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Date: August 29, 2012
To: Audit, Finance & Enterprise Committee
From: Jennifer Ruttman, City Auditor
Subject: Audit of Stimulus Grants – Follow-up Review

Attached is the final report on the follow-up review of our 2010 Audit of ARRA Stimulus Grants. This report will be presented at the next scheduled meeting of the Audit, Finance and Enterprise Committee. If you have any questions, please feel free to contact me at x3767.

FOLLOW-UP REVIEW

CITY AUDITOR

Report Date: August 29, 2012
Departments: Citywide
Subject: Stimulus Grants

OBJECTIVE

The objective of this review was to determine whether the City has successfully implemented the action plan developed by the City Manager's Office in response to our December 2010 audit of the City's grant management processes associated with the American Recovery and Reinvestment Act of 2009 (ARRA) "Stimulus Program" grants.

SCOPE & METHODOLOGY

To accomplish our objectives, we questioned City staff members and reviewed policies, procedures, and other documentation as necessary to meet the objective above.

BACKGROUND

In December 2010, we issued a report on our audit of ARRA Federal Stimulus Grants. The objective of that audit was to determine whether the City's grant management processes were adequate to ensure that all stimulus monies awarded to Mesa were received and expended in accordance with the requirements of grantors, including all tracking and reporting requirements. The report identified the following key areas of concern:

- Lack of consistent, formal processes and procedures for grants management.
- Poor inter-departmental cooperation and communication.
- Lack of necessary expertise among employees managing grants.

In January 2011, the City Manager's Office responded with a 3-part plan to address these concerns and improve overall grants management citywide. We generally follow up approximately 1 year after an audit report is issued, to verify that the agreed upon changes have been implemented. However, sometimes the planned changes are such that a longer time frame is appropriate. In this case, since many of the changes relate to the City's new financial system, we began this follow-up review approximately 16 months after the audit report was issued.

FOLLOW-UP REVIEW and CURRENT STATUS

The following are the specific efforts initiated in 2011 by the City Manager's Office, followed by our assessment of their status at the time of this review:

1. "**Grant Administration:** We are redefining the currently vacant Grant Coordinator position in the City Manager's Office to strengthen this position's oversight of grants processes across the city. The position will focus on pre-award activities including grant seeking and

application with an emphasis on ensuring departments understand their oversight and monitoring responsibilities for grants they obtain."

Status (Aug 2012): Implemented.

The job description for the Grants Coordinator position was revised in April 2011, with added emphasis on oversight and monitoring, as well as interdepartmental coordination, communication, training, and technical assistance. The position was filled in August 2011.

2. "**Grant Compliance:** *The Contract Administrator ... [will] take on additional duties as they relate to grant oversight and compliance to include:*
- o *Training coordination*
 - o *Development and implementation of control procedures*
 - o *Program audit and monitoring oversight*
 - o *Centralized tracking of grant agreements*
 - o *Facilitating interdepartmental coordination"*

Status (Aug 2012): Implemented.

The Contract Administrator has worked closely with the Grants Coordinator on these activities. Many were incorporated into the revised job description for the Grants Coordinator. Others have been incorporated into the City's business processes in conjunction with the new Advantage Grants Lifecycle Management (GLM) and Purchasing modules. The Grants Coordinator is actively involved in training staff citywide on how to effectively implement the new processes.

3. "**Grant Accounting:** *In close coordination with the Contract Administrator, the Assistant Controller will take the lead on:*
- o *Policy development*
 - o *Implementation of the Grant Life Cycle module in CityEdge*
 - o *Development and implementation of control procedures*
 - o *Assisting in training development and delivery "*

Status (Aug 2012): Implemented.

Management Policy 103, Grants Acquisition and Administration, was revised in May 2012. The new policy defines citywide expectations related to grant management, including those related to ownership, compliance and monitoring. As noted above, the Advantage GLM module has been successfully implemented and citywide training is ongoing.

CONCLUSION

The planned corrective actions have been implemented, resulting in a more comprehensive and effective grants management program, and an increased likelihood that grants awarded to Mesa will be received and expended in accordance with the requirements of grantors, including all tracking and reporting requirements.