



Memorandum

TO: Greg Ruiz, Fire Chief, Fire Medical Rescue Department
Jeff Glover, Police Chief, Police Department
Lisette Camacho, Financial Services Director

THRU: Bill Greene, City Auditor (X8982)

FROM: Angela Hill, Internal Auditor (X8866)
Diana Storino, Sr. Auditor (X8997)

CC: Andrew Ching, City Manager
Rosa Inchausti, Deputy City Manager
Tom Duensing, Deputy City Manager
Keith Burke, Deputy City Manager

DATE: 1/12/2023

SUBJECT: FINAL REPORT: Grant Management- Part 1

Attached is our final report on the subject audit. Copies of this report will be distributed to the mayor and council and posted to the Internal Audit Office website.

Thank you and your staff for your cooperation during this project.

Grant Management Part 1

January 12, 2023

Project Team:

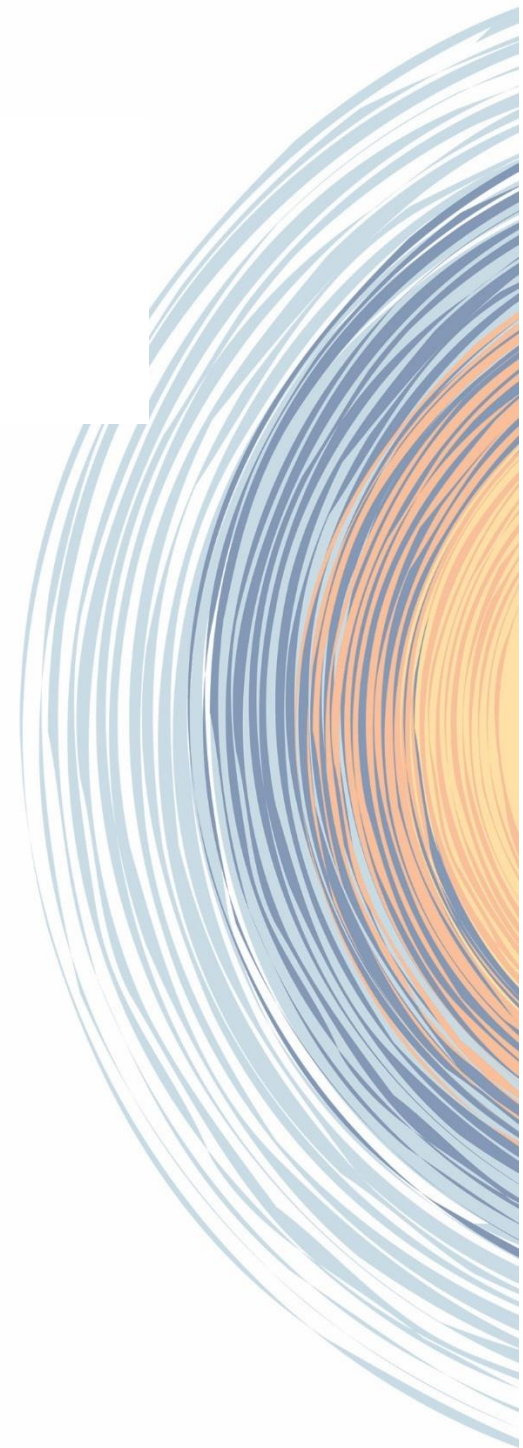
Bill Greene, City Auditor
Angela Hill, Internal Auditor
Diana Storino, Sr. Internal Auditor

Mission Statement

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in accomplishing strategic priorities, goals, and objectives.



20 E. 6th Street, 2nd Floor | Tempe, AZ 85281 | 480-350-8982



Executive Summary

Purpose

We audited Tempe Police Department (Police) and Tempe Fire Medical Rescue Department (TFMRD) grant management processes to evaluate management controls that ensure grants are administered and monitored in alignment with grant terms and conditions.

Background

The City of Tempe (City) pursues and manages grant opportunities through a decentralized approach. Staff with specialized knowledge throughout the City applies for grants in their respective areas of expertise. Once grants are awarded and budgets appropriated, individual departments are largely responsible for grant management and recordkeeping functions required by grant terms and conditions.

Based on the Schedule of Expenditures of Federal Awards (SEFA), the City's decentralized approach has yielded approximately \$99 million in total grant expenditures from FY 2018 through FY 2021. Over the past five years, Tempe expended an average of \$25 million in grant funds annually.

We used reports from the City's financial system (PeopleSoft) to identify and evaluate grant cost center activity. The Internal Audit Office (IAO) also coordinated our work with the City's external audit firm to ensure that our audit focused on areas not covered during their audits, thus avoiding duplication of effort. Because of the large number of grant cost centers and the significant increase in annual grant expenditures, IAO plans to expand audit coverage by conducting two separate grant management audits. This audit (Grant Management Part 1) includes three grants managed by two City departments: Tempe Fire Medical Rescue Department and Tempe Police Department. IAO will begin the Grant Management Part 2 audit during FY 22/23.

Results in Brief

Overall, grants were expended on activities consistent with grant terms and conditions. Our assessment of grant management processes demonstrated opportunities to improve management controls and clarify policies and procedures in several areas.

IAO reviewed expenditures and management controls for the three grants included in this audit. We verified without exception that grant funds were used to support activities consistent with grant requirements. Overall, detailed guidance including identifying

primary staff responsible for significant grant management tasks is needed in policies and procedures to strengthen management controls in the following areas:

- Decentralized Grant Management
- Supporting documentation
- Procurement processes

Decentralized Grant Management

IAO noted grant management is a decentralized process throughout the City with each department determining if written policies and procedures are created and the elements and level of detail to include. In the absence of overarching City policy or guidance, departments must individually develop processes and controls to achieve compliance with federal regulations. Development, routine revision, and execution of comprehensive grant management policies and procedures (to include roles and responsibilities) helps strengthen management controls.

Supporting Documentation

During testing of grant expenditures, IAO noted some underlying governing documents allowed room for interpretation as it related to minimum documentation standards and allowability of expenditures. In these cases, seeking clarification from the granting agency increases the likelihood of compliance with grant terms and conditions.

Procurement Processes

Federal requirements state that grant recipients must ensure contractors procured with grant funds are not excluded or disqualified from participation in federal grant transactions (i.e. verification of debarment). Because the responsibility for verifying debarment is not clearly defined or assigned in existing policy, contractor and vendor debarment status was not performed for any of the grants tested in this audit.

Recommendations

Our detailed report includes several recommendations to improve the control environment for the grant management process.

Department Responses to Recommendations

<p>Rec. 1.1: TFMRD update written policy and procedures to clarify grant management roles and responsibilities for all grant stages and enhance standards for supporting documentation.</p>	
<p>Response: TFMRD will revise its grant management policy to identify department staff positions responsible for grant management at various grant stages. The revised policy will also prescribe standards for supporting documentation.</p>	<p><u>Target Date:</u> 05/31/2023</p>
<p>Explanation, Target Date > 90 Days: Because various TFMRD personnel in various department positions have managed many different types of grants and receipts of restricted revenue over the last five years, TFMRD intends to include these various personnel in the process of updating the grant management policy, which is anticipated to necessitate additional time.</p>	
<p>Rec. 1.2: Police develop written policies to provide detailed guidance on grant management controls.</p>	
<p>Response: Tempe PD is in the beginning stages of creating a written grant policy and is researching policies from other agencies across the US. The Office of Management Budget and Research will work with Policy and Compliance to draft policies for the Police Department.</p>	<p><u>Target Date:</u> July 1, 2023</p>
<p>Explanation, Target Date > 90 Days: Office of Management Budget and Research (OMBR) is currently researching grant policies and will have capacity to fully focus on this project after City of Tempe budget development.</p>	
<p>Rec. 1.3: Finance distribute an annual reminder to departments to identify cost centers with no activity and determine if cost centers should be closed or identify other proper resolution.</p>	
<p>Response: Financial Services will add to the fiscal year-end close process a reminder to departments to identify cost centers with no activity and determine if cost centers should be closed or identify other proper resolution.</p>	<p><u>Target Date:</u> 06/30/2023</p>
<p>Explanation, Target Date > 90 Days: The reminder will be sent out annually as part of the fiscal-year end process.</p>	
<p>Rec. 2.1: Work with the Finance/Procurement Office to ensure evidence of debarment checks are maintained in grant file.</p>	

<p>Response: TFMRD will work with Procurement to perform vendor debarment checks and will include evidence of the checks in the grant files. TFMRD will also incorporate this as a requirement in the updated grant management policy per Rec # 1.1.</p>	<p><u>Target Date:</u> 05/31/2023</p>
<p>Explanation, Target Date > 90 Days: To coincide with the completion of Rec # 1.1.</p>	
<p>Rec. 2.2: For future grants, seek clarification from the granting agency when underlying grant documents leave room for interpretation.</p>	
<p>Response: Rec # 2.2 will be included in the updated TFMRD grant management policy per Rec # 1.1.</p>	<p><u>Target Date:</u> 05/31/2023</p>
<p>Explanation, Target Date > 90 Days: To coincide with the completion of Rec # 1.1.</p>	
<p>Rec. 2.3: Develop a written minimum standard for quality of expenditure supporting documentation.</p>	
<p>Response: Rec # 2.3 will be completed and included in the updated TFMRD grant management policy per Rec # 1.1.</p>	<p><u>Target Date:</u> 05/31/2023</p>
<p>Explanation, Target Date > 90 Days: To coincide with the completion of Rec # 1.1.</p>	
<p>Rec. 2.4: As part of routine grant monitoring efforts, review performance measures, grant cost centers, unobligated funds, and submit and maintain programmatic reports to the granting agency in accordance with grant terms and conditions.</p>	
<p>Response: As part of routine grant monitoring efforts, and to ensure compliance with grantors' grant terms and conditions, TFMRD will perform the grant management activities cited in Rec # 2.4 and will reference them in its updated grant management policy per Rec # 1.1.</p>	<p><u>Target Date:</u> 05/31/2023</p>
<p>Explanation, Target Date > 90 Days: To coincide with the completion of Rec # 1.1.</p>	
<p>Rec. 3.1: Develop policies and procedures to address grant monitoring and supporting documentation standards.</p>	
<p>Response: Upon completion of federal grant compliance trainings Office of Management Budget and Research (OMBR) will then develop policies and procedures specific to addressing grant monitoring supporting documentation standards for reimbursement and reporting.</p>	<p><u>Target Date:</u> July 1, 2023</p>
<p>Explanation, Target Date > 90 Days: Office of Management Budget and Research (OMBR) is currently completing federal grant compliance trainings and has trainings</p>	

scheduled within the next thirty days. OMBR will have capacity to fully focus on this project after City of Tempe budget development.

Rec. 3.2: Work with the Finance/Procurement Office to ensure evidence of debarment checks are maintained in grant file.

Response: Office of Management Budget and Research (OMBR) has discussed with Procurement and will follow up prior to due date. Upon request of a contract with a vendor, OMBR will work with Procurement to document evidence of debarment checks. It was mentioned that Procurement has adopted this task as part of the Procurement process.

Target Date:
March 1, 2023

Explanation, Target Date > 90 Days:

Rec. 3.3: Document the rationale used when a noncompetitive procurement exception is exercised.

Response: Office of Management Budget and Research (OMBR) will create a memo documenting the rationale behind utilizing sole source upon contacting Procurement after a grant award. This will be completed retroactively for grants awarded in 2022.

Target Date:
February 1,
2023

Explanation, Target Date > 90 Days:

Rec. 3.4: Develop a methodology to systematically and efficiently compile data for performance goal reporting.

Response: Tempe PD requested modifications made to the last report out on performance goals to address this recommendation. The vendor incorporated the recommendations and will do so moving forward. As part of creating a monitoring procedure, a methodology for performance goal reporting will be created.

Target Date:
March 1, 2023

Explanation, Target Date > 90 Days:

Rec. 3.5: File Federal Financial Reports timely.

Response: FFRs will be filed quarterly for Year 4 of the SAMHSA grant to align with current process of requesting reimbursement for all other federal grants.

Target Date:
March 1, 2023

Explanation, Target Date > 90 Days: FFR was recently submitted for reimbursement. FFY Quarters 1 and 2 will be submitted in March.

1 – CONTROL ENVIRONMENT

Background

The City pursues various grant opportunities through a decentralized approach. Staff with specialized knowledge pursues grants in their respective areas of expertise and individual departments are responsible for managing the grant program once awarded. Our review of the Schedule of Expenditures of Federal Awards (SEFA) showed grant expenditures have increased from approximately \$16 million in 2018 to \$30 million in 2021.

To identify the City's grant population and corresponding grants with previous audit coverage, we interviewed the Finance Department Accounting Supervisor and reviewed the cost center tree. We identified 258 grant cost centers located across six funds that had not been previously audited. Six cost centers were selected for review during this audit and three others were identified as not receiving funding. Grants not included in this audit will be considered for future potential audit projects.

We selected the following three grants for testing. They are managed by the Tempe Fire and Medical Rescue (TFMRD) and Police Departments:

- TFMRD: 2019 Assistance to Firefighters Grants (AFG)
- TFMRD: 2020 Urban Area Security Initiative Grant Program to fund the Regional Response Team (RRT) Sustainment Project
- Police: First Responders-Comprehensive Addiction and Recovery Act (FR-CARA)

Approach

We performed the following steps at TFMRD and Police to identify existing grant management controls that help ensure compliance with grant terms and conditions:

- Conducted staff interviews and reviewed policies and procedures to gain an understanding of the roles and responsibilities in the grant management process;
- Evaluated business practices and processes to identify management controls in place to ensure compliance with grant terms and conditions;
- Reviewed PeopleSoft reports to determine activity in grant cost centers.

Results

Our evaluation identified opportunities to develop comprehensive written policies and procedures that clearly define roles and responsibilities. Comprehensive written policies help ensure continuity of processes if key staff depart and also provide clarity to support grant compliance efforts.

Grant management is a decentralized process throughout the City. The Internal Audit Office (IAO) requested current grant management policies from the departments responsible for managing grants included in this audit (Tempe Fire and Medical Rescue and Tempe Police Department) and noted the following:

Tempe Fire Medical Rescue Department

TFMRD has developed written grant management policies (*Grant Management Policy and Procedures Vol. 1-109.01*) last revised in 2015. These procedures state, “The main priority for departmental management and grant administrators is compliance with any and all grant requirements.”

TMFRD grant management policy would be enhanced if it provided the primary staff responsible for detailed tasks necessary for compliance with grant requirements. For instance, the policy could provide a clearer delineation of roles and responsibilities regarding actionable steps and guidance addressing the quality of support necessary to demonstrate compliance with federal regulations. In addition, the policy should reference the importance of maintaining grant governing documents. Grant compliance is enhanced when documents are accessible and available for staff to reference. For example, the following documents were not maintained on file for the grants we reviewed:

1. Notice of Funding Opportunity (NOFO) for Regional Response Team (RRT) Sustainment project
2. National Incident Management System (NIMS) Implementation Initiatives outlined in the applicable NOFO for the RRT Sustainment project.

Section 2 of this report provides additional examples supporting the need for policy revisions.

Police Department

When IAO requested the Police grant management policy, Police staff provided an excerpt from Police Department Orders 01.203 Fiscal Management that states, “Grant Management includes the writing, reporting and monitoring of grants.” However, Department Order 01.203 did not include any detailed guidance or procedures for achieving grant management objectives.

Written policy is the first step in ensuring an adequate control framework that addresses the various systems necessary to ensure federal compliance. When a system is written, consistently followed and applied then it is considered adequate. Creating detailed grant management policies and procedures to include roles and responsibilities in the following areas will strengthen the control environment:

- Tracking of Funds
- Procurement

- Reporting and Monitoring
- Record Retention

Additional research is needed by Finance staff to determine proper disposition of FY 2021-22 grant cost centers with no activity.

During our research, we identified 293 grant cost centers. We noted three cost centers need to be closed because grant funding was never approved. After considering the cost centers reviewed in this audit, there are 252 grant cost centers that should be reviewed to determine level of activity and proper follow-up. If there is no activity, it may be appropriate to close the cost center. Closing inactive cost centers decreases the likelihood of posting transactions incorrectly.

Recommendations

- 1.1 TFMRD update written policy and procedures to clarify grant management roles and responsibilities for all grant stages and enhance standards for supporting documentation.
- 1.2 Police develop written policies to provide detailed guidance on grant management controls.
- 1.3 Finance distribute an annual reminder to departments to identify cost centers with no activity and determine if cost centers should be closed or identify other proper resolution.

2 – TFMRD TESTING

Background

TFMRD audit testing included two grants. A brief description of the grants follows:

Assistance to Firefighters Grant (AFG)

Firefighters are continuously exposed to various toxins and carcinogens. As a result of the exposure, firefighters have significantly increased cancer incidents and mortality rates, including cancers of the lung, colon, prostate, breast, and skin. TFMRD was awarded the AFG including City funding totaling \$372,100. Through this grant funding, TFMRD offered cancer screening and dermatology consults to all its members.

2020 Urban Area Security Initiative Grant Program to fund the Regional Response Team (RRT) Sustainment project

The Arizona Department of Homeland Security 2020 Urban Area Security Initiative Grant Program awarded TFMRD funding for the RRT Sustainment Project. Through the grant funding of \$103,000, the department's technical rescue and hazardous materials teams received training and supplies.

Approach

We judgmentally selected two grants from the Schedule of Expenditures of Federal Awards (SEFA) June 30, 2021 and performed the following:

- Evaluated procurement steps to determine adherence to federal requirements;
- Evaluated grant expenditures to verify adequate supporting documentation;
- Reviewed grant monitoring and reporting to determine if funds were administered in accordance with grant terms.

Results

Verification of debarment status for contracted vendors was not clearly defined in policy. This verification step and corresponding documentation is necessary to demonstrate compliance with federal requirements.

The NOFO 2019 states, "Before a recipient enters into a grant award with FEMA the recipient must notify FEMA if it knows if it or any of the recipient's principals under the award fall under one or more criteria listed at 2 CFR 180.335" which precludes presently excluded or disqualified principals from participation in covered transactions.

Through discussions with TFMRD staff, they indicated it was unclear who was responsible to perform the debarment verification (i.e., Finance/Procurement or

TFMRD). IAO staff spoke with Procurement staff and they stated debarment status was not verified as part of this grant procurement. Procurement staff further suggested that debarment verification should be included on a checklist to ensure timely debarment status verification on future federal procurements.

Overall, grants were expended on activities consistent with grant terms and conditions. However, it is important to obtain clarification from the granting agency when language in the governing documents allows for different interpretations. This clarification is an important control to ensure compliance with grant terms and conditions.

RRT Expenditure Categories

Based on wording in the Award Letter, it is not clear whether the intent of the budget detail worksheet provided by the granting agency was to treat expenditure limits by category or in total. Overall, total expenditures complied with overall RRT grant amount; however, one expenditure category limit was exceeded by a minimal amount.

RRT Sustainment project grant expense categories were for eligible activity according to the Department of Homeland Security Budget Detail Worksheet. In total, training and equipment were spent in accordance with expenditure limits. However, individual category limits for backfill expenses were under expended by \$929.77 while equipment expenses category limit were over expended by \$726.77.

2 CFR 200.400 Subpart E Cost Principles states, "The Non-Federal entity assumes responsibility for administering Federal funds in a manner consistent with underlying agreements, program objectives, and the terms and conditions of the Federal award." Therefore, when underlying agreement document requirements allow for interpretation, staff should seek written clarification from granting agency prior to seeking reimbursement to ensure compliance with terms and conditions of the Federal award. Not seeking clarification with the granting agency introduces the risk that the granting agency could question the individual limits by expense category and subsequently disallow costs.

Policy guidance is needed to establish the minimum standards for supporting documentation and allowability of expenditures if not expressly addressed in governing documents.

TRT/Hazmat Training Backfill Reimbursement

RRT Sustainment training backfill supporting documentation spreadsheets provide estimated rather than actual costs. TFMRD staff indicated current practice is to provide an initial staffing estimate to the granting agency when submitting for reimbursement. Prior to reimbursement submission, updated (actual) assignment and corresponding rates are not documented and submitted to the granting agency. Therefore, the hourly rate applied when seeking reimbursement may differ from actual employee rates which could create an over/understated expenditure. Accurate and complete supporting documentation provides the best level of evidence when submitting expenditures for

reimbursement. The Subrecipient Agreement between AZDOHS and TFMRD states, “AZDOHS reserves the right to request and/or require any supporting documentation and/or information it feels necessary in order to process reimbursements. Subrecipients shall promptly provide AZDOHS with all such documents and/or information.”

RRT Sustainment Attendance Records

As a requirement of the subrecipient agreement between AZDOHS and TFMRD, staff is required to submit attendance/sign-in rosters to AZDOHS with all related reimbursement requests for training classes. IAO reviewed the sign-in sheets and they appeared to be recreated. Upon further discussion with TFMRD staff, they explained that the training organization lost the roster sheets containing original signatures of the participants. In an effort to submit backup documentation with the reimbursement request, TFMRD recreated the sign-in sheets without the employee signatures. To provide the granting agency with the best detailed back-up supporting documentation, collecting signed sign-in/roster sheets at the conclusion of the training may help prevent loss of documentation.

AFG Invoice Review

The vendor for the provision of medical services and consulting was appropriately acquired through a competitive procurement process. TFMRD was invoiced for services provided by the vendor which included an expenditure for a coordinator fee, consults, and examination services as provided for in the grant. We also verified item quantities and rates did not exceed amounts provided for in the grant award.

One-line item on an invoice included a charge for a coordinator fee of \$31,680. This fee was based on a salary of \$60,000 at .4 FTE and fringe benefits of \$19,200 at 32%. To determine allowability of the fringe benefit portion of the coordinator fee, we reviewed guidance provided in the FY 2019 AFG NOFO. Although paying fringe benefits to vendor staff was not expressly provided for in the NOFO, this document expressly prohibited the paying of salary and fringe benefits to personnel as follows: “No AFG funds may be used to support hiring (part-time or full-time), salaries, benefits, or fringe benefits (including but not limited to contributions for social security, insurance, workman’s compensation, pension, or retirement plans) for any personnel.” Seeking additional clarification regarding the allowability of the fringe benefit paid for this consultant may prevent future questioned costs.

The coordinator fee had no underlying supporting documents such as supervisory approved payroll records, time and attendance records, or any documents that corroborate the level of effort and substantiate the fair market value salary. TFMRD staff stated surveys of other jurisdictions were performed to obtain the basis for fair market value for the coordinator salary; however, survey documentation was not maintained on file. The creation and retention of supporting documentation is a requirement of the NOFO. Specifically, it states “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for at least three years from the date the final Federal Financial Reports (FFR) is submitted or longer if the award or entity is under audit or other circumstances

necessitate longer retention of records.” It is important to maintain documentation of analysis supporting the reasonableness of fees to avoid the risk of it being considered a questioned cost. The FY 2019 AFG NOFO states, “Non-Federal entities who fail to fully document all purchases will find their expenditures questioned and subsequently disallowed.”

Consistent grant monitoring and oversight are essential controls that aid in ensuring compliance with grant terms and conditions.

AFG Unobligated Grant Funds

The initial period of performance was extended with an amendment to end on 8/5/22. As of 7/16/21, the balance of federal resources available was \$16,630.73 and the associated vendor contract expired on 10/29/21. There was financial capacity to perform additional consults/exams in addition to other expenditure categories. However, email correspondence between TFMRD staff and Procurement on 7/19/21 stated the grant would be getting closed out because there were no funds available. After the conclusion of fieldwork, TFMRD staff provided a copy of an amendment that allocates remaining unobligated funds in accordance with grant scope and purpose with an end date of 8/5/2023.

AFG Programmatic Reporting

The NOFO requires the submittal of programmatic performance reports every six months after the grant’s award date and thereafter until the period of performance ends. The report should include a brief narrative of overall project status, a summary of project expenditures and a description of any potential issues that may affect project completion. After the conclusion of fieldwork, TFMRD staff was able to provide 1 of 4 programmatic reports which did not identify a reporting date or period. Staff indicated they were unable to download the 3 previously completed reports. Preparation and documentation of required programmatic reports is important to demonstrate compliance with grant terms and conditions.

AFG Funds Management

As a requirement of the AFG award, cost sharing or match provides non-federal funds to carry out an AFG award based on population within a jurisdiction. Specifically, with this grant, when serving a jurisdiction of more than 20,000 residents, but not more than 1 million residents, the applicant agrees to make available non-federal funds in an amount equal to but not less than 10 percent of the grant awarded.

The Request for Council Action (RFCA) reported the fiscal impact of the budget appropriation in the amount of \$33,827.27 which was transferred from the fiscal year 2020/21 General Fund contingency budget to a dedicated TFMRD grant cost center in the Governmental Grants Fund. This amount represented the minimum match required to satisfy the City’s funding requirement. As of 7/2022, the City has contributed \$1,910.73 over the required minimum match amount. During audit testing, IAO emailed TFMRD staff to inquire about the match which exceeded the minimum requirement communicated to City Council. TFMRD then emailed the granting agency

representative to ask about steps that could be taken to remedy exceeding the minimum contribution.

The grant match was comingled with the grant cost center rather than recorded with the department operating budget. Expense account 7001 entitled Non-departmental Contribution is carrying a \$35,738 credit balance between FY 21 & 22 combined. The amount for the match should be recorded in the TFMRD operating budget and not in the grant cost center. The current recording has the effect of understating expenditures in the operating budget.

Recommendations

- 2.1 Work with the Finance/Procurement Office to ensure evidence of debarment checks are maintained in grant file.
- 2.2 For future grants, seek clarification from the granting agency when underlying grant documents leave room for interpretation.
- 2.3 Develop a written minimum standard for quality of expenditure supporting documentation.
- 2.4 As part of routine grant monitoring efforts, review performance measures, grant cost centers, unobligated funds, and submit and maintain programmatic reports to the granting agency in accordance with grant terms and conditions.

3 – POLICE TESTING

Background

In response to the opioid epidemic plaguing Arizona, the Governor declared a State of Emergency, on June 5, 2017. The Tempe Police Department was awarded grant funding to increase the ability to prevent opioid fatalities by increasing the capacity for law-enforcement to administer Naloxone and connect at-risk individuals to ongoing appropriate evidence-based treatments and awareness. The City of Tempe has partnered with EMPACT- Suicide Prevention Center (EMPACT-SPC) to provide rapid follow-up and navigation assistance and Arizona State University for evaluation.

Approach

We judgmentally selected a grant from the Schedule of Expenditures of Federal Awards (SEFA) June 30, 2021, and performed the following:

- Evaluated procurement steps to determine adherence to federal requirements;
- Verified if payments were made timely in accordance with grant terms;
- Evaluated grant expenditures to verify adequate supporting documentation;
- Reviewed grant monitoring and reporting to determine if funds were administered in accordance with grant terms.

Results

The development of policies and procedures is needed to provide a clear delineation of roles and responsibilities regarding actionable steps addressing grant monitoring and supporting documentation standards. This will help ensure compliance with grant terms and conditions and federal regulations.

Timeliness of Payment

The EMPACT-SPC agreement section 3.4 states, “within 30 days after the City receives a reimbursement request the City will review the reimbursement request and determine in the City’s reasonable discretion whether the expenditures described therein are eligible expenditures and whether there are grant funds available to reimburse such expenditures.” Evaluation of EMPACT-SPC invoices showed an elapsed date range of 3-67 days between the contractor certification and PeopleSoft approval date.

Of the 23 expenditures reviewed, two were not reviewed within the 30 days of the contractor certification date and the PeopleSoft approval date. The elapsed time for actual payment could be more or less because EMPACT-SPC provides a certification

date on the invoice but does not mark the date sent. Additionally, Police staff do not mark the date the invoice is received. Since the date received is not recorded, compliance with contractor agreement time requirements cannot be determined.

Properly Executed Agreement

At the beginning of the period of performance EMPACT-SPC grant agreement was not signed by an EMPACT-SPC representative. Therefore, approval process was not fully executed until four months after the beginning of the period of performance.

Quality of Supporting Documentation

According to Contract Agreement C2019-322, "EMPACT-SPC will retain supporting documents and establish the eligible status of such expenditures submitted as eligible expenditures" and "The City shall have a right of reasonable access to all books, documents, papers, and records of EMPACT-SPC which are reasonably necessary for the City to monitor EMPACT-SPC's use of the grant". EMPACT-SPC is required to also maintain the records for five years after the term of the agreement.

Underlying supporting documentation for EMPACT-SPC invoices has not been requested to date by Police staff and payment is limited to the invoice only. No documentation for specifics on supplies, contractual costs, travel invoice categories were subjected to monitoring of the books and records which are provided for in the contract.

The contracted vendor was not competitively procured and debarment verification was not performed. A competitive procurement process or documented exception rationale in addition to debarment verification documentation are necessary to demonstrate compliance with federal requirements.

Noncompetitive Procurement Process

The Funding Opportunity Announcement states, "All procurement transactions shall be conducted in a manner to provide to the maximum extent practical open and free competition". A competitive procurement process was not performed for the selection of the vendor for this grant. Federal regulation requirements allow for exceptions to an open and competitive process. Specifically, 2 CFR 200.320 (c) states, "The public exigency or emergency for the requirement will not permit a delay resulting from publicizing a competitive solicitation."

Police staff provided no documented rationale for pursuing an exception to the federal requirements for an open and free competition. Per discussion with the Procurement Office, there is a limited source determination form that can be used in scenarios to support and document rationale. Noncompliance with federal competitive procurement regulation may result in a loss of current and future grant funding.

Debarment Verification

As a requirement of the Funding Opportunity Announcement and 2 CFR 180.335, the grantee is required to disclose the results of a debarment check. A debarment check was not performed as required. This verification step and corresponding documentation is necessary to demonstrate compliance with federal requirements. IAO staff spoke with Procurement staff and they suggested that debarment verification should be included on a checklist to ensure timely debarment status verification on future federal procurements.

Performance Metrics for Year 1 were exceeded. The performance measure tracking system is complex and requires extensive compilation to align criteria as outlined in grant requirements.

The Funding Opportunity Announcement requires an annual progress report submission. Police staff provided copies of report submittals and evidence reports were submitted timely. IAO reviewed data for year one of the performance period for evaluation of performance goal status. All performance goals were exceeded.

Police staff is working with vendor partners and there is significant data collection and documentation. The development of a central performance measure tracking system that closely aligns with grant requirements would significantly reduce the time necessary to compile performance metrics for the remaining two years and complete final close out reporting requirements.

Timely filing of reports is a good grant management practice and is required by grant governing documents. Federal Financial Report for Year 1 was filed late, and Year 2 has not been filed.

According to the Notice of Award, the Federal Financial Report (FFR) is required to be submitted annually no later than 90 days after the end of the budget period. The Year 1 budget period for the grant was 9/30/2019- 09/29/2020. Year 1 FFR was due no later than 12/29/2020 and was filed 9/14/2021. Year 2 FFR was due no later than 12/29/2021 and has not been filed to date.

Recommendations

- 3.1 Develop policies and procedures to address grant monitoring and supporting documentation standards.
- 3.2 Work with the Finance/Procurement Office to ensure evidence of debarment checks are maintained in grant file.
- 3.3 Document the rationale used when a noncompetitive procurement exception is exercised.

3.4 Develop a methodology to systematically and efficiently compile data for performance goal reporting.

3.5 File Federal Financial Reports timely.

Scope, Methods, and Standards

Scope

Schedule of Expenditures of Federal Awards (SEFA) for the Year Ended June 30, 2021; we limited the focus to grants in the Tempe Police Department and Tempe Fire Medical Rescue Department.

Methods

We used the following methods to complete this audit:

- Interviewed personnel to gain an understanding of the current grant policies and procedures to provide appropriate monitoring and oversight.
- Identified improvement opportunities related to grant management procedures and monitoring controls.
- Reviewed the cost center tree to identify cost centers that received grant funding and subjected to previous audits.
- Ran PeopleSoft 131 report to perform testing of grant expenditures and revenue received.
- Evaluated grant documentation to ensure proper authorization and expenditures were in alignment with the purpose and scope outlined in grant terms and conditions.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.