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*Office of the County Auditor*
Executive Summary

This report presents our evaluation of internal controls and the recording and monitoring processes over grant revenues and receivables. Our review was for the fiscal year ended September 30, 2007 and included a review of subsequent activity for the specific grants reviewed through September 30, 2008. We found:

- Financial management procedures and practices over grant receivables and revenues do not support adequate monitoring of grant awards,
- Approximately $8.3 million in unutilized grant awards, and
- 2 of 17 reimbursement requests reviewed totaling approximately $141,000 were not submitted for reimbursement timely.

To ensure adequate monitoring, full utilization, and timely reimbursement of grant awards, we recommend the Board of County Commissioners direct the County Administrator to:

1. Ensure the financial account structure is used to facilitate the reporting and monitoring of grants on a grant specific basis.
2. Develop procedures to:
   a. Clearly define separation of responsibilities between grant administrators and the grant accountant,
   b. Properly record grant revenues and receivables, and
   c. Monitor grant financial activity to ensure the use of grant awards is maximized and reimbursements for eligible expenditures are requested and received timely.
3. Prepare an annual report of all major grants with explanations for any unspent or rolled over monies for submission to the Board.

Purpose and Scope

The objectives of this review were to evaluate internal controls and the recording and monitoring processes over grant revenues and receivables. Our review covered general fund reimbursement type grants reported in the County’s Single Audit - Schedule of Expenditures for the fiscal year ended September 30, 2007 and included a review of subsequent activity for the grants tested through September 30, 2008.
Methodology

To accomplish our objectives, we:

- Interviewed grant administrators and Accounting and Office of Management and Budget (OMB) staff,
- Analyzed grant process documentation,
- Reviewed Broward County, Florida Schedule of Expenditures of Federal Awards, State Financial Assistance and Other Awards for the year ended September 30, 2007 (Schedule of Expenditures),
- Tested reimbursement requests for timeliness of submission,
- Recalculated year end estimated receivables, and
- Compared award amounts to actual amounts received by the County.

We tested 17 grants which were selected as follows:

- Randomly selected 1 grant from each of 7 grant funds with a receivable balance over $500,000, and
- Randomly selected 10 grants from the Schedule of Expenditures.

Background

Broward County agencies apply for and receive grants primarily from Federal and State governments to fund program expenditures including housing assistance, transportation, human services, libraries and Crime Laboratory. Grants from Federal and State governments are important to the County because they subsidize programs to our citizens which may otherwise be unfunded or require local resources. Grant revenues accounted for approximately $158 million (6%) of total revenues for fiscal year 2007. Table 1 shows revenue sources for FY 2007:

Table 1: Fiscal Year 2007 Revenue Sources (Thousands)

Source: County Auditor analysis of Fiscal Year 2007 Comprehensive Annual Financial Report
Types of Grants

Grants may be classified by the method payments are made to the County. The three most common grants are reimbursable, advance, and fixed payment. Reimbursable grants accounted for approximately 98% of the County’s fiscal year 2007 grant expenditures. A reimbursement grant requires the County to first spend its own money to fund the program expenditures and then request reimbursement from the Federal or State government. Advance and fixed payment grants, on the other hand, provide funding in advance of expenditure or based upon an established schedule (for example, fixed monthly payments).

This review focused on reimbursement grants because this type of grant results in grant receivables in the County’s accounting records and represent the majority of grant dollars received.

Application, Award, and Setup Process

County agencies apply primarily to the State and Federal Governments for grants relating to specific programs. Staff complete a “Grant Application and Review Form”, and prepare a proposed budget and program description which are submitted to the Office of Management and Budget (OMB) for review and approval. Once approved by OMB, an agenda item is submitted to the Board for approval. All grants require Board’s approval either at time of application or award.

Once awarded, the agency submits the grant award letter, Board approved date, and program budget to the OMB and the Accounting Division to establish an account in the County’s financial system. This process allows the agency to have a budget code in which to charge the grant revenues and expenditures.

Grant Administration

There is a designated grant administrator for each grant within the County. Grant Administrators are responsible for monitoring grant activities including utilization and compliance with the grant agreement. Grant Administrators are ultimately responsible for billing and obtaining reimbursements from the grantor agency once grant expenditures are incurred and recorded in the financial system. Requests for reimbursements are processed in accordance with requirements in the grant agreement and are usually monthly or quarterly.

The Grant Accountant

The Grant Accountant is the Accounting staff responsible for the financial monitoring and reporting of grant activities as well as providing support services to the grant administrators. They are also responsible for developing the schedule of expenditures for State and Federal grants which is utilized by the independent external auditors in performing the annual audit of grant expenditures (The Single Audit Report).
Receivable and Revenue Process

A grant receivable is the amount due to the County (the grantee) from the State or Federal government (the grantor). Once a grant expenditure has been incurred and paid by the County (the grantee), it is eligible for reimbursement from the State or Federal government (the grantor) and considered a grant receivable in accordance with the Governmental Accounting Standards Board (GASB).

Sound business practice is to record the amount due (the receivable) and corresponding revenue on a periodic basis. For example, if a grant had expenditures totaling $10,000 during the month, a receivable of $10,000 and a corresponding revenue of $10,000 would be recorded at the end of the month. The grant receivable would then be reduced when the County receives reimbursement.

The County had approximately $13 million and $16 million in general fund\(^1\) grant receivables at the end of September 30, 2007 and 2008, respectively. These amounts represent grant expenditures which have not yet been reimbursed by the grantor.

Financial Monitoring

Financial monitoring is an important element to ensuring full utilization and timely reimbursement of grants. Sound business practice for monitoring grants includes the following two key activities: 1) monitoring grant revenues to ensure grant awards are fully utilized and 2) monitoring grant receivables to ensure all reimbursement requests are timely submitted to and received from the grantor agencies.

- **Monitoring grant revenues to ensure grant awards are fully utilized**
  The terms of a typical grant agreement generally include an expiration date - the date by which the County must spend the awarded amount. Unspent monies could be forfeited. In some cases, unspent monies may be rolled over by the grantor agency for an additional period but risk reductions of future awards. Therefore, comparing revenues earned to the award amount to ensure full utilization is an essential role.

- **Monitoring grant receivables to ensure all reimbursement requests are submitted and received from the grantor**
  As described above, outstanding receivables represent amounts due to the County from the State or Federal government (the grantor). Receivable balances should be reviewed to ensure the County has completed reimbursement requests and received payment for all amounts due.

Effective financial monitoring requires timely and accurate receivable and revenue reporting as described above.

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\(^1\) This does not include grants awarded to Enterprise Funds and Constitutional Officers
Findings

Finding 1: Financial management procedures and practices over grant activities do not support adequate monitoring of grant awards.

Sound financial management procedures and practices are essential to ensuring timely and accurate reporting and monitoring of grant activity. These activities serve as a key management control and are essential to assessing compliance with grant terms and maximizing use of grant funding.

We found the following deficiencies in financial management procedures and practices over grant activities:

- Improperly recorded revenues and receivables
- Combining grant activity in the financial account structure
- Undefined roles between the grant accountant and grant administrators

Improperly recorded revenues and receivables

GASB specifies standards by which revenues and receivables are recorded. In accordance with these standards grant receivables and corresponding revenues may be recognized at the time of the expenditure if all reimbursement conditions are met and should be recorded into the financial system on a periodic basis.

We found, Accounting does not record actual amounts due from grantors when earned. Instead, an estimated receivable is recorded at year end. These estimates are not based on calculations or other support such as a detail of eligible reimbursable expenses which have not yet been received or invoices submitted to grantors. As a result, we were unable to determine the accuracy of the recorded receivables.

Furthermore, these receivables are not separately reported by date (0 -30 days, 31 - 60 days, etc.) or by billed (reimbursement request submitted to grantor) and unbilled (reimbursement request not submitted to grantor). This level of detail would be readily available if the receivables were recorded on a routine basis in accordance with the GASB.

Failure to record grant revenues and receivables timely and accurately restricts management’s ability to perform grant monitoring activities.
Combining grant activity in the financial account structure

Separate accounting for individual grants within the accounting system is necessary to effectively and efficiently track and monitor grant activity. We identified instances where grants were not individually set up within the accounting system. As a result, individual grant transactions and balances were not readily separable. For example, the Advanced Traffic Management System Design Group grant and Computerized Traffic Signal System grant are both recorded in fund 8430. The receivable balance of $530,159 in the fund at September 30, 2007 combines the amounts due from both grants. Determination of each grant's receivable balance requires additional analysis and staff effort.

Undefined roles between the grant accountant and grant administrators

Current policies and procedures do not adequately define the responsibilities for the grant accountant and grant administrators. Clear policies and procedures ensure professional resources are properly managed and utilized. We found, for some grants, the grant accountant performs activities typically performed by the grant administrator including requesting reimbursements. As a result, professional accounting resources are diverted from reporting, monitoring, and other support activities.

Each of these three deficiencies limits the ability of management to adequately monitor grant revenues and receivables to ensure full reimbursement and utilization of grant awards.

Finding 2: Approximately $8.3 million in grant awards were unutilized.

To maximize available resources, grant monies should be utilized prior to expiration. This ensures funding is not forfeited and is fully applied to County programs during the period covered by the grant agreement.

We compared grant funds awarded to amounts received as of September 30, 2008 for each of the 17 grants included in our review. We found five grants with unutilized funds of approximately $8.3 million as of September 30, 2008. Four of the grants expired in 2007 and one grant will expire on June 30, 2009. These unspent grant awards may or may not be reappropriated by the grantor agency.
We also noted two grants that expired in 2007 had unutilized grant funds of approximately $195,000 which were rolled over into the following year. While unspent monies may be rolled over by the grantor agency for an additional period, failure to fully utilize grant funds within the grant period may result in reductions of future awards.

Routinely comparing recorded grant revenues to grant awards and their expiration dates could alert management to grant awards which may not be fully utilized.

Table 2: Awards Underutilized – Status Unknown

<table>
<thead>
<tr>
<th>#</th>
<th>Grant</th>
<th>Term</th>
<th>Award Amount</th>
<th>Unspent Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sexual Battery Recovery Services 06</td>
<td>7/1/2006 - 6/30/2007</td>
<td>$56,576</td>
<td>$4,498</td>
</tr>
<tr>
<td>2</td>
<td>FAG - Crisis Intervention &amp; Advocacy 07</td>
<td>11/1/2005-6/30/2007</td>
<td>$120,862</td>
<td>$8,198</td>
</tr>
<tr>
<td>3</td>
<td>FDOT Unified Work Program (UPWP) 06/07</td>
<td>7/1/2006-6/30/2007</td>
<td>$1,961,981</td>
<td>$627,156</td>
</tr>
<tr>
<td>4</td>
<td>Homeless Family Program Shelter Plus Care 00</td>
<td>10/1/2002-10/1/2007</td>
<td>$886,560</td>
<td>$91,032</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$20,014,84</td>
<td>$8,346,820</td>
</tr>
</tbody>
</table>

Source: Office of the County Auditor analysis

Table 3: Awards Underutilized – Status Rolled Over

<table>
<thead>
<tr>
<th>#</th>
<th>Grant</th>
<th>Term</th>
<th>Award Amount</th>
<th>Unspent Award</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>One Community Partnership 07</td>
<td>09/30/2006-9/29/2007</td>
<td>$1,583,000</td>
<td>$111,912</td>
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<tr>
<td></td>
<td>Total</td>
<td></td>
<td>$1,837,320</td>
<td>$194,894</td>
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Source: Office of the County Auditor analysis

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Office of the County Auditor
Finding 3: 2 out of 17 reimbursement requests totaling approximately $141,000 were not processed timely.

Grant agreements typically specify billing frequencies for submitting reimbursement requests. For agreements that do not specify a billing frequency, good business practice requires reimbursement requests are processed within a reasonable time (usually monthly or quarterly) after expenditures are incurred. This ensures timely receipt of amounts owed and helps to ensure all eligible expenses are reimbursed to the County.

We randomly selected one cash receipt for each of the 17 grants included in our review and found that two selections totaling approximately $141,000 were submitted for reimbursement over 233 days after the eligible expenditures were incurred.

<table>
<thead>
<tr>
<th>#</th>
<th>Grant Name</th>
<th>Selected Cash Receipt Amount</th>
<th>Dates of Eligible Expense</th>
<th>Date of Submitted Request</th>
<th>Time Elapsed (Days)</th>
<th>Time Allowed (Days)</th>
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<tbody>
<tr>
<td>1</td>
<td>Air Monitoring Sec 103</td>
<td>$4,700</td>
<td>07/05/06 - 07/24/06</td>
<td>03/14/07</td>
<td>233</td>
<td>Not Specified</td>
</tr>
<tr>
<td>2</td>
<td>Adv. Traffic Mgt. System Design Group I</td>
<td>$135,820</td>
<td>06/13/05 - 09/22/06</td>
<td>05/08/07</td>
<td>228 - 684</td>
<td>Not Specified</td>
</tr>
</tbody>
</table>

Source: Office of the County Auditor analysis

Adequate monitoring procedures were not in place to ensure timely submittal of reimbursement requests. Such procedures should routinely evaluate the age of outstanding receivables.

Recommendations

To ensure adequate monitoring, full utilization, and timely reimbursement of grant awards, we recommend the Board of County Commissioners direct the County Administrator to:

1. Ensure the financial account structure is used to facilitate the reporting and monitoring of grants on a grant specific basis.
2. Develop procedures to:
   a. Clearly define separation of responsibilities between grant administrators and the grant accountant,
   b. Properly record grant revenues and receivables, and
   c. Monitor grant financial activity to ensure the use of grant awards is maximized and reimbursements for eligible expenditures are requested and received timely.
3. Prepare an annual report of all major grants with explanations for any unspent or rolled over monies for submission to the Board.