



**Grants Compliance Internal Audit**

June 2023

**CARSON CITY  
GRANTS COMPLIANCE  
INTERNAL AUDIT**

**Submitted By:**

Eide Bailly LLP

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## Executive Summary

Eide Bailly LLP (“We”, “Our”, or “Us”) performed an Internal Audit of Carson City (“City”) Grants Management to evaluate associated process and controls. Our Internal Audit identified three (3) findings. These findings provide opportunities for improvement to enhance the existing oversight and administration of grants, and provide new ideas and opportunities to help address control gaps where necessary.

As part of the FY22 Risk Assessment Report, Grant Management was identified as one of the potential audit areas. The internal audit aims to assess the effectiveness and efficiency of the City’s financial control framework and associated internal controls in managing grant activities. Additionally, the internal audit focused on the City’s approach to ensuring grants compliance. We performed interviews and walkthroughs with various City personnel from different departments to gain an understanding of the grants management process.

We greatly appreciate and thank the input of the former Grants Administrator, as well as the Grants Coordinators and Department Business Managers from Public Works, Fire, Health & Human Services, Parks, Recreation and Open Space, Juvenile Probation, and Senior Center who contributed to enhancing our understanding of the grants management process.

## Background Information

**Grant agreement**<sup>1</sup> means a legal instrument of financial assistance award between a Federal awarding agency or pass-through entity and a non-Federal entity that, consistent with 31 U.S.C. 6302, 6304:

1. Is used to enter into a relationship the principal purpose of which is to transfer anything of value to carry out a public purpose authorized by a law of the United States (see 31 U.S.C. 6101(3)); and not to acquire property or services for the Federal awarding agency or pass-through entity’s direct benefit or use;
2. Is distinguished from a cooperative agreement in that it does not provide for substantial involvement of the Federal awarding agency in carrying out the activity contemplated by the Federal award.
3. Does not include an agreement that provides only:
  - i. Direct United States Government cash assistance to an individual
  - ii. A subsidy
  - iii. A loan
  - iv. A loan guarantee
  - v. Insurance

Carson City receives grant funding from various sources including the State of Nevada, the federal government, as well as individuals, businesses, and non-profit organizations. Grant funding is used for a wide variety of activities including public safety, public services, community development services, law enforcement, recreation, and infrastructure improvements and maintenance. These grants are utilized by various departments within the City based on the requirements and available opportunities. FY2021 saw a spike in grant revenue of \$15.5 million compared to \$6.9 million in FY2020, primarily due to the COVID-19 federal funding during the pandemic. In FY2022, the City received a total of \$8.9 million in grant revenue, see **Table 1** below.

The Finance Department establishes the policies and procedures (P&Ps) for grants management and administration. The Grants Administrator is responsible for maintaining the City’s main grants listing, a citywide

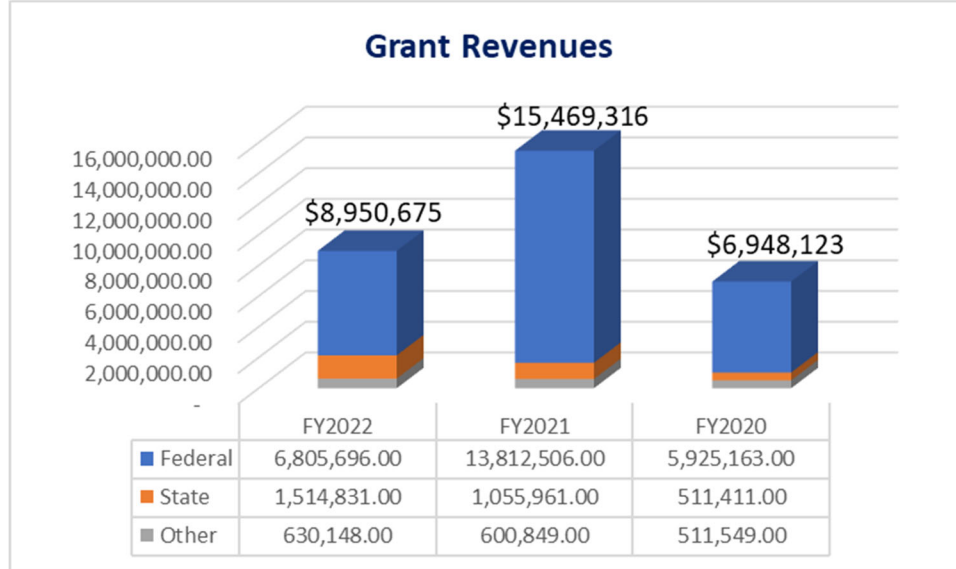
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<sup>1</sup> Source: <https://www.ecfr.gov/current/title-2/subtitle-A/chapter-II/part-200/subpart-A/subject-group-ECFR2a6a0087862fd2c/section-200.1>

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database of funding resource materials, grant applications and award documents, and management of publications. They also provide assistance to departments to ensure compliance with federal, state, and private grant guidelines and policies. Department Business Managers and Grants Analysts are responsible for the overall administration and execution activities such as preparing and submitting drawdowns, monitoring grants expenditures and activities, maintaining required documentation of project performance, and preparing financial reports.

**Table 1 – Federal, State, and Other Grant Revenues (FY2020 through FY2022)**



**Source:** Carson City’s Comprehensive Annual Financial Report

Most if not all, of the grants received by the City follow a reimbursement model for grant funding wherein the City is responsible for covering initial project costs, they incur expenses upfront and later request for reimbursement to the funding agency. This model ensures accountability and financial oversight over public funds. By requiring grantees to submit documentation and proof of expenditures, the funding agency can verify that the funds are being used for their intended purposes and in compliance with grant requirements. It allows the funding agency to monitor and control the use of funds, reducing the risk of misuse or mismanagement. While funding a project before receiving grant dollars may carry several risks, the City mitigates these risks by not using grant funds until they are awarded<sup>2</sup>.

### Objective & Scope

The objective of the Grant Management internal audit was to determine whether the City’s financial control framework and related internal controls over the management of citywide grants are efficient and effective. Additionally, to determine whether City grants are in compliance with grant provisions and applicable federal, state, and local laws and regulations. Lastly, to identify opportunities for the City to improve grant management activities.

The scope of the engagement was of current grant administration processes through the engagement period of November 2022 through May 2023.

<sup>2</sup> A grant is considered “awarded” when the funding agency has made the formal decision to provide the grant funds to the recipient and a signed agreement between the funding agency and the grantee exists.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Our work was limited to those areas specified in the "Audit Objective, Scope, and Methodology" sections of this report.

### Methodology

Based on the above objectives, we performed procedures including but not limited to the following:

1. Obtained and reviewed policies and procedures (P&Ps), financial data, and monitoring reports related to the grant management and administration process.
2. Obtained and reviewed the City's most recent organizational chart for roles and responsibilities.
3. Obtained current listing of all active grants from each department involved in the grants process and reconciled to the City's Main Grants spreadsheet.
4. Researched federal, state, and local laws and regulations specific to grants and grant administration including Uniform Grant Guidance, Title 2 of the Code of Federal Regulations (CFR), Davis-Bacon Act (DBRA), and Federal Funding Accountability and Transparency Act (FFATA).
5. Performed walkthroughs and conducted interviews of grant management personnel and key staff to assess internal controls and processes over grant activities.

#### Key Personnel Interviewed:

- Mirjana Gavric – Grants Administrator<sup>3</sup>
  - Dave Aurand – Department Business Manager, Fire Department
  - Shelby Price – Administrative Assistant, Fire Department
  - Bretta Inman – Department Business Manager, Health & Human Services
  - Paul Micah Chalk – Grants Analyst, Health & Human Services
  - Patti Liebespeck – Department Business Manager, Parks, Recreation, & Open Space
  - Lyndsey Boyer – Open Space Manager, Park, Recreation, & Open Space
  - Gregg Berggren – Trails Coordinator, Parks, Recreation, & Open Space
  - Rebecca Bustos – Grants Analyst, Public Works
  - Courttney Nicholas – Fiscal Analyst, Public Works
  - Courtney Warner – Executive Director, Senior Center
  - Michelle Baugh – Department Business Manager, Juvenile Probation
6. Requested and reviewed grant management key performance indicators, monitoring protocols, and other metrics utilized by the City and different departments to govern the grant management process.
  7. Selected a judgmental sample of 5 grants, one from each of the departments; Finance, Fire, Health & Human Services, Parks, Recreation & Open Space, and Public Works.

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<sup>3</sup> Mirjana Gavric left the City in February 2023, and the Grants Administrator position was filled in April 2023. For all intents and purposes of this audit, any time the Grants Administrator is mentioned, it is referring to Mirjana unless otherwise specified.

8. Testing was performed to determine whether grant expenditures have proper support and approval, comply with program requirements for allowable costs, and were accurately reported.<sup>4</sup>
9. Obtained and reviewed grant-related training materials and training logs and determined whether training materials are complete, accurate and reflect current laws and regulations; and whether all individuals involved in grants administration have received necessary and appropriate training.
10. Identified best practice for frequency of grant training and whether training is individual based on roles and responsibilities or group based.
11. Identified best practice for grant management key performance indicators, monitoring protocols, and other metrics utilized to govern the grant management process.

## Results and Conclusion

Based on the procedures performed during this assessment, we determined that the City has effective internal controls in place over grants administration, even within a decentralized environment. Each department managing grants adhere to the City's existing P&Ps, grant provisions, and relevant federal, state, and local laws and regulations<sup>5</sup>. However, opportunities for improvement were identified where the City could benefit from operational efficiency. We have identified three (3) findings and provided recommendations to address the findings noted. Grant management is a shared responsibility among the Grants Administrator and the various departments who receive the grants. Hence, our findings and recommendations are addressed to the City as a whole and not limited to the obligations of any single department.

We greatly appreciate and thank the input of all individuals who contributed to enhancing our understanding of the grant management process as well as helping us identify opportunities for improvement. Particularly, former Grants Administrator, various Department Business Managers and Grants Analysts who were candid and forthright with the Internal Audit team leading to a steady exchange of information that was useful in identifying potential risks, documenting process gaps, and formulating operational recommendations to address process deficiencies. We believe that addressing and resolving the findings and recommendations provided in this report would directly and positively add value to the overall efficiency and effectiveness of the grants management process.

### FINDING #1: Decentralized and Manual Grant Management

Grant Management activities are currently decentralized across different departments within the City. This has allowed the individual departments to have a better understanding of their specific grant needs and requirements. Additionally, each department can allocate resources according to their specific needs and priorities. However, this decentralized system has led to challenges in retrieving complete and up-to-date grant information, including difficulties in accessing a comprehensive and accurate listing of all grants.

The City's Grant Administrator manually maintains a Main Grants Spreadsheet which is intended to serve as the comprehensive listing of all grants received by the City. However, when reconciled to individual

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<sup>4</sup> Testing was not conducted on the sample from Parks, Recreation & Open Space due to majority of the department's grants being either in the very early stages or closed. Instead, we conducted a thorough walkthrough of the department's end-to-end grants management process. Additionally, we want to note that for two out of the five samples, we were unable to access the performance reports. As both grants are renewed annually, IA was able to verify required reports were submitted in the previous year. It is worth mentioning that no exceptions were identified during this process.

<sup>5</sup> In this report, it is important to note that the Federal Emergency Management Agency (FEMA) conducted a Financial Monitoring review of the Fire Department's grant documentation. The outcome of the review was favorable, as it revealed no issues that would require corrective action or raise concerns about questioned costs.

department listings, we noted that the Main Grants Spreadsheet has not been consistently updated with the latest grant information from individual departments. At the time when we obtained the Main Grants Spreadsheet, the Grants Administrator was in the process of transitioning out of their current position, which may have resulted in a lack of coordination and effective communication.

In addition, we noted that grants information in Munis is not consistently populated. This may be due to some personnel involved in grants administration lacking awareness of the established guidelines and procedures for entering grants information and uploading grant-related documentation into Munis. They may also lack an understanding of the importance of populating all grants information fields and of the specific data required.

Incomplete or inaccurate grant data may limit the organization's ability to make informed decisions based on up-to-date information regarding all grants received. This may also hinder effective resource allocation and planning within the organization. Additionally, this may result in inaccurate reporting of grants received, potentially resulting in compliance issues and misrepresentation of financial information.

### **RECOMMENDATION for Finding #1**

We recommend that the City implement the following procedures to ensure consistency, compliance and accountability across departments in a decentralized system:

- I. Review and evaluate the current process for updating the Main Grants Spreadsheet. Identify any gaps or inefficiencies that may lead to missing grants and consider implementing a standardized procedure to capture and record grants received by departments, ensuring timeliness and completeness in the data entry process. Document the standard operating procedures for updating the spreadsheet to facilitate consistency and knowledge transfer.
- II. Schedule periodic reconciliations to compare the Main Grants Spreadsheet with individual department listings. This will help identify any discrepancies or missing grants and ensure data accuracy.
- III. Develop and implement oversight mechanisms, key performance indicators (KPIs), and other metrics to monitor and evaluate the decentralized grants management process, ensuring adherence to the City's Grant Administration P&Ps and Grants Manual. This includes verifying the input of required grant information into Munis and identifying areas for improvement.
- IV. Consider working with Information Technology to implement an automated tracking system and develop a user-friendly dashboard for managing grants. An automated system can streamline data collection, reduce manual errors, and improve the accuracy of the grants information. On the other hand, a dashboard will provide a high-level overview of grant activities and performance in real time.
- V. Consider working with Information Technology and Tyler Munis support to determine how to configure the current Grants Module to align more effectively with the City's specific needs. This should include configuring Munis to interface with the time reporting system used by the Sheriff's Office and Fire Department, Telestaff.
- VI. Review current individual roles and responsibilities of all personnel involved in grants administration, as defined in the City's Grants Manual, to ensure adequate alignment and coverage of necessary tasks to be performed.

### **Management Response:**

- I. *There is a final reconciliation process at year end for Grants when Finance finalizes the Schedule of Expenditures of Federal Awards. At that time the Grants Administrator should be comparing her spreadsheet to the SEFA to see what is missing. This step can be completed by December 31, 2023.*
- II. *I believe we can use Teams to keep the Grants Spreadsheet updated, thereby giving access to*

- departments to update it themselves, when they receive a new Grant. The Grants Administrator can send out quarterly reminders and review quarterly for accuracy. This step can be completed by August 30, 2023.*
- III. There is a workflow process for any new Project Strings completed. Grants Administrator is tasked with ensuring the input is complete and the award is scanned into the system, inputs will not be consistent as some will have a CFDA number, and some will not as they are local or Federal Grants.*
  - IV. The City gets very little in the way of administration reimbursement for Grants. All of the funds we get do not cover staff time needed to administer the grants, so the City would not have the financial capacity or time to purchase and maintain a new tracking system with a dashboard.*
  - V. The information for the Grants Module doesn't link to anything, my understanding is that the module is just for reporting. Many agencies have their own forms, and all are unique, so we already determined that using this for reporting would not be reliable or cost effective.*
  - VI. Each Grant has a Grant Number and all transactions including employee time are charged to the Grant Number, I believe we have a system set-up for employees who are charged to Grants using Telestaff already. Quarterly, or at year end, depending on the size of the grant, Finance does a reconciliation of the requests sent, vs the information recorded to the General Ledger, any errors are corrected using a Journal Entry.*

## **FINDING #2: Training**

Carson City's Grants Administrator facilitates periodic grant-related trainings throughout the year and maintains a Training Log that records the dates and attendees of each session. In calendar year 2022, there were a total of twelve (12) mandatory training sessions throughout the year. We noted that there were seven (7) personnel from six (6) different departments who have not attended any of the training sessions since 2021. When some departments or personnel see that it is acceptable for some departments or personnel to not attend mandatory trainings, they may become less motivated to attend future training sessions. Additionally, without adequate training, personnel involved with grants may not be aware of the compliance requirements associated with their grants, resulting in violations of laws and regulations.

Funding agencies expect staff competency when sponsoring grants, and some grantors may require organizations to provide evidence of staff training in grant management and compliance or attend specific training programs. Due to the complexity of grant administration, staff expertise is crucial for ensuring efficient grant management.

Insufficient training may lead to inefficiently managed grants, resulting in project delays cost overruns, and missed deadlines. Staff may also face difficulty generating accurate and timely reports that provide a clear picture of the grant's progress and performance. Inadequate training increases the risk of misappropriation of funds and non-compliance with grant requirements, potentially resulting in legal violations. Overall, a lack of training in grants management may result in various risks that have financial, legal, and reputational consequences.

## **RECOMMENDATION for Finding #2**

We recommend that the City ensure that all personnel involved in the management and administration of grants receive the necessary training to enhance their skills, promote efficient grant management and mitigate potential risks by performing the following:

- I. Identify all personnel involved in grants management and conduct a thorough assessment of their training needs to identify specific gaps in their knowledge and skills related to grants and compliance requirements.*
- II. Develop a training plan that outlines the required trainings for each staff member involved in*



- grant management. The plan should include essential topics such as grant regulations, financial management, reporting, and compliance.
- III. Establish a formal schedule for mandatory grant-related trainings and communicate it to all staff members involved in grants management. Emphasize the importance and mandatory nature of these trainings to encourage active participation. Schedule should include different formats such as in-person or online sessions, to accommodate different learning preferences and schedules.
  - IV. Regularly track and monitor the attendance of staff members in mandatory grant-related trainings. Maintain accurate records of completed trainings to ensure compliance and identify any gaps or individuals who have not attended the required sessions.
  - V. Take proactive measure to follow up with staff members who have not attended the mandatory trainings to understand the reasons behind their absence. Provide additional support, reschedule missed sessions, or offer alternative training options as needed to ensure all staff receive the necessary training.
  - VI. Conduct regular evaluations to assess the effectiveness of the grant-related trainings and make necessary improvements. Seek feedback from staff members to gain insight into their experience and identify areas for improvement.

**Management Response:**

*The City just started providing training to our staff, but it is a broad training regarding changes to the uniform guidance and how to effectively manage Grant programs (in general). Department heads are responsible for sending their staff to topic specific training as needed. Carson City is a consolidated municipality, both a City and County combined, so we received several different types of grants from several granting agencies. I truly do not feel it is possible for one person to have the expertise in all areas of Federal grants to provide detailed training. Citywide, I hope department managers know we can help find grant specific training, as needed. However, we cannot require other departments to send their staff to the City offered training, as it may not be needed. Lastly, I would need to hire an additional full-time employee (FTE) in order to track everyone's training in one place, which as stated in question 1, the City does not receive enough in administrative funds to accommodate an additional FTE. I can see about putting another Spreadsheet in Teams for documenting Grants training; however, Finance wouldn't be able to ensure it is accurate.*

**FINDING #3: Reimbursement Process**

Most of the grants received by the City follow a reimbursement model for grant funding where the City is responsible for covering the initial costs of the project and submits documentation to support their reimbursement claim. The reimbursement check is sent to the Treasurer's Office, who is responsible for allocating funds to the appropriate departments. Although the Treasurer's Office has an established process for identifying the appropriate department for each reimbursement check, it is currently not formally documented.

**RECOMMENDATION for Finding #3**

The City should document the Treasurer's Office process for receipt of reimbursement checks into their Grant Manual. This documented process should provide a clear outline of the steps involved, define the roles and responsibilities of relevant stakeholders, and specify the required documentation. Formalizing this process will enhance transparency and ensure consistent and accurate allocation of funds.

**Management Response:**

*City management agrees, and will incorporate the reimbursement process, with the Treasurer's Office, into the Grants Manual. Finance should be able to complete this by August 31, 2023.*