



Cobb County...Expect the Best!

INTERNAL AUDIT DEPARTMENT

Report Number: 2018-004

***FINAL REPORT - Review of Cobb County's Internally
Administered Grants***

October 8, 2018

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COBB COUNTY INTERNAL AUDIT

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Director

October 5, 2018

MEMORANDUM

TO: Rob Hosack, County Manager

FROM: Latona Thomas, CPA, Director 

SUBJECT: FINAL REPORT – Review of Cobb County's Internally Administered Grants¹

Attached for your review and comments is the subject final audit report. The overall objective was to evaluate if the controls over the Cobb County (the County) internally administered grants were adequate and operating effectively for acquisition, monitoring, and reporting processes.

Impact on the Governance of Cobb County

The recommendations in this report, if implemented, will strengthen countywide and departmental controls over internally administered grants. County leadership and citizens can be assured that the County's internal grant administration process is transparent, effective, and efficiently managed.

Executive Summary

We found that user agencies and departments had adequate control activities during the acquisition process that were consistent with the County's practices and operating effectively, but inconsistencies existed in the operating effectiveness over monitoring and reporting. We also found that the County's internal control framework for internally administered grants needed to be strengthened and/or improved. In addition, a centralized oversight and monitoring function is needed to oversee the County's internal grant administration program.

Recommendations

We made ten recommendations to strengthen and improve the County's internal control framework for internally administered grants.

¹ Includes adjustments and exclusions that meet one of the following criteria: 1) non-grant; 2) related to an elected official office; or 3) Housing and Urban Development (HUD) grants as assigned/monitored by W. Frank Newton, Inc. that is contracted to oversee all HUD-related grants.

Responses

The County Manger provided a response to our draft report and concurred with each of our recommendations. The complete responses to the draft report are included in Appendix VI. We will perform a follow-up on corrective actions in six months. A copy of this report will be distributed to those affected by the report recommendations. Please contact me at (770) 528-2559 if you have questions or Andrea Clayton, Auditor-in-Charge, at (770)528-2558.

Background

Grants are one of Cobb County's (the County's) methods used to fund various programs and projects throughout County agencies, departments, and elected official offices. County grants are administered and managed in two categories: 1) internally by user agencies, departments, and elected official offices; or 2) externally by W. Frank Newton, Inc. (WFN), a private planning, management, and development consultant.

Internally Administered Grants

The grant management/administration responsibilities are decentralized within the respective user agency, department, or office tasked with performing the various requirements of the granting process. Internal grant administration may include, but is not limited to the following: identifying and applying for grants; executing grant work; ensuring compliance requirements are met; tracking and monitoring of grant transactions; submitting programmatic and financial reports to grantors for reimbursement; closing out grants when the grant provisions have been fulfilled or the grant period ends; and maintaining all supporting documentation in accordance with both the County and grant record retention requirements. In some cases, the Finance Department assists with the submission of periodic financial and close-out reports.

Externally Administered Grants

The County has contracted with WFN to administer and manage grants it receives from the United States Department of Housing and Urban Development (HUD) and other federal and state sources. These grants include, but are not limited to, Community Development Block Grants (CDBG), Justice Assistance Grants (JAG), Community Services Block Grants (CSBG), Emergency Shelter Grants (ESG), Home Investment Partnership Act Grants (HOME), Federal Emergency Management Agency (FEMA) and others. These externally administered grants have been excluded from this project.

Grant Accounting Structure

Separate fund accounts are set up for grants based on the funding source and the specific purpose for which it was earmarked. Within the funds, each grant is assigned its own unit code for tracking purposes. Internally administered grants are tracked in the various funds, such as Grant, Transit Operating and Capital, Workforce Investment Act, Senior Services Grant, Special Purpose Local Optional Sales Tax (SPLOST), and Capital Projects funds. Other funds may be used or added, as needed. Grants administered and managed by WFN are tracked separately from the internally County administered grants. The chart on the next page is a summary of internally County administered active grants by department as of December 31, 2016².

² This audit plan project was initiated but deferred to allow completion of other departmental project priorities and the staff changes. The original data and scope was not updated or revised because the conclusions reached address the overall County governance of internally administered grants. No countywide strategies had been issued, and we judgmentally determined that the findings and recommendations to be currently valid and substantive.

**Internally County Administered Grants
as of December 31, 2016²**

Agency/Department	Number of Grants	Agency/Department Grant Total
DOT	53	\$ 192,676,909.23
P.A.R.K.S.	1	\$ 12,275.00
Support Services	8	\$ 4,668,081.00
Public Safety	1	\$ 145,500.00
Senior Services	1	\$ 1,580,584.00
EMA	1	\$ 100,000.00
Community Development	1	\$ 81,000.00
Libraries	<u>3</u>	\$ <u>1,253,061.90</u>
Total	<u>69</u>	<u>\$ 200,517,411.13</u>

Table 1 - Source: Finance Department and Department of Transportation Master Grant List, inclusive of adjustments and exclusions¹.

The scope of our audit focused on the County internally administered grants only as of the date referenced and excludes those overseen by WFN and other elected official offices. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I. Major contributors to the report are listed in Appendix III.

Results of Review

Our overall objective was to evaluate if the controls over the County's internally administered grants were adequate and operating effectively for acquisition, monitoring, and reporting processes. We surveyed County agencies and departments to gain an understanding of their processes and obtained a list of their active grants³. We conducted interviews with key personnel within the respective agencies, departments, and other County staff that perform functions related to internally administered grants. Additionally, we performed various procedures to assess the adequacy and operating effectiveness of the existing controls at both the countywide and user agency/department level.

We found that user agencies and departments had adequate control activities that were consistent and operating effectively during the acquisition process by obtaining Board of Commissioners' (BOC) approval to apply for and accept grant awards. We also found that user agencies and departments had adequate control activities for monitoring and reporting in accordance with the respective grant award requirements, but we noted inconsistencies in the operating effectiveness of these controls. Some control activities were limited to the user agency/department level and others included limited coordination with Finance Department (Finance).

In addition, we noted the absence of current, written countywide policies, procedures, and/or guidance to ensure that County expectations and responsibilities regarding grant administration are clear, consistent, and includes industry best practices. There is also no centralized countywide function to periodically monitor and oversee user agency/department control activities to ensure risks are eliminated or reduced to an acceptable level. In the accompanying pages are recommendations to improve and/or strengthen various components of the County's internal control framework for internally administered grants.

The County's Internal Control Framework for Internally Administered Grants Needs to be Improved and/or Strengthened

We identified control weaknesses in the County's internal control framework that could negatively impact the internally administered grant program. There are five key components (Figure 1) in an effective internal control system that work to support the County's mission, strategies, and related business objectives: the control environment, risk assessment, control activities, information and communication, and monitoring. The control environment requires that organizational policies and guidance be established to ensure that the County's goals and objectives are being accomplished.

Key Components in an Effective Internal Control Framework



Figure 1 - Source: COSO⁴ Internal Control Framework

³ See Table 1 on Page 2.

⁴ Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five organizations that provides thought leadership through the development of frameworks and guidance on enterprise risk management, internal control and fraud deterrence. One of the sponsoring organizations is the Institute of Internal Auditors.

The risk assessment component requires that periodic reviews/assessments of the established organizational policies be implemented for ongoing applicability and practicality. Control activities include all preventative and detective controls (i.e. approvals, reconciliations, segregation duties, etc.) at both the user agency/department and countywide level. Information and communication is an underlying thread throughout the internal control framework to ensure that timely, complete, and accurate information is readily available to make quality business decisions. This component also includes periodic training and other reporting functions. Monitoring is the final component that includes centralized/countywide functions to ensure that controls are adequate, operating effectively and efficiently, and meeting the established goals and objectives. The monitoring component should also be implemented at the user agency/department level and includes the use of the internal audit function.

We found weaknesses in each component to include, but not limited to: no countywide policies and guidance, limited oversight/monitoring, inconsistent tracking of grants, no countywide repository of grants, and inadequate or no readily available training. We believe the recommendations in this report will improve and/or strengthen the County's internal control framework for the internally administered grant program and reinforce a culture of accountability, transparency, and compliance.

Countywide guidance over internally administered grants should be implemented

We noted no countywide policies, procedures, or guidance to address internally administered grants. An effective control environment should include formal, written and approved countywide grant administration policies and procedures, that is current and easily accessible to all user agencies/departments and other County staff. Written guidance will also ensure internally grant administered practices are consistent with the County's strategic goals, objectives, expectations, and industry best practices. We reviewed a 2008 informal grant procedures document, but it was outdated, inconsistent with current practices, and not readily accessible to user agencies/departments. We were also unable to determine if the 2008 document had been approved and if so, by whom, and what level of countywide distribution or communication occurred, if any. During our interviews with County staff responsible for tasks associated with internally administered grants, we noted numerous staff that were not aware the 2008 document existed, whether it was currently applicable, and/or if they were expected to comply with any aspects of its contents. Additionally, the lack of formal guidelines resulted in an unclear delineation of the roles and responsibilities between user agencies/departments, Finance Department, and other County functions. We also found conflicting definitions of grant awards, insufficient record keeping, inconsistent approval levels on programmatic and financial reports, inaccurate close-out procedures, and inconsistent interaction with both the County's Grant Development Specialist position and Finance Department.

It is imperative that the County have adequate internal controls to effectively and efficiently apply for and manage grant awards received. Initial and periodic countywide training should also be implemented to ensure that control activities are operating in accordance with County expectations and grant award requirements. Failing to develop and maintain documented policies and procedures increases the County's vulnerability and risk of errors and fraud in grant awards; confusion and conflicts regarding the responsibility, authority, and approval levels; and non-compliance with grant agreement requirements. Adverse results could include, but not be limited to the repayment, withholding, suspension, or termination of current and/or future awards.

Recommendations

The County Manager should:

Recommendation 1: Develop written countywide procedures and guidance on internal grant administration, distribute the document countywide, and make it easily accessible, as needed. The policy should address the following topics and related documentation, but not be limited to:

- Definition of grants;
- Responsibilities of user agencies/departments, Finance Department, Grant Development Specialist position, or any other centralized function;
- Authority and approval levels;
- Guidance on searching for and acquiring new grants;
- Monitoring requirements;
- Programmatic and financial reporting requirements;
- Close-out procedures;
- Compliance with the granting agency and other state and federal requirements;
- Record retention requirements;
- Required notifications;
- Minimum data fields that should be included in all grant lists;
- Inclusion in the County's contract management repository; and
- Other best practices for local government grant administration.

Auditee Response: **Concur.** Outside consultant familiar with county organizational structure and grant administration and compliance will be engaged to develop countywide procedures. Target completion date March 1, 2019.

Recommendation 2: Require that any exceptions to the formal countywide procedures and guidance should be approved by the Board of Commissioners or County Manager's office, as applicable, and documented.

Auditee Response: **Concur.** Will include said provisions within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

County definition/classification of grants need to be clarified

We noted inconsistencies in the definition/classification of grants for tracking and reporting purposes. Per the County's FY2017/18 Budget Book⁵, a grant is a contribution of assets from one organization to another to support a particular function or purpose. During preliminary procedures, we obtained a list of active grants from both user agencies/departments and Finance and noted an inconsistent interpretation of the grant definition. Some grant awards were excluded, several referenced as non-grant items (i.e. donations, shared revenue agreements, contributions, etc.), and others required additional research to determine the appropriate classification. Our interviews with various County staff also supported the need for additional guidance into the definition/classification of grant awards.

⁵ Cobb County FY2017-2018 Biennial Budget Book, pdf Page 580.

Establishing definitions, terminology, and criteria for grant awards will ensure the consistent classification, tracking, and reporting in accordance with County expectations and grant award requirements. Having no established definition, criteria, and purpose of a grant could result in conflicts/confusion within departments on how grant awards are classified, tracked, and reported; misunderstanding on how to properly manage and administer grant awards; and failure to comply with grant award requirements due to misclassification.

Recommendation

The County Manager should:

Recommendation 3: Establish a clear and concise definition of grants, to include the appropriate criteria. The definition should also include commonly used terminologies and a contact position when clarification is needed. Coordination with the Grant Development Specialist position should be considered an option for guidance on a widely known and accepted definition of grants.

Auditee Response: **Concur.** Will include definitions and appropriate criteria within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

A Centralized Oversight and Monitoring Function should be Established

There is no centralized County function to provide technical assistance, oversee, and monitor the internally administered grant program. We also noted no centralized County function to conduct periodic training on the best practices of grant award administration and how to research grant opportunities. During this project we gathered information from several different sources, but there was not a centralized person or position to address or clarify discrepancies noted. User agency/department knowledge was limited to their respective grant award requirements, and Finance personnel were limited to the overall budgetary/financial reporting responsibilities. No position or function had the authority and/or responsibility to speak on the overall County requirements and expectations regarding internally administered grants.

We also noted inconsistencies between the departments regarding Finance's involvement in the reporting workflow. We noted user agencies/departments where the required programmatic and financial reports are prepared with Finance review and approval, and other user agencies/departments prepare reports internally and distribute with no interaction, review, and/or approval by Finance. We also noted instances where there is limited to no interaction between employees responsible for the preparation of the reports and persons responsible for the financial/fiscal affairs within the agencies/departments. As such, there is currently no countywide monitoring function to oversee whether reporting requirements are being completed as required at the user agency/department level.

A second level of monitoring should be in place to provide assurance that all County grants are monitored/maintained in accordance with grant award requirements and County expectations. When operating with limited guidance or oversight, the County may not be identifying grants that could supplement the County's budget or could be utilizing limited resources to apply for grants that are not consistent with the County's mission, strategic priorities, or plans.

The absence of specialized, technical assistance and staff support to user agencies/departments could also result in inconsistencies in the acquisition, monitoring and reporting of internally administered grant projects. Grant funding could also be reduced or suspended due to non-compliance with grant requirements by the granting agency.

Recommendation

The County Manager should:

Recommendation 4: Designate a specific centralized position or function with the countywide oversight and monitoring responsibilities for the internal grant administration program. This position or function should also serve as the County's primary contact, coordinate with all grant administration stakeholders, provide technical guidance and training, and distribute periodic reports on the effectiveness of the internal grant administration program, at a minimum.

Auditee Response: **Concur.** Existing Grant Development Specialist will be relocated from the Economic Development Division of Community Development to the Business Manager position within Community Development and will assume (with assistance and guidance from Business Manager) responsibilities for countywide grant administration to include responsibilities as stated in Recommendation 4. Target date for transfer, advertisement and successful recruitment for Specialist of March 1, 2019.

County Grant Development Specialist Position Needs to be Clarified

The County has a Grant Development Specialist (GDS) position 'to assist County departments in identifying and securing state and federal grants and to ensure compliance with all grant requirements'⁶. We found that there is limited to no interaction between user agencies/departments and the County's GDS position regarding internally administered grants. We interviewed agency/department personnel and noted unclear or an inconsistent understanding of the GDS role and responsibilities, to include but is not limited to technical assistance, training, countywide guidance, and other oversight/monitoring functions.

A key component in any internal control framework is assigning the authority and responsibility to oversee and monitor designated functions. The absence of County guidance regarding the utilization of the GDS position as the County's designated grant administration authority has resulted in an ineffective and inefficient use of County resources.

Effective November 2017, the County's Grant Development Specialist position was included in a re-organizational plan⁷ for economic development under the Community Development Agency. Per the referenced re-organizational plan, the GDS position will perform several oversight and monitoring functions discussed in the previous section 'A Centralized Oversight and Monitoring Function Should be Established' on Page 6.

⁶ Source: Cobb County Class Specifications for Grant Development Specialist [<https://cobbcounty.peopleadmin.com/titles/7694>]

⁷ Source: County Manager Memorandum dated November 14, 2017 with attached Economic Development Reorganization Plan dated October 24, 2017.

Specific duties include serving as a hub of grant information for County employees; conducting grant workshops; performing financial oversight of CDBG and County funded non-profit grants; acting as a liaison to non-profit programs and WorkSource Cobb⁸; and a number of other economic development functions. Several of the identified GDS responsibilities are critical to increase/strengthen the County's controls over internally administered grants, but the level of authority and responsibility needs to be clarified and disseminated accordingly. Clarification regarding the GDS position should be clarified in conjunction with the need for a centralized County oversight and monitoring function.

Recommendation

The County Manager should:

Recommendation 5: Review the current purpose, role, and responsibilities of the Grant Development Specialist, its involvement in the internal grant administration program, and the impact on the need for a centralized oversight and monitoring function. The applicable changes should be incorporated, included in the countywide procedures and guidance, and communicated to all grant administration stakeholders.

Auditee Response: **Concur.** Existing job description for Grant Development Specialist will be revised to reflect new role and responsibilities as recommended and included in new countywide procedures. Target date for transfer, advertisement and successful recruitment for Specialist of March 1, 2019.

Internally Administered Grant Lists Do Not Provide for an Effective and Efficient Validation

We found that no countywide master grant listing of internally administered grants exists, or such document was not readily available upon request. We obtained individual lists from both Finance and the Department of Transportation (DOT), as DOT-related grants are not included on Finance's list. We performed several procedures to validate the completeness and accuracy of the lists but were unsuccessful due to the manner in which grant information was maintained. We found that critical data fields and other unique identifiers were needed.

Critical data fields were missing, incomplete, or inconsistent with other grant lists/records

The individual internally administered grant lists lacked the critical data fields needed for the efficient validation of completeness and accuracy. We reconciled the Finance, DOT, and user agency/department lists for completeness and accuracy but were unable to complete the task because the lists were not maintained in a consistent format or critical data fields were missing, incomplete, or inconsistent. Current data fields that were missing, incomplete, or inconsistent include, but are not limited to the grant name, grant number, grant period, grant amount, BOC approval dates, federal/local match amounts and percentages, funding structure, and funding source, etc.

⁸ WorkSource Cobb provides access to a system of employment and education services to citizens and stakeholders of Cobb County. [<https://www.worksourcecobb.org>]

We also noted that the respective internally administered grant lists are maintained in inconsistent formats. Some lists were maintained in an electronic format (i.e. Microsoft Word or Excel), others in manual files, or a combination of both electronic and manual. In addition, supporting documentation for the respective grants are maintained inconsistently among user agencies/departments. Specifically, internally administered grant files did not include the following in all instances: grant correspondence, BOC agenda/minutes approval, complete grant agreement, programmatic and financial reports with supporting documentation, and evidence of monitoring, etc.

Grant awards encompass many different requirements, so it is essential that the County conducts its internally administered grant process in an organized consistent manner, within, and across its user agencies/departments. In practice, this means following a uniform, systematic workflow process to help ensure that all County staff responsible for grant administration are aware of their obligations and can have confidence in the outcomes of their work. The unavailability of countywide standardized procedures, the lack of a centralized oversight and monitoring function, and the limited involvement of the GDS position lead to a disparity in the information received from the user agencies/departments when compared to the information received from the Finance Department. While the user agency/department records are maintained for different purposes, there should be consistent data fields countywide and all data fields should include complete and accurate information.

No unique identifiers noted within the grant lists

During our validation and reconciliation efforts, we found no consistent unique identifier in the County's financial system that could be used to cross reference the various internally administered grants maintained throughout the County. We attempted to independently pull a report of all internally administered grants, but we noted no unique identifier or consistent accounting structure. Some grants are accounted for in different funds, departments, units, subunits, and accounting structure, etc.

As such, we were unable to create a report with the assurance of extracting all internally administered grants. The Finance Department should coordinate with user agencies/departments and develop a countywide unique identifier/reporting structure for internally administered grants using the County's financial system. Requiring unique identifiers to be designated and integrated in all internally administered grants would simplify the validation process and provide assurance as to the completeness and accuracy.

Recommendations

The County Manager should:

Recommendation 6: Develop a standard, countywide structured format for tracking, monitoring, and reporting of internally administered grants. Key components should include critical, minimum data fields and other pertinent information for ease of summarization, validation, and reporting.

Auditee Response: **Concur.** Relocated Grant Development Specialist, with assistance from Business Manager, will be charged with developing structured format with key components. Target completion date October 1, 2019.

Recommendation 7: Develop a countywide repository for internally administered grants. This process should include coordination with the Finance Department to create a unique identifier to be used in tracking all internally administered grants within the County's financial system. A periodic report on all internally administered grants should be pulled from the County's financial system, validated periodically, and used for monitoring and training purposes.

Auditee Response: **Concur.** As part of charge to develop structured format per recommendation 6, Relocated Grant Development Specialist, with assistance from Business Manager, will coordinate with Purchasing Department and Information Services Department to investigate a grant module as part of county's newly established Contract Repository software/system. Target completion date January 31, 2020.

Other Control Activities Need to be Strengthened or Implemented

During our fieldwork, we noted other control activities that need to be strengthened or implemented. We found inadequate or no periodic training on grant administration, unclear understanding of the County's record retention requirements, and inadequate close-out procedures.

Training

We noted no scheduled, periodic training for employees tasked with grant administration at the user agency/department level. To keep pace with rapidly changing business environments, it is imperative that staff are equipped with the knowledge and tools to achieve optimum grant performance for the County. The nonexistence of a countywide robust and formalized training process involving agency/departmental grants can lead to deficiencies in the documentation, reporting and overall management of grants. Countywide grant administration training will provide assurance to the County that those tasked with grant administration, possess the required skills and competencies needed. Lack of training, can result in the absence of accountability on issues or activities that are of critical importance to the user agency/department and County, which can result in non-compliance with the grant requirements.

Recommendation

The County Manager should:

Recommendation 8: Implement periodic, mandatory countywide training courses for all staff involved in the internally grant administration process. The training topics should initially include changes and corrective actions from this report and subsequently be expanded based on need and other industry best practices.

Auditee Response: **Concur.** Relocated Grant Development Specialist, with assistance from Business Manager, will be charged with developing criteria for phased training program. First phase will address anticipated standard, countywide structured format for tracking, monitoring, and reporting of internally administered grants. Target completion date (first phase) October 1, 2019. Second phase will address anticipated grant module as part of county's newly established Contract Repository software/system. Target completion date January 31, 2020.

Record Retention

We noted that some departments use the record retention requirements per the grant agreements as their guide, exclusive from the County's record retention guidelines. We also noted, when requests were made to review documents to support monitoring, reporting, and close-out functions, the documents were not readily available. Additional emphasis is needed to ensure that the County's retention requirements are also being met, if longer than the granting agency. We recommend that record retention requirements be included in any countywide written procedures and guidelines.

Recommendation

The County Manager should:

Recommendation 9: Ensure that all persons involved in the internal grant administration program is aware of the County's records services retention guidelines and how to locate the Georgia Archives State Government Records Retention Schedule, as needed. Record retention expectations should also be included in the countywide guidance.

Auditee Response: **Concur.** Record retrieval and retention procedures will be included within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

Close-out Procedures

We noted no guidelines to address the County's expectations regarding the close-out of internally administered grants. We found an instance where a grant was not internally closed timely, in that the grant remained opened in the County's financial system beyond the time required for close-out. In this instance, the required information was submitted and closed out timely with the granting agency but not internally. Based on interviews with other grant administration stakeholders, we noted that the County does not have procedures specific to how to effectively close-out internally administered grants. The lack of established procedures and inadequate monitoring/oversight and reconciliations increases the risks that grants are not properly closed out. An essential part of any grant award is a proper technical and financial close-out of each award at the end of the grant period. Failure to properly close-out grants could result in inaccurate reporting and increased risk of theft, loss, or misappropriation of assets.

Recommendation

The County Manager should:

Recommendation 10: Develop countywide close-out procedures for consistency among all internal grant administration personnel and include in the countywide guidance for distribution.

Auditee Response: **Concur.** Close out procedures will be included within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

Detailed Objectives, Scope, and Methodology

We conducted this review as part of our annual audit plan and in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Internal Audit's overall objective is to evaluate if the controls over Cobb County's (the County) internally administered grants were adequate and operating effectively for acquisition, monitoring, and reporting. Our scope covered active grants managed internally by County agencies and departments as of December 31, 2016. This audit plan project was initiated but deferred to allow completion of other departmental project priorities and changes in personnel. The original data and scope was not updated or revised because the conclusions reached address the overall County governance of internally administered grants. No countywide strategies had been issued, and we judgmentally determined that the findings and recommendations to be currently valid and substantive.

In order to accomplish our objective, we performed the following:

- I. Assessed the level of consistency between County departments and Finance.
 - A. Interviewed key personnel responsible for managing grants for departments that had active grants as of December 31, 2016 for clarification on its departmental procedures re: acquisition, monitoring, and reporting.
 - B. Interviewed Finance Division Manager (General Accounting) for clarification regarding role in the County's internally administered grants.
 - C. Interviewed Budget Administrator for clarification regarding role in internally County administered grants and donations.
 - D. Examined each department's list of grants.
 1. Reconciled each department's active grant list to Finance's master grant list.
 2. Reviewed the combined master listing and assessed whether a consistent methodology distinguishing between grants and other forms of revenue (i.e. donations, fees, gifts, or cash award prizes) existed.
- II. Determined if controls over acquisition are adequate and operating effectively.
 - A. Using the sample of grants from the combined list of Finance list of master list and DOT list of active grants:
 1. Obtained and reviewed grant agreements for the sample selected for applicable funding, monitoring, and reporting requirements.
 2. Obtained and reviewed Board of Commissioner (BOC) meeting minutes and agenda items to validate grant approvals.
 - a. Validated that BOC approval was obtained prior to applying for grant funding.
 - b. Validated that BOC approval was obtained to accept grant funding.
 - c. Examined evidence of the County Attorney's office review (as to form) prior to and including the Chairman's signature.

III. Determined if controls over grant monitoring are adequate and operating effectively.

A. For each sample grant agreement selected, judgmentally selected a reporting period and reimbursement requests and performed the following procedures:

1. Confirmed that grant expenditures and transactions were approved by the appropriate level of authority and in accordance with Purchasing guidelines.
2. Examined documentation (programmatic and/or financial) maintained by departments for evidence that periodic reconciliations were performed.
3. Examined documentation for evidence that cost allocations/expenditures were in accordance with grant requirements.
4. Reviewed grant expenditures documentation to confirm that costs charged to the grant occurred within the grant period.
5. Examined documentation for expenditures to ensure approved funding limits were not exceeded as of the date of the reporting period selected.
6. Verified that the reimbursement request was processed timely.

IV. Determined if controls over grant reporting requirements are adequate and operating effectively.

A. For each sample grant agreement selected, judgmentally selected a reporting period and reimbursement requests and performed the following procedures:

1. Verified that periodic reports/reimbursement requests are reviewed and approved by an appropriate level of Department management or Finance personnel.
2. Agreed the reporting package to matching or cost-sharing requirements for completeness and accuracy.
3. Agreed the reporting package to the reporting frequency per the grant requirements.
4. Examined the reporting package for evidence of appropriate levels of review and approvals prior to submission.
5. For closed out grants, reviewed the grant close-out package for completeness, timeliness, and agreed to the County's financial system totals and close-out status.

Abbreviations and Glossary

AMS	Advantage Financial Management System
BOC	Board of Commissioners
DOT	Department of Transportation
WFN	W. Frank Newton, Inc.

Major Contributors to This Report

Latona Thomas, CPA, Internal Audit Director
Michelle Swaby, CPA (inactive), PT Senior Auditor
Andrea Clayton, Auditor-in-Charge

Final Report Distribution List

Bill Volckmann, Finance Director/Comptroller
Cobb County Audit Committee
Internal Audit Department File

Outcome Measures

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

Type and Value of Outcome Measure:

- Reliability of Information – Actual; Recommendations, when implemented, will provide assurance of the completeness, accuracy, validity, and integrity of internally administered grant transactions and reports. (See Pages 3-11).

Methodology Used to Measure the Reported Benefit:

We found that the County's internal control framework for internally administered grants needed to be strengthened for more accountability, transparency, and compliance. We were also unable to substantiate the completeness and accuracy of the County's internally administered grants for the as of December 31, 2016.

Type and Value of Outcome Measure:

- Efficient Use of Resources – Actual; Recommendations, when implemented, will increase the efficiency of the County's internally administered grants process. (See Pages 3-11).

Methodology Used to Measure the Reported Benefit:

We found that changes to the County's internal control framework for internally administered grants, to include a centralized oversight function and other changes will reduce the number of staff hours required and result in indirect cost savings.

County Manager's Response



COBB COUNTY MANAGER'S OFFICE

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Rob Hosack
County Manager

DATE: October 3, 2018

TO: Latona Thomas, CPA, Director, Internal Audit

FROM: Rob Hosack, County Manager *RH*

SUBJECT: Response to the Internal Audit Draft Report - Review of Cobb County's Internally Administered Grants

This memo is in response to the subject report dated September 20, 2018. You identified opportunities to improve the overall grants administered internally in Cobb County. Several recommendations were made and our response to those recommendations are below.

Recommendations

The County Manager should:

Recommendation 1: Develop written countywide procedures and guidance on internal grant administration, distribute the document countywide, and make it easily accessible, as needed. The policy should address the following topics and related documentation, but not be limited to:

- Definition of grants;
- Responsibilities of user agencies/departments, Finance Department, Grant Development Specialist position, or any other centralized function;
- Authority and approval levels;
- Guidance on searching for and acquiring new grants;
- Monitoring requirements;
- Programmatic and financial reporting requirements;
- Close-out procedures;
- Compliance with the granting agency and other state and federal requirements;
- Record retention requirements;
- Required notifications;
- Minimum data fields that should be included in all grant lists;
- Inclusion in the County's contract management repository; and
- Other best practices for local government grant administration.

Response: Concur

Outside consultant familiar with county organizational structure and grant administration and compliance will be engaged to develop countywide procedures. Target completion date March 1, 2019.

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Recommendation 2: Require that any exceptions to the formal countywide procedures and guidance should be approved by the Board of Commissioners or County Manager's office, as applicable, and documented.

Response: Concur

Will include said provisions within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

Recommendation 3: Establish a clear and concise definition of grants, to include the appropriate criteria. The definition should also include commonly used terminologies and a contact position when clarification is needed. Coordination with the Grant Development Specialist position should be considered an option for guidance on a widely known and accepted definition of grants.

Response: Concur

Will include definitions and appropriate criteria within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

Recommendation 4: Designate a specific centralized position or function with the countywide oversight and monitoring responsibilities for the internal grant administration program. This position or function should also serve as the County's primary contact, coordinate with all grant administration stakeholders, provide technical guidance and training, and distribute periodic reports on the effectiveness of the internal grant administration program, at a minimum.

Response: Concur

Existing Grant Development Specialist will be relocated from the Economic Development Division of Community Development to the Business Manager position within Community Development and will assume (with assistance and guidance from Business Manager) responsibilities for countywide grant administration to include responsibilities as stated in Recommendation 4. Target date for transfer, advertisement and successful recruitment for Specialist of March 1, 2019.

Recommendation 5: Review the current purpose, role, and responsibilities of the Grant Development Specialist, its involvement in the internal grant administration program, and the impact on the need for a centralized oversight and monitoring function. The applicable changes should be incorporated, included in the countywide procedures and guidance, and communicated to all grant administration stakeholders.

Response: Concur

Existing job description for Grant Development Specialist will be revised to reflect new role and responsibilities as recommended and included in new countywide procedures. Target date for transfer, advertisement and successful recruitment for Specialist of March 1, 2019.

Recommendation 6: Develop a standard, countywide structured format for tracking, monitoring, and reporting of internally administered grants. Key components should include critical, minimum data fields and other pertinent information for ease of summarization, validation, and reporting.

Response: Concur

Relocated Grant Development Specialist, with assistance from Business Manager, will be charged with developing structured format with key components. Target completion date October 1, 2019.

Recommendation 7: Develop a countywide repository for internally administered grants. This process should include coordination with the Finance Department to create a unique identifier to be used in tracking all internally administered grants within the County's financial system. A periodic report on all internally administered grants should be pulled from the County's financial system, validated periodically, and used for monitoring and training purposes.

Response: Concur

As part of charge to develop structured format per recommendation 6, Relocated Grant Development Specialist, with assistance from Business Manager, will coordinate with Purchasing Department and Information Services Department to investigate a grant module as part of county's newly established Contract Repository software/system. Target completion date January 31, 2020.

Recommendation 8: Implement periodic, mandatory countywide training courses for all staff involved in the internally grant administration process. The training topics should initially include changes and corrective actions from this report and subsequently be expanded based on need and other industry best practices.

Response: Concur

Relocated Grant Development Specialist, with assistance from Business Manager, will be charged with developing criteria for phased training program. First phase will address anticipated standard, countywide structured format for tracking, monitoring, and reporting of internally administered grants. Target completion date (first phase) October 1, 2019. Second phase will address anticipated grant module as part of county's newly established Contract Repository software/system. Target completion date January 31, 2020.

Recommendation 9: Ensure that all persons involved in the internal grant administration program is aware of the County's records services retention guidelines and how to locate the Georgia Archives State Government Records Retention Schedule, as needed. Record retention expectations should also be included in the countywide guidance.

Response: Concur

Record retrieval and retention procedures will be included within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

Recommendation 10: Develop countywide close-out procedures for consistency among all internal grant administration personnel and include in the countywide guidance for distribution.

Response: Concur

Close out procedures will be included within new countywide procedures to be completed by outside consultant. Target completion date March 1, 2019.

cc: Eddie Canon, Support Services Agency Director
Dana Johnson, Community Development Agency Director