recommendation 7: Require the CCC to provide the BOC with a summary review of all status reports.

CCC Response: The Collaborative concurs with this recommendation.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

Recommendation 8: Require CCC to review financial documentation along with the yearly status reports.

CCC Response: As part of the grant application, applicants are required to provide an audit or financial review, operating budget, and a detailed description of how the requested funding is to be used. Therefore, the Collaborative disagrees with the need to collect yearly detailed analysis of an organization's financial stability with the status reports. We feel it is best to request a budget that shows income/revenue and expenses for the project/program/services. A yearly detailed analysis of an organization's financial stability would require additional resources for the Collaborative.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

Recommendation 9: Require CCC obtain a status report after the second year of the award cycle.

CCC Response: The Collaborative concurs with this recommendation and has already initiated it for the current 2013-2014 grant cycle.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

Implement Best Practices

Effective administration and oversight of the County's Nonprofit Grant Program should include the implementation of industry best practices in each stage of the process. We researched the best practices used by a variety of resources to determine if any could be used to increase the County's current effectiveness. Resources used included, but were not limited to, the County's Housing and Urban Development (HUD) grant programs, Metro-Atlanta counties, other governments whose size and operations are similar to the County, and organizations that provide grant funding to nonprofit organizations. We were unable to locate any similar programs at surrounding Metro-Atlanta counties, but we did identify other internal and external resources whose mission is similar to the CCNP grant program. These resources used similar procedures to screen applicants and award grant funding to nonprofits, but there were some differences in the practices used in these organizations that should be considered for implementation in the CCNP grant program.

- There is a clear focus – increasing the effectiveness of nonprofits. This focus helped in selecting agencies for grants and also required recipients to identify two areas where improvement in operational effectiveness could be made. The recipients had to provide a report at 12-month intervals to comment on progress and challenges to achieving this improvement.
- Grant is limited to 10% of prior year expenses,¹⁴ up to a maximum of \$75K. A similar limit on funding would reduce nonprofits' dependence on County funding and make available additional money for distribution.
- Funding is offered for general operational support. It eliminates the need for an agency to supply support for program-specific expenditures. Money has unrestricted use. Monitoring of grant expenditures is simplified.
- Notification of funding could include public comment. The funding recommendations for CDBG are published at a public meeting to receive comments on the recommendations. Using this method would make the CCNP program more transparent and allow for public comment.
- Minimum eligibility criteria are used. Current requirements could be expanded to eliminate the need to evaluate applications that do not meet the minimum established criteria. The CCNP currently requires that applicants provide services to only County residents, submit funding requests within one or more of the priority areas, and apply for a minimum of \$10,000 funding. Other practices that could be considered are:
 - Annual operating expenses must be at least \$100,000.
 - Must have at least one full-time employee working 2,080 hours.
 - Must have a minimum number of years operating history.
 - Must be classified as an IRS 501(c)3 nonprofit tax-exempt organization.
- Explore the use of an electronic application process. This could reduce the manual processes currently employed by CCC and make record retention requirements easier to manage and monitor.

¹⁴ Additional consideration should include whether the expense amount referenced should be limited to Cobb County programs only or organization-wide.

- IRS compliance is monitored. Most organizations exempt from income tax under section 501(a) must file an annual information return (Form 990 or 990-EZ) or submit an annual electronic notice (Form 990-N), depending upon the organization's gross receipts¹⁵ and total assets.¹⁶

IRS Requirement for Filing Form 990

IRS Form Required	Requirement
Form 990-N	Organizations with annual gross receipts of \$50,000 or less
Form 990-EZ	Organizations with gross receipts less than \$200,000 and total assets at the end of the year less than \$500,000
Form 990	Organizations exempt from income tax under section 501(a) if it has either gross receipts greater than or equal to \$200,000 or total assets greater than or equal to \$500,000 at the end of the tax year

Table 4 - Source: www.irs.gov.

Recommendation

The Board of Commissioners should:

Recommendation 10: Consider other best practices in the grant program that would make it more efficient and effective.

CCC Response: The Collaborative agrees to explore other best practices in grant programs from other sources; however, the Collaborative disagrees with some of the examples listed for consideration on page 15 of the June 4, 2013 draft report under the category “Implement Best Practices.”

10.a. It is outside the scope of this grant to require agencies to identify two areas of improvement of organizational efficiency. It increases the potential for negative impact on providing services.

10.b. The Collaborative disagrees with limiting grants to 10% of prior year’s expenses and a maximum grant award of \$75,000. Funding should be based on the merit of the application and the funding request. Tying a grant award to prior years or limiting the maximum amount limits the effectiveness of service delivery.

10.c. The Collaborative disagrees with limiting funding to general operational support. The Collaborative recommends that funding remain flexible and available for general operational and/or program specific support.

¹⁵ Gross receipts are the total amounts the organization received from all sources during its annual accounting period, without subtracting any costs or expenses.

¹⁶ Total assets are the amounts reported by the organization on its balance sheet as of the end of the year, without reduction for liabilities.

10.d. The Collaborative concurs with this consideration.

10.e. The Collaborative agrees with the following practices:

- Annual operating expense of a minimum amount
- Minimum number of years of operating history
- All applicants must be 501(c)3 organizations (current requirement)

The Collaborative disagrees with requiring one full-time employee working 2,080 hours per year. Some small nonprofits with part-time employees may be very effective in meeting the needs of the community.

10.f. The Collaborative concurs with this consideration.

County Response:

The BOC Chairman has requested additional time to respond to this recommendation and will provide a plan of action by December 31, 2013.

Detailed Objectives, Scope, and Methodology

The objective of our audit was to determine if controls are adequate to mitigate the inherent risks in the Cobb County Nonprofit Grant Program. We evaluated whether grant awards were monitored properly, scoring of applications and awarding of funding was consistently applied using established criteria, and whether best practices by other entities were appropriate for implementation in the nonprofit grant program.

The preliminary survey resulted in sufficient evidence to render findings/recommendations. In order to satisfy the remaining areas of our overall objective, we performed the following sub-objectives:

I. Determined if the expenditures of the grant program were monitored properly.

A. Randomly selected 15 of the 38 agencies awarded grant money in cycle FY2011/2012.

B. In Finance, obtained the requests for reimbursement of expenditures for the agencies selected.

1. Discussed the review and approval process for the expenditures.
2. Reviewed the documentation submitted to support the requests.
3. Determined whether final reimbursements were submitted timely and paid within the current fiscal year.

C. Evaluated the review process of the Grant Adjustment request.

1. Discussed with the CCC Director the process of reviewing a Grant Adjustment form.
2. Determined if the County is informed and approves all adjustments to initial grant awards.

D. At CCC, obtained the mid-year and final status reports submitted for cycle FY2011/12.

1. Using the 15 agencies selected in audit step I.A, reviewed the reports for indication that the grant money was spent as proposed.
2. Discussed whether the County was apprised of the results of the reports review by CCC.
3. Determined if the reports were submitted timely.
4. Discussed how the reports are reviewed and whether financial reporting is reviewed.
5. Determined if there are any reports submitted for the second year of funding.

II. Determined if scoring of applications and awarding of funding was consistently applied using established criteria.

A. Selected a sample of 10 agencies awarded grants and 10 agencies not awarded grants from the FY2013/14 award cycle.

B. Reviewed the scoring of the applications by the screening team.

1. Determined if scoring process is consistently applied.

C. Reviewed the grant application and determined if there was any information requested that is not used for the rating or other program purposes.

1. Compared the three rating forms (organization, program/project and site evaluations) to the application.

2. Identified any information not utilized in the rating process and determine its program purpose.

D. Determined if there is a formal appeal process and the applicants were aware of it.

1. Discussed with the CCC Director of whether there is an appeal process in place for those applicants who do not agree with their rating.

2. Evaluated the actions taken by CCC for any appeal made.

a) Reviewed documentation of appeals made during the FY 2012/13 award cycle.

3. Reviewed any additional awards given because of an appeal.

E. Reviewed the award process for consistency and whether the process is logical.

1. Reviewed the current cycle's award process.

2. Traced the sample of 20 cases, selected in audit step II.A above, through the award process.

III. Determined if there were any best practices that could be included in the grant program.

A. Contacted the administrator over the CDBG program to discuss procedures for monitoring expenditures and qualifying/selecting recipients for grant awards.

B. Researched neighboring counties to determine if they have grant programs and procedures for awarding and monitoring grants.

C. Contacted other agencies to discuss their processes for granting money to nonprofit organizations.

Abbreviations and Glossary

ACF	Atlanta Community Foundation
CCC	Cobb Community Collaborative
CCNP	Cobb County Nonprofit Grant Program
CDBG	Community Development Block Grant
IRS	Internal Revenue Service

Major Contributors to the Report

Latona Thomas, CPA, Internal Audit Division Manager
Barry G. Huff, Auditor-in-Charge

Final Report Distribution List

Tim Lee, Chairman, Cobb County Board of Commissioners
Lee Freeman, Interim Executive Director, Cobb Community Collaborative
Jim Pehrson, CPA, Finance Director/Comptroller
Deborah Dance, County Attorney
Michael Hughes, Economic Development Director
Cobb County Audit Committee
Internal Audit Division File

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective action(s) will have on County governance. This benefit will be incorporated into our annual report to the BOC, Audit Committee and County Manager.

Type and Value of Outcome Measure:

- Cost Savings – Actual; \$306 in unpaid phone bill for Legal Aid. (See page 14-15).
- Cost Savings – Potential \$1,989.

Methodology Used to Measure the Reported Benefit:

We extracted from Advantage Financial the expenditures paid for FY2013 for Legal Aid's telephone bills. The average monthly bill was calculated as \$153. The actual savings was calculated from the two months (July, August) of bills not paid after notifying Information Services that the phone line was no longer being used. The potential savings is the amount the County will not be paying for the unused phone line over a 13 month period (September 2013 – September 2014).

Type and Value of Outcome Measure:

- Reliability of Information – Potential; Accountability of approximately \$1.1 Million in grant money is strengthened by implementing better review procedures for substantiation submitted to support requests for reimbursement. (See pages 14-15).

Methodology Used to Measure the Reported Benefit:

We extracted from Advantage Financial the amounts allocated for the CCNP grant program for FY2004 to FY2012. The average amount granted over this period was \$1.1 Million.

Cobb Community Collaborative Response



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(o) 770.514.7213 (f) 770.423.2234
www.cobbcollaborative.org

DATE: June 12, 2013
TO: Latona Thomas, CPA, Manager, Internal Audit
FROM: Lee Freeman-Smith, Interim Director, Cobb Community Collaborative
SUBJECT: Response to the Internal Audit Division's Draft Report – Review of Cobb County Nonprofit Grant Program

This memo is in response to the subject report dated June 4, 2013. The Cobb Community Collaborative (CCC) has provided oversight of Cobb County's Nonprofit Grant Program (CCNP) since 1997. The Collaborative was originally started to provide a peer review process among nonprofits to recommend and monitor grant funds. As an organization with representation from a broad range of community organizations and stakeholders, the CCC and its membership provide the expertise and knowledge of our community needs necessary to ensure the best use of county funds in meeting the human service needs. The CCC formed the Planning and Evaluation Committee (now known as the Cobb County Nonprofit Grant Process Committee) to help facilitate the entire grant process. Instructions and guidelines for the submission and review of grant applications, and general grant award procedures were developed and implemented. Funding recommendations are forwarded to the Board of Commissioners for approval. Award expenditures are approved and monitored by the Cobb County Finance Department. CCC requires a midterm status report to monitor the agencies' progress in achieving their grant outcomes. During the 2012-2013 grant cycle, a final report was required of all grant recipients. The Cobb County Internal Audit Department has suggested changes that can be made to the program to continue to ensure the objectives of the program are met and any potential risks associated with the activity are mitigated.

The Collaborative would also wish to offer clarification/comment on some of the statements made in this draft report. Please see page 7 of our response.

Our responses to your recommendations are provided below. Please note, due to the timing of the next grant cycle and the on-going work of the committee to update the process and materials for the next cycle, we respectfully bring to your attention the time sensitive nature of direction from the Board of Commissioners in regards to the recommendations.

The Board of Commissioners should:

Recommendation 1: Develop additional written guidelines and procedures for the Nonprofit Grant Program. These guidelines should include, but not be limited to:

- a) Develop a clear focus for the program.
- b) The establishment of an internal department responsible for the oversight of the grant program.
- c) Procedures to increase the transparency and knowledge of the program through County media and Commissioner meetings.
- d) Listing the grant recommendations in the detailed presentation at proposed budget hearings for public review and comment.
- e) Instructions on how to comply with the Illegal Immigration Reform and Enforcement Act of 2011.
- f) Procedures on the direct-to-BOC appeal process.
- g) A set of performance metrics to monitor the success of the program.
- h) Requirement to adhere to retention guidelines.
- i) Procedures on the relationship with the CCC and how they receive their compensation.

Response:

The Collaborative concurs with all items under recommendation 1, with the following comments:

1.f. There are currently written procedures for agencies to appeal to the Collaborative on scoring and funding recommendations. All appeals are carefully reviewed by a committee. There are no written procedures for agencies to appeal to the BOC when resolution cannot be reached with the Collaborative. The Collaborative concurs that written appeal procedures to the BOC are needed.

1.g. The Collaborative concurs there is a need for performance metrics to measure the impact of the overall non-profit grant funded activities in addressing the human service needs of the county.

The CCC (in collaboration with the County) should:

Recommendation 2: Incorporate the following changes into the application, scoring, and award process of the Nonprofit Grant Program:

- a) Continue to analyze data requested in the application and eliminate extraneous requests for data.
- b) Streamline the application review process by eliminating duplicate evaluation criteria and consider limiting site visits and the information gathered.
- c) Develop methods to use financial data received to analyze the financial stability of agencies. Consider using tools like financial ratios or financial analysis products like Guidestar's online financial analysis.

- c) Change the team peer review methodology and use one team to analyze all applications.
- e) Include persons, other than nonprofit representatives, on the review team. Reference the County's current request for proposal structure as a basis.
- f) Determine if additional training is needed to effectively analyze outcome measures.
- g) Provide a justification summary for scores lower than the maximum when providing feedback to all applicants.
- h) After receiving direction from the BOC, reassess the award process to determine if it can be simplified and less subjective. Consider using the technique of establishing a reasonable cut-off score and award all agencies who receive that score or higher.

Response:

The Collaborative concurs with all items under recommendation 2, with the following exceptions/comments:

2.b. The Collaborative agrees with streamlining and eliminating duplicate evaluation criteria. Part of each grant cycle includes review and revision of the application and processes. The CCNP Grant Process Committee began the most recent process of revising application materials in the fall of 2012 and streamlined the document significantly. We disagree with limiting site visits as we feel they are an important tool to verify an organization's viability and capacity to produce promised results.

2.c. The Collaborative has provided basic financial review. Applicants are required to provide an audit or financial review, operating budget, and a detailed description of how the requested funding is to be used. Detailed analysis of an organization's financial stability would require additional resources for the Collaborative.

2.d. The Collaborative disagrees with the recommendation of using one team to analyze all applications. The Collaborative was originally started to provide a peer review process among nonprofits to recommend and monitor grant funds. As an organization with representation from a broad range of community organizations and stakeholders, the CCC and its membership provide the expertise and knowledge of our community needs necessary to ensure the best use of county funds in meeting the human service needs. The peer review process creates synergy and builds partnerships, collaborative opportunities, and increases the capacity of the nonprofit providers. Although the draft report states on page 9 it is common practice among granting agencies to use one evaluation committee, please note it is also common practice for many granting agencies to use multiple evaluation teams.

2.e. The Collaborative has always been open to including people with a background in business, finance, or grants management. Those with a nonprofit background have a unique understanding of opportunities, challenges, and services provided by non-profits and the impact they have on the community. The peer review teams have always included representatives who are not grant recipients and do not represent a non-profit organization.

2.g. The Collaborative agrees with providing a summary for scores lower than the maximum when providing feedback to all applicants. The peer review training includes explicit instructions that all reviews explain the reason for scores lower than the maximum.

2.h. The Collaborative disagrees with awarding funding to all agencies who receive a **predetermined** minimum score because it does not reward excellence and is inconsistent with best practices. It has been the Collaborative's practice to establish a minimum score for funding **after** all scores have been compiled. Dividing the pool of available funding among a larger number of organizations results in small awards which may limit an organization's ability to provide services that will truly meet the needs of the community. The Collaborative is very much aware of the need to balance the distribution of these grant funds so they have a significant impact on community needs with funding as many nonprofits as possible.

The Finance Director/Comptroller should:

Recommendation 3: Direct Information Services staff to discontinue the Legal Aid phone service and discontinue payment of the bill. Also, discuss with the County Attorney's Office and Legal Aid whether Legal Aid is due any additional reimbursements.

Response:

Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

Recommendation 4: Provide instructions to the Grant Accountant that require agencies provide adequate receipts of program expenditures to justify and support requests for reimbursement.

Response:

Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

The County Manager should:

Recommendation 5: Direct an audit of the County's phone bill to ensure the County is only billed for services used.

Response:

Not-applicable. This is outside the Collaborative's area of responsibility for the nonprofit grant process.

The CCC should:

Recommendation 6: During training/orientation of nonprofits, reemphasize the need for timely submission of their final request for reimbursement prior to the cut-off date.

Response:

The Collaborative concurs with this recommendation. This best practice is already in place and is stated in the instruction guide as follows: *"Please note that all final invoices should be received preferably before September 30, 2013 but no later than October 4, 2013. Agencies will forfeit all funds that are not expensed or requested by this date. Any unused funds will not roll forward to the next year."*

The Board of Commissioners should:

Recommendation 7: Require the CCC to provide the BOC with a summary review of all status reports.

Response:

The Collaborative concurs with this recommendation.

Recommendation 8: Require CCC to review financial documentation along with the yearly status reports.

Response:

As part of the grant application, applicants are required to provide an audit or financial review, operating budget, and a detailed description of how the requested funding is to be used. Therefore, the Collaborative disagrees with the need to collect yearly detailed analysis of an organization's financial stability with the status reports. We feel it is best to request a budget that shows income/revenue and expenses for the project/program/services. A yearly detailed analysis of an organization's financial stability would require additional resources for the Collaborative.

Recommendation 9: Require CCC obtain a status report after the second year of the award cycle.

Response:

The Collaborative concurs with this recommendation and has already initiated it for the current 2013-2014 grant cycle.

Recommendation 10: Consider other best practices in the grant program that would make it more efficient and effective.

Response:

The Collaborative agrees to explore other best practices in grant programs from other sources; however, the Collaborative disagrees with some of the examples listed for consideration on page 15 of the June 4, 2013 draft report under the category "Implement Best Practices."

10.a. It is outside the scope of this grant to require agencies to identify two areas of improvement of organizational efficiency. It increases the potential for negative impact on providing services.

10.b. The Collaborative disagrees with limiting grants to 10% of prior year's expenses and a maximum grant award of \$75,000. Funding should be based on the merit of the application and the funding request. Tying a grant award to prior years or limiting the maximum amount limits the effectiveness of service delivery.

10.c. The Collaborative disagrees with limiting funding to general operational support. The Collaborative recommends that funding remain flexible and available for general operational and/or program specific support.

10.d. The Collaborative concurs with this consideration.

10.e. The Collaborative agrees with the following practices:

- Annual operating expense of a minimum amount
- Minimum number of years of operating history
- All applicants must be 501(c)3 organizations (current requirement)

The Collaborative disagrees with requiring one full-time employee working 2,080 hours per year. Some small nonprofits with part-time employees may be very effective in meeting the needs of the community.

10.f. The Collaborative concurs with this consideration.

Clarifications/Comments to Draft Report

Page 1. At the bottom of page 1, the draft report states that the mid-term report is to be submitted in May of the first year and final report in October of that same year. This process has already been changed. Applicants will provide a mid-term report in July of the first year and a final report in July of the second year. The report also states its understanding that any other communication is handled verbally. Historically, communication has been handled with the chairman both in writing and in face-to-face meetings.

Page 2. The report states that a disproportion in funding is attributable to these agencies ability to service a larger number of clients. In fact, these agencies received larger grant awards based on their grant request and the number of persons they proposed to serve.

Page 3. Under "Noted Improvements". The Collaborative agrees and looks forward to receiving written BOC strategic goals and operational objectives.

Page 9. Under "Funding Methodology": It mentions the three funding categories established by the Collaborative P & E Committee. Meetings were held and the categories were discussed with the Chairman prior to their implementation in the most recent grant cycle.

Page 10. Looking at the distribution of scores, the Collaborative grouped scores into levels, or tiers, and awarded funding accordingly. The committee reviewed the scores and funding available and using consistent criteria, awarded funding to the greatest number of non-profits feasible in order to maximize resources to the community.

Actions and Timeline

The Cobb Community Collaborative wishes to thank the County for taking the time to review the nonprofit grant process facilitated by the Collaborative. Many of the recommendations involving the grant application and training processes are underway and should be completed by January 2014. We look forward to working with the Board of Commissioners to continue serving the residents of Cobb to meet our community's needs.

If you need additional information, please do not hesitate to contact me at 770-514-7213 or lfreeman@cobbcollaborative.org.

Sincerely,



Lee Freeman-Smith

Chairman, Board of Commissioners Response



COBB COUNTY
BOARD OF COMMISSIONERS

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Marietta, Georgia 30090-7000
770-528-3305 • fax: 770-528-2606
tlee@cobbcounty.org

Timothy D. Lee
Chairman

MEMORANDUM

TO: Latona Thomas, Manager, Cobb County Internal Audit

FROM: Tim Lee, Chairman 

SUBJECT: Cobb County Nonprofit Grant Program

DATE: August 22, 2013

This memorandum is in response to the final report of the Internal Audit Division on the review of Cobb County Nonprofit Grant Program dated June 4, 2013.

We have reviewed the findings and recommendations of the Cobb County Nonprofit Grant Program Audit contained in the Final Audit Report conducted by Internal Audit Division.

Additional time is needed by me in order to conduct further research and discussions with subject matter professionals for options and best practices for the grant award process. Cobb Community Collaborative responses and input will be considered as well.

In consideration of the FY'15-FY'16 grant application process beginning January, 2014, there will be a specific corrective action plan provided with projected action ideas by December 31, 2013.

We appreciate the time and work of the Internal Audit Division staff in conducting the audit and preparing the responses and recommendations regarding the Cobb County Nonprofit Grant Program Process.

c: David Hankerson, County Manager

Judy Skeel, Executive Assistant to the County Manager

Michael Hughes, Director, Economic Development

Equal Opportunity Employer

Cobb County...Expect the Best!
www.cobbcounty.org

Finance Director/Comptroller Response



COBB COUNTY FINANCE DEPARTMENT

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James D. Pehrson, CPA
Director/Comptroller

DATE: September 3, 2013
TO: Latona Thomas, CPA, Manager, Internal Audit
FROM: Jim Pehrson, Director Finance/Comptroller
SUBJECT: Response to the Internal Audit Division's Draft Report – Review of Cobb County Nonprofit Grant Program

You provided two recommendations that require our action and our response to those recommendations are provided below.

The Finance Director/Comptroller should:

Recommendation 3: Direct Information Services staff to discontinue the Legal Aid phone service and discontinue payment of the bill. Also, discuss with the County Attorney's Office and Legal Aid whether Legal Aid is due any additional reimbursements.

Response: The Finance Department concurs with this recommendation. Finance Department Staff will arrange a meeting with the County Attorney's Office by September 27, 2013 to discuss the contract between Cobb County and Legal Aid to determine if any remaining reimbursements are due to Legal Aid.

Recommendation 4: Provide instructions to the Grant Accountant that require agencies provide adequate receipts of program expenditures to justify and support requests for reimbursement.

Response: The Finance Department concurs with the recommendation to provide insertions to the Grant Accountant that will require agencies to provide adequate receipts of program expenditures to justify and support requests for reimbursements. The Finance Department will implement this procedure by creating guidelines in the form of a handbook for nonprofit recipients that will establish proper standards for submitting requests for reimbursements. The Finance Department will implement this procedure prior to finalizing contracts with nonprofits in October of 2013. The Finance department will require the nonprofit to review the handbook and sign a form stating they have read the handbook and understand what is required for submission for reimbursement requests.

A handwritten signature in black ink, appearing to read "Jim Pehrson".

09-03-2013

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