



# Wakulla County Clerk of the Court Internal Audit Report Grant Management Audit

December 2023

The Internal Audit Department (IA) conducted an audit of the grant management function of Wakulla County's (County) Intergovernmental Coordination Department (IC) and the Clerk of the Court's Finance Department (Finance). Grants are a significant funding source for the County and proper management is vital.

The objective of the grant management audit was to assess the effectiveness of grant management within the County. First, current grant management procedures were reviewed to ensure compliance with grant provisions and effective monitoring of grant administration. Then, to identify improvement opportunities related to the efficiency and effectiveness of grant management procedures and monitoring controls.

Procedures performed during this internal audit included, interviewing County and Finance staff to gain an understanding of the current policies and procedures in place. A sample of current federal and state grants awarded to Wakulla County was selected to determine if appropriate procedures were performed related to management (spending and reimbursements) and reporting.

Seven samples were selected from the fiscal year 2021-2022 Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA) that were part of the financial statements. Samples were selected that had not been evaluated as major programs by the external auditors. The SEFA was also compared to the grant log maintained by Finance. All grants with unearned revenue booked at the close of 2022 were also reviewed.

A flowchart on the next pages shows how the grant management process works in the County.

## ***Observations and Recommendations:***

One of the grant samples selected for the audit was a grant for a maximum of \$200,000 from the State of Florida's (State) Fish and Wildlife Conservation Commission (FWC). The SEFA listed grant funds expended as \$388,461. Funds in addition to the grant amount were expended under this grant's fund code as had been planned in the project. During this time the Assistant Finance Director (AFD) was covering the grant management function for Finance because there had been a staffing change earlier in the year. The grant log maintained by Finance contained a formula error which made it appear that there were still funds available. Instead, expenses exceeded the grant award.

## Wakulla County Grant Management Flowchart

Grant opportunities for Wakulla County (County) are identified by Intergovernmental Coordination (IC) staff or other County employees.

Grants are evaluated for budget impacts and how they fit into the County's needs by County staff.

The grant application and details of the evaluation results are added to the Board of County Commissioner's (BOCC) meeting agenda for approval to move forward with submitting the application to the granting agency.

Grant applications are submitted based on granting agency requirements.

If a grant application is approved by the awarding agency, the grant agreement is reviewed by the County's legal counsel and added to the BOCC's meeting agenda for approval by the IC Director.

The Fiscal Operations Director will send a request to the Clerk of the Court's Finance Department (Finance) for a new fund code to be added to MIP, a copy of the budget amendment (if necessary), a grant information sheet which includes summary details of the grant: amount, source, matching requirements, etc., and the grant agreement.

Finance updates MIP with the new grant information. The information is also added to Finance's grant log.

Finance adds the grant agreement, any amendments, and payment reimbursement requests to Finance's grant folder. Payment reimbursements are added to the grant log.

At the end of the fiscal year Finance completes journal entries for funds that have been expended but not received (due from other governments) or funds that have been received but not expended (deferrals). Details of the grants are provided to the external auditors to be used to complete the County's single audit required by the granting agencies.

Audited Financial Statements, including the single audit, are submitted to both the federal clearing house and the Florida Auditor General.

Most grants are reimbursement based. As expenses are paid, the Grant Manager from IC will submit documentation to the granting agency for reimbursement. Copies of this paperwork are sent to Finance and kept as part of the BOCC's grant file.

The Grant Manager from IC submits reports to the granting agency as required by each grant agreement.

The Grant Manager from IC tracks the grant to ensure activities being funded by the grants are completed on the timeline required by the grant agreement and expenses are allowable. If necessary, the granting agency is contacted about the need for an extension.

When the grant is completed the Grant Manager from IC closes out the grant file, submitting any final reports required. The grant file is maintained based on public records requirements and grant requirements.

A journal entry was booked by Finance to the accounting code “due from other governments” for \$191,486, making it appear to the external auditors that State funds were expended in this amount. The AFD did ask the Grant Manager (GM) from IC about whether a reimbursement request had been made to the State prior to booking the journal entry. The GM confirmed via email in October 2022 a reimbursement request had been made and the AFD had received a copy of the request via email in August 2022. A reimbursement was received from FWC in November 2022 matching the paperwork provided to Finance in August for the amount of \$196,975. However, Finance booked the journal entry in December 2022 for an additional \$191,486 due from other governments. During the course of the audit a transfer was made from the general fund to cover the outstanding amount of \$191,486. Overall, this situation stemmed from communication issues and staffing changes.

One of the samples was a grant in the amount of \$999,165 from the State’s Department of Transportation (FDOT). There were two reimbursement requests for this grant that contained duplicate invoices and check numbers from an earlier request. The reimbursement request sent to FDOT contained copies of vendor invoices that the County had paid along with documentation that the payment to the vendor was processed through the bank. Reimbursement request (RR) 1 and RR3 both contained the same vendor payment documentation. This was caught and corrected by the GM on RR7.

RR10 and RR11 sent in July and August 2022 respectively, were the final two requests. One vendor payment was in both requests. This was corrected during the internal audit when a check was sent to FDOT in the amount of \$6,433.56 in November 2023 to pay back the overage. A journal entry was booked by Finance to unearned revenue to close out fiscal year 2021-2022 because the duplicate reimbursement showed more revenue than expenses. Since most of the grants the County receives are paid via reimbursement this was unusual and may have warranted a closer inspection by Finance prior to posting the journal entry. Because the SEFA shows funds expended rather than received, it was correct in the financial statements.

Due to the overpayment found in one of the samples, testing was expanded. A general ledger report was run for all unearned revenue. This testing revealed an additional grant was overpaid. The second overpaid grant was from the State’s Department of Emergency Management (FDEM). RR5 and RR6 both contained the same vendor payment. During the audit these funds, in the amount of \$2,318.75, were returned to FDEM. All other grants with unearned revenue appeared correct.

Two grants involving funds from BP/Deepwater Horizon spill administered from the United States Department of Treasury (Treasury) referred to as the Restore Act were part of the sample selection. Together these grants have over \$800,000 in outstanding reimbursements from prior fiscal years. One of the grants had a new award of over three million and that reimbursement is also outstanding but the funds were spent in the fiscal year that just ended, 2022-2023. There is approximately \$769,700 outstanding that IC staff is working on processing the reimbursement for through Treasury. It has been delayed due to changes at Treasury and a change with the consultant the County was

using during a staffing transition. There is approximately \$41,400 that is outstanding that the County is going to have to cover because it will not be reimbursed according to IC staff. The Fiscal Operations (FO) Director was not made aware of the issue until this audit.

Finance maintains a log of all of the grants received by the County. The log includes grant details, expenses, and reimbursements. Copies of all agreements and reimbursement requests, along with the payment of the reimbursement are kept in an electronic grant file. During the audit several payments received did not have the reimbursement back-up included with the payment details, the missing support was provided by BOCC staff for the purpose of this audit.

The information in the log is put into a spreadsheet provided by the external auditors at the end of the fiscal year. When an organization expends \$750,000 or more in federal or state grant funds a single audit is required. The SEFA is part of this audit requirement. Finance provides the external auditors with the information they need to complete the single audit. Therefore, it is vital that the information that Finance has is accurate.

Looking at the SEFA and the grant log there were two situations where the grant funds expended were incorrect. One of the incorrect grants was from the sample described above for the FWC grant. Matching funds related to the State's Department of Agriculture and Consumer Services for Mosquito Control were another issue. The amount reported for State funds expended were greater than the grant from the State because County funds towards expenditures were also included. The grant award for fiscal year 2021-2022 was \$34,496.88 but \$44,488 is what was listed on the SEFA related to fiscal year 2021-2022. Also listed was \$25,889 for fiscal year 2020-2021 funds. This showed a total of \$70,000 expended, which was the total amount expended from that fund code for the year. It did not take into consideration the interfund transfer of \$35,000 of County funds as required by the grant.

Based on the observations during this audit IA has the following recommendations:

1. Finance should take a closer look at any journal entries at the end of the year that are needed for unearned revenue if the grant is set up as a reimbursement grant.
2. Finance has a staff member in the role that maintains the grant log now. During the audit IA shared the workpaper used to audit the grant samples. It is recommended that something similar be used going forward. The spreadsheet has conditional formatting that will alert the staff member that a duplicate vendor payment was used for a reimbursement request. Going deeper into the grant reimbursements, vendor invoices, and looking closer at unearned revenue will allow Finance to act more as an auditor of the BOCC as part of the grant management role as the State constitution and County charter indicate. The spreadsheet will also alert Finance to any grants that have exceeded the award.
3. Finance should pay special attention to grants that have matching requirements or where expenses exceed the grant amount. Formulas should be checked to make sure

they are working properly.

4. IC should look into ways to prevent reimbursement requests containing duplicate vendor payments. This can be done by using spreadsheets with formulas and conditional formatting. A spreadsheet will allow for better monitoring than a word document table as is currently being used.
5. IC should notify the FO Director as soon as an issue with grant reimbursement is identified to allow sufficient time for budget amendments.
6. IC has developed a written policy for the Restore Act. There are plans in place for this to be expanded to cover all grants. It is recommended that this plan is completed and that procedures are added. The policy aspect is important but it is also important that all staff involved know how to successfully carry out that policy.
7. Based on the observations of this audit there appears to be information silos within the grant management process. It is recommended that a meeting be scheduled between Finance, IC, and FO for all staff that play a role in grant management to discuss what everyone's role in the grant management is since each plays a role in protecting the County's interests in compliance. Ongoing communication between Finance and the grant manager from the BOCC will help ensure the SEFA is presented accurately. When staffing changes occur for either the BOCC or Finance, the staff responsible for the grant management should meet and discuss how the departments work together. A regular quarterly meeting may be beneficial so issues can be addressed as they come up and everyone is on the same page. IA can help facilitate this first meeting if desired. It is vital an effective way to share information is developed.

***Management Response:***

Management from both IC and Finance responded to the recommendations and concurred with the observations. Below are the responses from each department to the recommendation pertaining to their departments.

1. Finance will look closer to determine what Unearned Revenues or Due From Other Governments are needed.
2. Finance has started using the spreadsheet and is working to transfer prior data from past workbooks. This will allow Finance clear information about the financial aspects of the grant.
3. The Finance Director will review the spreadsheet to make sure none of the formulas have been broken. This will happen on a quarterly basis at minimum. Finance will also utilize the grant log to monitor matches and when the grant has been over expended. In both instances communication will be made to the FO Director when the grant is over expended or the match needs to be made.

4. The FO Director has created a project spreadsheet that will allow the staff to record and track all payments made to the contractors, track the costing of the project, and the project reimbursement requests. It is the intent of the IC to utilize this spreadsheet to ensure that duplicate payments or reimbursements are not made and provide a way to monitor the project from cradle to grave.
5. IC Staff will communicate with FO Director if an issue with a grant reimbursement has been identified to allow for the processing of budget amendments or inclusion in future fiscal years budgets.
6. IC Staff will prioritize the update to the current RESTORE Act grant manual to establish a policy for all grant management. Along with an updated Grant policy manual staff will prioritize creating a standard operating procedure manual.
7. Finance will work with IC and FO to organize meetings to make sure there is open communication between all people involved.

IC Staff would like to encourage meetings with Finance and FO to ensure all parties communicate items such as staffing and policy changes, updates to current grant agreements including increases in funding, time extensions and other changes as they arise. Currently, IC staff meets once a month to discuss current workload and administrative issues. Each IC staff member has an opportunity to present items they are working on and also to discuss tasks in which they may need assistance or input. IC staff would be interested in bimonthly meetings with Finance and FO Director in addition to their monthly meetings.

***End of Report***