



City of Albuquerque

Office of Internal Audit

FOLLOW-UP OF THE
OPERATING GRANTS FUND BALANCE AUDIT

Report #17-14-102F

April 26, 2017

INTRODUCTION

The Office of Internal Audit (OIA) performed a follow-up of Audit No. 14-102, Operating Grants Fund Balance during fiscal year (FY) 2017. The purpose of this follow-up is to report on the progress made by the Department of Finance & Administrative Services (DFAS) – Grants Section, in addressing the audit’s findings and recommendations. Our follow-up procedures rely on the department providing the status of the recommendations.

A follow-up is substantially less in scope than an audit. The objective is to report on the status of corrective action regarding the audit’s findings and recommendations.

We limited our scope to actions taken to address our audit recommendations from the final audit report dated August 27, 2014 through the submission of actions taken on April 7, 2017.

BACKGROUND

Beginning in FY2006 through FY2013, the City’s Comprehensive Annual Financial Report (CAFR) had included Finding #06-16, which pertained to the operating grants fund balance. The finding stated that the City was unable to identify the sources making up the fund balance, as old/inactive grants had not been closed-out or reconciled. In fiscal years 2011, 2012, and 2013 the finding was categorized as a significant deficiency.

Significant deficiencies are control deficiencies that adversely affect the City’s ability to initiate, authorize, record, process, or report financial data in accordance with Generally Accepted Accounting Principles. A significant deficiency suggests that there is more than a remote (slight) likelihood that a misstatement of the City’s financial statements will not be prevented or detected.

The Grants Section was created in 2010 to provide centralized oversight of the City’s grants and improve accountability. The Grants Section assists the City’s Accounting Division and grantee departments by maximizing the use of grant funding, monitoring active grants, streamlining operations, and assisting in the continued implementation of the City’s Enterprise Resource Planning (ERP) project costing/operating grants module.

The audit addressed the City’s processes to resolve past, and prevent future, unidentified amounts in the operating grants fund balance.

SUMMARY

Of the two recommendations addressed in the original audit report, both have been fully implemented.

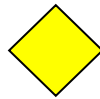
The status of the recommendations is identified by the symbols in the following legend:



Fully
Implemented



Resolved



In
Process



Not
Implemented

Recommendation #1 The CAO should:

Support DFAS in its pursuit of resolving CAFR Finding #06-16 by:

- Emphasizing the importance of resolving CAFR Finding #06-16 with grantee department directors and fiscal managers,
- Requesting that each grantee department actively participate in the resolution of CAFR Finding #06-16,
- Enforcing the grantee departments' compliance with AI 2-26, and
- Holding grantee departments accountable by monitoring and evaluating monthly status reports.

DFAS should:

- Establish a written comprehensive corrective action plan that includes the following:
 - Set milestones leading to an official deadline for resolution of the CAFR finding,
 - Review progress, and
 - Adjust milestones and deadlines as needed.
 - Grantee department requirements, responsibilities and expectations for the identification and resolution of unidentified operating fund balances,
 - Standard reports for each grantee department that identify the department's portions of the fund balance,
 - Provide the reports to the appropriate grantee departments and establish a deadline by which they must provide an update of the information, and
 - Develop a tracking process to identify non-compliance by staff responsible for grants and a mechanism to report to appropriate management when this occurs.
- Consider writing off remaining unidentified operating grant fund balances that are at or below an immaterial specified dollar amount.

Response: *“The Grants management division has a strategy that they are following. The plan is documented in many reports and reviews of the fund balance but not in a formal manner. The division plans to improve on the monitoring with the full implementation of the grants billing module. Until the City fully implements the grants billing module, receivables and deferrals are not automatically set up. The plan while not formally documented has been extremely successful in addressing projects that made up a large portion of the fund balance, reducing the unidentified balance from \$4.5 million to approximately \$1 million. The division was also successful in closing hundreds of projects and cleaning up the trial balances of the operating grants fund.*

“The Grants management division will formalize the plan into a written comprehensive action

plan with projected deadlines and assignments, which will be approved by the CAO and shared with the department management and appropriate staff. The division will also report monthly to the departments the fund balance of their inactive grants. In addition, the Grants management division will provide a monthly progress report to the Directors. The grants management division has already set a policy of writing off balances of older inactive grants with balances under \$5000.”

Estimated Completion Date: “Estimated completion date with current resources, the City expects the unidentified fund balance to be reconciled by the end of FY2016.”

Status Reported by CAO/DFAS: The finding was resolved in the FY2014 CAFR. The CAO stressed the importance of resolving the CAFR finding, enforced Administrative Instruction 2-26, and required Directors to hold grants staff accountable. Currently, the Grants Section monitors the departments’ grants through systematic controls and regular meetings. The CAO is notified if there are any on-going issues.



Fully Implemented

The CAO and DFAS stressed the importance of resolving CAFR Finding #06-16 and took the necessary actions to bring it to fruition. CAFR Finding #06-16 is resolved.

Recommendation #2: DFAS should:

- Make training on the PeopleSoft Grants Billing module a priority for ERP personnel. Assist grantee departments in the implementation of the billing module by helping grantee departments identify data issues and necessary adjustments that would enable the module to be used successfully.
- Identify the main priorities of Grants Administration.
- Determine whether the current structure is the most beneficial for the City of Albuquerque in addressing priorities. Dedicate additional staffing resources to the Grants Administration (through increased FTEs, temporary staff, staff from other divisions within DFAS, etc.) in order to:
 - Establish formal policies and procedures for accounting for operating grants.
 - Amend AI 2-26 to reflect the current structure, responsibilities, and expectations of Grants Administration and the grantee departments.
 - Provide applicable grant training to grantee departments.
 - Conduct Grant User Group meetings and other trainings at a frequency that will best serve the grantee departments' grants personnel. (Ex: monthly while grant personnel are learning new processes or requirements, quarterly after grant personnel have received adequate training, etc.).
 - Formally close each grant in the accounting system at the end of its life.
- Implement additional changes and restructure as necessary.

Response: *“We agree.”*

Estimated Completion Date: “Management will respond to these recommendations by requesting additional permanent staff in the FY16 Budget.”

Status Reported by DFAS: In November 2014, an additional ERP employee was hired and is dedicated to the PeopleSoft grants module. All grant-related modules have been reviewed and configured to increase usability and accuracy. New PeopleSoft functionality was identified and implemented and user productivity kits have been created for each grant-related process. Administrative Instruction 2-26 was rewritten and a citywide Grants Policies and Procedures Manual has been created. The Grants Section was restructured, and involved clearly defining roles and responsibilities. The Grants Section has established strong communicative relationships with all department fiscal personnel and meets with grantee-department personnel one on one to provide customized assistance.



Fully Implemented

The Grants Section has taken steps to prevent future unidentified fund balance occurrences and ensure on-going accuracy of the City's operating grants.

SUBMITTED:

Contract Auditor

REVIEWED:

Senior Information System Auditor

APPROVED:

Lawrence L. Davis, Acting City Auditor
Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee