



COUNCIL AGENDA: 5/10/2022

ITEM: 3.6

FILE NO: 22-655

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Toni J. Taber, CMC
City Clerk

SUBJECT: SEE BELOW

DATE: May 10, 2022

SUBJECT: City-wide Grant Monitoring Audit Report

Recommendation

As recommended by the Public Safety, Finance and Strategic Support Committee on April 21, 2022, accept the report on the City-wide Grant Monitoring Audit.

CEQA: Not a project, File No. PP17-009, Staff Report, Assessments, annual Reports, and Informational Memos that involve no approvals of any City action. (City Auditor)

[Public Safety, Finance and Strategic Support Committee referral 4/21/2022 - Item (d)5]



Office of the City Auditor

**Report to the City Council
City of San José**

**CITYWIDE GRANT
MANAGEMENT: IMPROVED
COORDINATION CAN
INCREASE FEDERAL GRANT
OPPORTUNITIES AND
STANDARDIZE GRANT
ADMINISTRATION**

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April 14, 2022

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Citywide Grant Management: Improved Coordination Can Increase Federal Grant Opportunities and Standardize Grant Administration

The City of San José (City) receives funding from a variety of sources to support City services, including federal, state, or local grants. A majority of the City's grant funding is from federal agencies. In FY 2020-21, the City spent \$247 million from federal awards, most of which were a result of the almost \$174 million in COVID-19 relief funds. Multiple departments receive and manage federal awards. Each department is responsible for each step of the grant lifecycle, including submitting grant applications, implementing programs under the terms of grant agreements, closing out grants, and working with federal agencies who may conduct audits for grant compliance.

The objective of this audit was to review and assess Citywide management of federal awards across departments. This audit was requested by the Administration, as the City's external financial auditors have expressed concerns about internal controls around financial reporting related to federal awards.

Finding I: Better Coordination is Needed to Improve Management and Administration of Federal Grant Awards. The City receives millions of dollars of federal grants, and the City's external financial auditors have repeatedly raised concerns around the City's financial reporting process for these awards. In addition, our office and federal auditors have raised concerns around the tracking and documentation of federal expenditures in the past. We found:

- The City's decentralized grant management structure creates risks in identifying and managing grants.
- Departments vary in both how they identify and manage grants, and the level of resources available for managing them.
- Few departments had standard procedures, and departments generally did not provide regular training for staff to properly manage grants.

Recommendations:

To better manage and coordinate federal grant management, the City should:

- Develop Citywide guidance or procedures, and training around the different stages of grant management

- Citywide grant management policies and procedures are common among other large California cities.
- Although the City has begun to provide centralized or cross-departmental assistance, more can be done.
- Because indirect costs are generally allowable expenses, the City is required to have its Indirect Cost Allocation Plan approved by its federal cognizant agency. This was last done in 2013 and the City should seek approval for the most up-to-date plan.

- Formalize the grants working group as a forum for inter-departmental coordination
- Request approval for the City's indirect cost allocation plan

This report has three recommendations. We plan to present this report at the April 21, 2022 Public Safety, Finance & Strategic Support Committee. We would like to thank the Finance Department; the City Manager's Office of Administration, Policy, and Intergovernmental Relations; the City Manager's Budget Office; and the City Attorney's Office for their time, information, insight, and cooperation during the audit process. The Administration has reviewed the information in this report, and their response is shown on the yellow pages.

Respectfully submitted,



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This report is also available online at www.sanjoseca.gov/audits

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Background

The City of San José (City) receives funding from a variety of sources, including from federal grants, such as Community Development Block Grants from the federal Department of Housing and Urban Development (HUD) or emergency-related grants from the Federal Emergency Management Agency (FEMA). Grants can also come from the state, or local sources such as the County of Santa Clara.

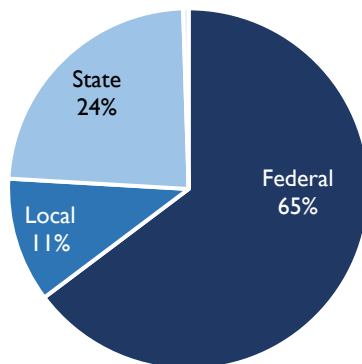
The grants provide resources for a variety of programs and services across the organization, such as:

- projects at the Airport;
- pavement maintenance;
- fiber optic support;
- housing-related programs;
- programs to assist dislocated workers; and
- public safety-related purposes, such as purchasing bullet proof vests.

The City Receives Grants From Federal, State, and Other Agencies

Overall, grant expenditures from federal awards totaled almost \$250 million in FY 2020-21. A majority of the City's grant expenditures were from the federal grant awards.

Exhibit I: Breakdown of Grant Expenditures San José Departments Reported in 2020-21

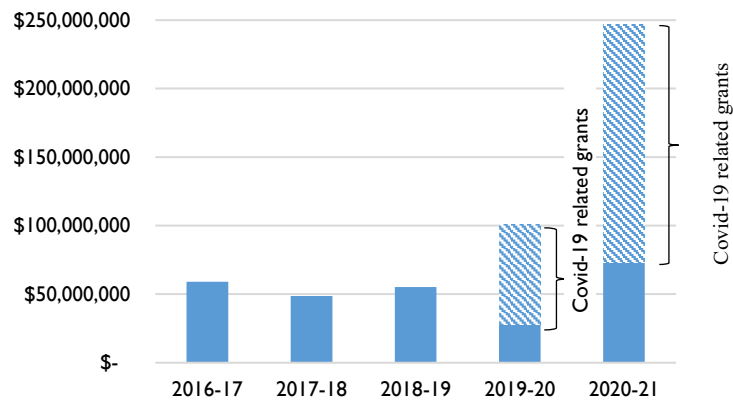


Source: Auditor summary of Finance Department's Grant Inventory Listing

Note: A small percentage of awards refers to projects that are partially funded by federal and state awards.

Expenditures from federal awards totaled \$247 million in FY 2020-21. Most of those expenditures were a result of the approximately \$174 million in COVID-19 relief funds. We should note that the City was the recipient of a multitude of federal disaster grants to mitigate the impacts of the pandemic in FYs 2019-20 and 2020-21.¹

Exhibit 2: Federal Grant Expenditures for the Past Five Fiscal Years



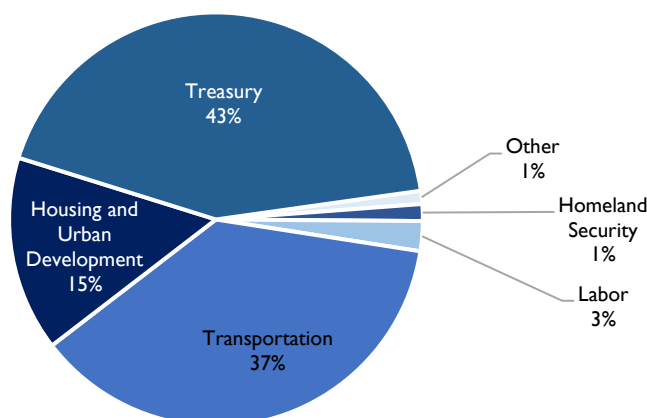
Source: Auditor summary of grant expenditures from the Single Audit (Schedule of Expenditures of Federal Awards) from FY 2016-17 to FY 2020-21.

Note: FY 2019-20 included about \$73 million and FY 2020-21 included about \$174 million in COVID-19 related expenditures.

The City receives grants from many different federal agencies. As discussed above, a majority of the City's grant funding in FY 2019-20 was from the federal Department of Treasury for COVID-19 related purposes. Other large sources of funding are the federal Departments of Transportation for highway and Airport-related purposes, and HUD, which primarily funds housing-related programs.

¹ According to the Finance Department, overall, from the beginning of the pandemic through February 2022, the City has received nearly \$796 million in federal, state and local grant awards.

Exhibit 3: Breakdown of \$247 Million in Federal Expenditures Spending By Granting Federal Agency, FY 2020-21



Source: 2020-21 Single Audit (Schedule of Expenditures of Federal Awards).

Note: “Other” includes grants from Departments of Justice, Commerce, and Health and Human Services, and the National Endowment for Arts. Transportation includes Airport-related grants.

There Are Different Types of Federal Grant Awards

The Federal government provides assistance to state and local jurisdictions through different types of grants, which are awarded and implemented in different ways. The different types² include:

Block Grant: A block grant is a specific type of federal financial assistance for a broadly defined function. These are often awarded by the federal government to state governments, although some grants are awarded to local governments. The block grant recipients then implement the programs within those broadly defined functions.

Discretionary Grant: A “discretionary” grant is a grant in which a federal agency selects the awardee (i.e., grant recipient) based on merit and eligibility. Grant applications from potential recipients (like the City) are sent to a federal funding agency for a competitive review process and final funding decisions. The federal awarding agencies review, assess, and evaluate the quality of the grant applications to inform their funding decisions—it’s a competitive process.

Mandatory Grant: Mandatory grants are a type of grant that must be awarded to each eligible applicant (generally a government entity) based on the conditions defined in the authorizing statute.

² Descriptions of grant types are from the federal governments definitions on grants.gov

Formula Grant: A formula grant is a type of mandatory grant that is awarded based on statistical criteria for specific types of work. The authorizing legislation and regulations define these criteria and the amount of funds to be distributed. Formula grants are noncompetitive. The formula has been set by legislation and regulations, so funds must be awarded per that formula.

We estimate that in FY 2019-20 almost 80 percent of the City's grants were non-competitive (e.g., formula grants).

The Federal Grant Cycle Is A Multi-Step Process

The federal grant cycle has three distinct phases which includes the following:

- *Pre-award phase:* Funding opportunities and application review
- *Award phase:* Award decisions and notifications
- *Post award:* Implementation, reporting and closeout

Pre-Award Phase: In this stage the grant-making agency develops a funding program based on its mission and federal initiatives. The agency then formally announces these funding opportunities. Applicants are expected to use the federal government website (grants.gov) to find these opportunities and complete an application. Applicants need to complete an application and meet other specified requirements even for formula grants. Preparing the application can be time consuming and can include basic organizational information, to detailed explanations of proposed work and financial data. The grant-making agency receives the application and screens it for compliance. Once it passes initial screening, the application is routed to the appropriate agency for consideration.

Award Phase: The federal agency notifies applicants whether they have been awarded a grant. The agency begins work with the recipient to finalize the legal framework for the funding agreement. Funds are disbursed after this.

Post-Award Phase: After the award phase, program implementation by the grantee begins. From the agency's perspective, this begins the review phase. During this period an applicant is expected to comply with award reporting requirements (including both financial and programmatic reporting), and agencies conduct audits or monitor grantees for compliance with grant requirements.

Exhibit 4: The Federal Grants Cycle Is a Multi-Step Process

	Grantor Actions	Lifecycle Steps	Grantee Actions
Pre-Award	Grantor develops a funding program	Planning an Opportunity	
	Grantor announces the opportunity	Announcing an Opportunity	
		Searching for opportunities	Applicants search on grants.gov for funding opportunities
		Register on Grants.gov	Applicants need to register once they have identified the grant opportunity
		Completing an application	Download and complete package
	Grantor retrieves the application and screens for compliance	Initial screening	
Award	Grantor begins reviewing applications and notifies applicants of award	Application review	
	Grantor works with agency to finalize funding agreement	Finalize agreement	Work with grantor to finalize funding agreement
Post-Award	Funding agency oversees the awardees reporting compliance	Provide Support & Oversight	This includes programmatic and financial reporting. May include audit requests
	Program stakeholders ensure all requirements are met	Reporting progress	
		Award closeout	

Source: Auditor summary of grants lifecycle from grants.gov.

Grant Management Roles and Responsibilities

Generally, individual City departments are responsible for applying for and managing federal grants. This includes executing grant agreements; using grant funds per the grant requirements, including monitoring subrecipients and contractors if necessary; submitting financial and performance reports; closing out grants; and managing any federal audits and reviews related to the grant.

Departments' processes for identifying and managing grants vary, but overall individual departments seek out grant opportunities on their own and then work with the City's Budget Office and the City Attorney's Office as necessary.

The Finance Department (Finance) is responsible for working with the City's external auditors to compile the necessary information for the City's Single Audit, including preparing the Schedule of Expenditures of Federal Awards (SEFA). A Single Audit is an organization-wide required financial statement and federal awards' audit for non-federal agencies that expend more than \$750,000 in federal funds in one year. The audit is intended to provide assurance that federal funds were expended appropriately.

To develop the SEFA, Finance staff regularly send out requests to departments to update grant expenditure information in a grant inventory list. Finance analyzes the submitted information to test its accuracy; however, the responsibility of ensuring the information is accurate rests primarily with each individual department administering a grant.

Exhibit 5: Roles and Responsibilities

Department	Finance Department	Budget Office	City Attorney's Office
Identify and apply for grants	Coordinate preparation of the City's Single Audit	Assist departments with securing accurate appropriations	Review grant terms for appropriateness and legality
Request Council approval for award	Coordinate quarterly grant collection for SEFA	Work with departments to coordinate Council approval of grant awards	
Manage and monitor grants (including subrecipients and contractors)	Create indirect cost allocation plan	Track revenues and expenditures against appropriations	
Reconcile monthly transactions			
Track federal grant expenditures for SEFA purposes			
Manage federal reviews/audits			

Source: Auditor summary of department roles and responsibilities.

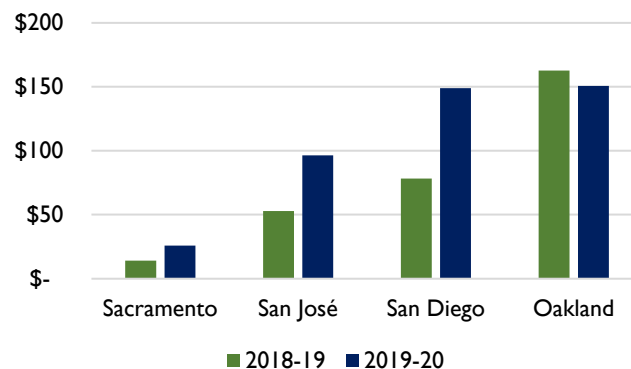
In FY 2020-21, ten City departments and offices managed federal expenditures from federal grant awards. Departments collectively managed over 130 federal grants.³

Comparison of Grant Expenditures Across Other Large Jurisdictions

We compared the City's federal grant expenditures to those of other large California jurisdictions. On a per capita basis, San José has a lower amount of funding compared to two of the three jurisdictions. However, we should note that the level of funding overall can be the result of the types of programs and services provided by the different jurisdictions. For example, Oakland, which receives more funding on a per capita basis, receives funding from HUD as part of its Continuum of Care Program. That function is provided by the Santa Clara County rather than San José.

We should also note that like San José, many of the federal grants received by both Oakland and San Diego were formula grants.

Exhibit 6: San José's Federal Expenditures From Grant Awards Compared to Other California Jurisdictions (Calculated on a Per Capita Basis)



Source: Auditor summary of 2018-19 and 2019-20 SEFA for four California jurisdictions.

Note: We did not include San Francisco and Long Beach because of the disparity of services provided.⁴

³ We should note that there were three additional COVID relief grants received by the Finance Department from the Department of Treasury and Homeland Security.

⁴ The City and County of San Francisco receives grants for its Continuum of Care Program, Department of Education grants, grants from the Department of Health and Human Services for various family social services, mental health research, and various childcare related grants. Similarly, Long Beach receives assistance from the federal government for Section 8 Housing Choice Vouchers, the Continuum of Care program, pass through grants for maternal and child health services and grants from Department of Homeland Security for port security.

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Finding I Better Coordination Is Needed to Improve Management and Administration of Federal Grant Awards

Summary

The City receives millions of dollars in federal grant awards and external auditors have repeatedly raised concerns about the City's overall financial reporting process around these awards. In addition, our office and federal auditors have raised concerns around the tracking and documentation of federal expenditures in the past. The City's current decentralized grant management structure creates risks in identifying and managing grants. Departments vary in both how they identify and manage grants, and the level of resources allocated for managing grants. In addition, there is not consistent training, nor complete grant management guidance across City departments that manage federal grants. Other large cities in California have a similar decentralized grant management structure; however, to assist staff, many have citywide procedures and/or provide regular grant trainings. The City has begun providing some resources or opportunities for cross-department sharing of best practices, but more can be done. Finally, because indirect costs are generally reimbursable expenses, Finance should submit the City's most recent Indirect Cost Allocation Plan for approval with its cognizant federal agency.

External Auditors Have Repeatedly Raised Concerns About the City's Overall Grant Reporting Process

As discussed in the background, the City is required to have a Single Audit if federal grant expenditures exceed \$750,000. Recent Single Audit findings (FYs 2017-18 through 2020-21) have raised serious concerns about internal controls around financial reporting related to federal awards. In the FYs 2017-18 and 2018-19 reports, the City's outside financial auditors recommended that the City:

improve its process for reviewing federal expenditures reported in the SEFA by requiring management of each department to review and submit a detailed listing of expenditures, including the funding sources or local matching requirements, prior to being submitted to the Finance Department for inclusion in the SEFA. In addition, the Finance Department should analyze and reconcile the detailed listing of expenditures to the SEFA for each significant federal program prior to the City submitting such detailed listing to its external auditors.

Specific findings from recent Single Audit reports included:

- *FY 2020-21 Single Audit* reported a material weakness in the City's internal controls, largely because of difficulty in employee retention. The audit noted reporting errors in a State grant related to deferred revenue recognition and late and numerous adjusting entries in financial records.
- *FY 2019-20 Single Audit* reported a material weakness in the City's internal controls, largely because of staff turnover. The audit also noted reporting errors regarding deferred revenue recognition from the Coronavirus Aid, Relief, and Economic Security Act (CARES) grant.
- *FY 2018-19 Single Audit* noted problems with the completeness of the SEFA, including some grant expenditures showing significant fluctuations during the review, as well as expenditures that were discovered when closing the books.
- *FY 2017-18 Single Audit* found a significant deficiency in the completeness of the SEFA. It also raised concerns over the reduction and displacement of staff and the City's ability to maintain appropriate financial internal controls.

The City has agreed with these observations and anticipated that during FY 2021-22, Finance's Accounting Division would institute and implement changes to address internal control issues including:

- Ensuring proper training and cross training of professional accounting staff in core job assignments, including developing and maintaining detailed desk procedures;
- Reconciling and reviewing accounting transactions, including review and approval by Supervising and Principal Accountants in a timely manner;
- Planning and executing Citywide fiscal year-end close activities and recording of accounting transactions in a timely manner;
- Preparing and reviewing audit documents and draft financial reports for the external auditor's review; and
- Preparing a Citywide audit completion schedule in consultation with the external auditors, and conducting weekly or bi-weekly status meetings to ensure that tasks are completed by the targeted dates.

Other Audits Have Raised Concerns about Grant Management Across City Departments

Multiple audits have raised concerns about risks related to the City's grant management. For example:

- Our Office completed three reviews related to COVID-19 grant awards in 2020. We identified different areas the City could enhance controls, such as improving documentation around COVID-19 procurements and expenditures. We also found that staff capacity had been strained because

of the influx of funding and the urgency of the emergency. Lastly, we noted that at the time of the review, Housing staff had not been able to conduct on-site monitoring or formal desk reviews of subrecipients of housing-related grants, which were normally part of the Housing Department's oversight practices.

- A 2020 monitoring review of the City's Emergency Shelter Grant Program by HUD noted that the City generally complied with grant requirements but expressed concern about the City's manual grant reconciliation process for its awards. Specifically, the auditors noted that the City continued to track grants manually to avoid the significant increase of codes that would have to be set up in the financial management system if new accounts were set up each year by grant award and fund.⁵
- A June 2017 audit by the Department of Justice reported concerns about the Police Department's equitable sharing program activities, including the department not having sufficient internal controls and formal policies and procedures to properly account for and manage the use of equitable sharing funds.⁶

Non-compliance with Grant Requirements Puts the City at Monetary Risk

The City receives millions of dollars of federal funding annually. COVID-19 relief funds have brought significant additional funding to the City. Since the beginning of the pandemic, the City has received an infusion of millions of dollars in one-time COVID-19 relief funds. Total federal grant award expenditures in FY 2018-19 were \$55 million. In FY 2019-20 this nearly doubled to \$101 million and more than quadrupled to \$247 million the following fiscal year.

As discussed earlier, federal grants come with significant number of compliance requirements. According to federal regulations,⁷ non-compliance can lead federal agencies to impose various conditions including:

- Temporarily withholding cash payments pending correction of the deficiency,
- Disallowing (that is, deny both use of funds and any applicable matching credit for) all or part of the cost of the activity or action not in compliance,
- Wholly or partly suspending or terminating the federal award,
- Initiating suspension or debarment proceedings, or
- Withholding further federal awards for the project or program.

⁵ <https://www.sanjoecacounty.gov/home/showpublisheddocument/66635/637402509762400000>

⁶ <https://www.sanjoecacounty.gov/home/showpublisheddocument/10841/636664011120470000>

⁷ § 200.339 of the Federal Register/Vol. 85, No. 157

Given the significant federal funding received by the City, it is important to develop strong internal controls and policies on grant management.

The City's Decentralized Grant Management Structure Creates Risks in Identifying and Managing Grant Opportunities

The City's current grant management structure is decentralized. Departments are responsible for each stage of the federal grant award phase—from application to closeout. Departments identify and apply for grants, submit performance reports and invoices as required, and close out the grant. Additionally, departments must provide accurate expenditures to Finance for reporting in the City's annual Single Audit.

The Pre-Award Process Varies Across Departments

From the City's perspective, depending on the type of grant, the pre-award process of receiving federal grant monies begins with identifying the grant that a department wants to apply for and preparing the grant application. In surveying departments, we noted:

- Many departments apply for grants because they have applied for them in past years. Departments also noted receiving notification from federal agencies about availability, or learning of grant opportunities through various listservs and publications. As noted in the background, many federal grants that the City receives are formula grants which are determined based on pre-existing criteria. However, the City may still need to submit an application and meet other requirements. There often appeared to be minimal communication or coordination between departments about available grant opportunities.
- Departments noted that applying for a grant can depend on City/department priorities, and available resources. The Police Department, for example, told us that they apply for fewer grants than they are eligible for, mostly because of staffing limitations in monitoring the grants. Parks, Recreation and Neighborhood Services (PRNS) told us that they may not apply for federal grants due to matching funding requirements.
- The grant application process relies on experienced staff to write the grant; however, there has been turnover across departments in grant-related positions.

Overall, not all departments track whether or why an application was denied. This can make it difficult to identify areas of improvement for future applications, or to determine whether the City could be receiving additional grants.

Upon Receipt of a Grant Award, Departments Must Spend and Track Funds According to the Grant Agreement

Once a grant has been approved, departments can begin work on the grant based on the terms of the grant agreement. Typically, most federal grants require a spending plan and regular performance reporting. Staff must also ensure that expenditures are being appropriately tracked and spent according to grant terms. Finally, departments must ensure that they comply with grant reporting, audit, and closeout requirements.

City Council Approval of Grants May Delay Grant Execution

City Council approval is required for receipt of grant awards over \$320,000.⁸ Additionally, City Council approval is required when funds need to be appropriated or a new expenditure appropriation needs to be created.

Because many grants have requirements that limit the period when the grant must be spent, the timeliness of Council approval is important. In our review of a sample of federal grants, we found that this process can be delayed. For example, the Police Department received a grant award in August 2018, but did not receive Council approval until November 2018, which delayed their ability to begin spending. In another instance, the Fire Department received a grant in August 2018, but received recognition through the 2017-18 Annual Report process, which was approved by City Council in October 2018. Police Department staff expressed concerns that these types of delays were routine.⁹ Better policies around managing Council approval of grants could reduce delays.

Gathering Expenditure Data for Required Financial Reporting Has Been a Challenge

Like other elements of managing federal awards, the City's process to collect SEFA information is decentralized. Individual department staff are expected to enter grant expenditures in a grants inventory listing worksheet on a quarterly basis, which is the basis for the SEFA. Accuracy in this information is crucial because the external auditors use this information as a basis for reporting and testing purposes. The external auditors have raised concerns about delays in getting this information and frequent corrections to the data after receiving it.

While Finance spot checks the information departments provide, it generally relies on departments for accuracy. Departments across the City track grants differently. Some departments track grants using unique appropriation numbers, others use vis

⁸ According to the Municipal Code, this amount is adjusted to the Consumer Price Index and rounded to the nearest \$10,000 every three years. The last adjustment was made in 2019.

⁹ This does not appear to be a problem across all departments, however. For example, the Airport noted that they may begin work on receiving appropriations from the Budget Office at the time their projects are being proposed. In another example, PRNS requests approval not only for grants that they have received but also grants that they are applying for the entire fiscal year. However, there may be grants outside of this process.

codes in the City's financial management system.¹⁰ In 2017 and 2020 two different federal agencies noted problems with tracking of grant expenditures when conducting audits or reviews of grants. Additionally, there is no centralized guidance on how grants, in particular federal grants, should be tracked.

Some departments that we surveyed expressed confusion about the purpose of the grants inventory listing worksheet, and were unclear about what information was needed. Staff attrition can make this process even more cumbersome and staff across most departments were interested in receiving training in this area.

The City's external auditor has been concerned with this process as well. Specifically, according to the FY 2020-21 Single Audit,

there were numerous adjusting entries made by the City after the initial close of its financial records for financial statement presentation. This resulted in increased staff effort in re-performing reconciliations to substantiate account balances. This continued practice could cause possible irregularities, delays, and errors without timely identification and correction.

There Is no Centralized Point of Contact for Coordinating Federal Audits and Reviews

All grant awards may be subject to audits or reviews by granting agencies. Currently, departments work with the granting agencies on these audits by providing documents about the use of grant funds, providing information about department and City policies and procedures around monitoring the use of funds, and other information.

However, there is no standardized process for City departments to notify Finance about such federal reviews or audits. This is a risk as Finance has the best insight into controls around the City's financial management system, procurement, and financial reporting. They may also have insights into other administrative requirements, such as document retention requirements that may differ from the City's retention requirements. Complying with both is important.

San José was alone among the large California cities we spoke with in not having a formal process for notifying finance staff about grant-related audits.

¹⁰ Vis codes, or visible codes, refer to specific accounting codes within the City's financial management system to identify expenditures by fund, department, responsibility center, and account detail. A responsibility center is a department designation which may be a program, location, service, or some other designation. The account details define the type of expense, such as wages, supplies, etc.

Resources Across City Departments Vary

The City receives millions of dollars in federal grant awards, however, staff resources to monitor and manage department grants is limited. For each phase of the grant process, departments rely upon their own internal resources. Some departments have dedicated grant management staff, while others do not. In some cases, departments have seen significant turnover among staff responsible for grant management.

Staff training also varies across departments. Many departments' staff reported that they learn by doing or shadowing experienced staff, rather than through formal training on managing grant awards. Generally, departments did not provide regular training on the federal grant application process, and none had specific policies and procedures on how to apply for these grants. The Police Department is an exception to this because a requirement for receiving Department of Justice grants is a mandatory training. The training is a self-study financial management online training.¹¹ At the time of the audit, the Housing Department (Housing) was working on an agreement with a consultant to provide department staff training around monitoring federal housing-related grants.

Our review of grant processes also showed that there is no centralized guidance on grant management and few departments have department-level procedures. The Police Department, Housing, and PRNS have some internal policies for grants management and resources on grant application procedures.¹² Some departments have partial guidelines (e.g., procedures for financial reporting and monitoring of subrecipients, but not other components of grant management).¹³

A Decentralized Management Structure for Grants Along With Mitigating Controls Is Common Among Other California Cities

A decentralized structure for grants management is common among other large California cities. However, many jurisdictions have developed mitigating controls through centralized procedures and trainings to support staff across those organizations who manage grant awards.

- *Grant application process* – San Diego and Long Beach each reported some centralized guidance or help with the grant application process. Long Beach reported that due to the recent influx of federal and other awards, it has added new personnel to assist departments with grant applications.

¹¹ <https://onlinegfmt.training.ojp.gov/course/>

¹² PRNS staff for example have created resources on submitting successful grant applications. The department cites a top ten tips for grant writing for its trails program and a grant source list.

¹³ As an example, the Police Department has a checklist to guide staff on document storage, monthly reconciliations and financial and programmatic reporting, logging revenues, and responsibilities of program managers.

San Diego uses a grants Review Team Coordinator to help departments with the application process and standardize the budgetary approval process for grants, including coordination in the application process across multiple departments. They also publish an annual report that documents the city's initial grant applications and renewal requests that were accepted, appropriated, and expended during the fiscal year.

- *Training* – San Diego provides annual training on grant writing and San Francisco, Long Beach, and Sacramento each reported providing financial reporting training for grants staff. Specifically, San Francisco provides financial reporting training to grant managers as part of an annual year end workshop. It also collaborates with various trainings provided by their external financial auditors.
- *Coordination for financial tracking and agency audits* – Other cities have taken a more centralized approach to tracking grants and federal audits and reviews. San Diego reports that its grant section holds periodic meetings with department grant administrators to discuss potential challenges in the Single Audit, and sends an annual memorandum to department staff requiring all federal audits/reviews to be forwarded to their finance department. Similarly, Long Beach reported that departments are required to inform their finance staff of any federal audits. In Sacramento, finance staff annually asks departments whether they have been audited and requests copies of those audits.

Citywide Policies and Procedures for Grant Management Are Common Among Other Large California Cities

San Diego, Long Beach, Sacramento, and San Francisco each have citywide policies and procedures related to grant management. In San Francisco, the Office of the Controller has policies and procedures on grant reporting and tracking. Sacramento has developed specific policies related to CARES act funding which includes procedures on grant application, award, and monitoring.

Since 2008, San Diego has restructured its grant management and centralized some resources under a Corporate Partnerships and Development office. San Diego reports that since formalizing grant management, the number of grants applied for and received have increased.

In addition, the office developed a citywide Grants Administration Manual (see Appendix B). San Diego's grants manual is *"designed to assist City of San Diego personnel to avoid duplication of effort, maximize human resources on projects that potentially interface across departmental lines, eliminate "process" questions related to award management, and to maintain accurate grant records for the city."* It provides guidelines on grant application, debriefing a denied grant, grant acceptance, appropriating, expending, and closeout.

"Documenting processes has really helped ease the learning curve for everyone involved in grants management"

- City of San Diego

The Government Finance Officers Association Recommends Formalizing Grants Management Processes

The Government Finance Officers Association (GFOA) recommends that governments establish processes to promote awareness that grants typically come with significant requirements. Because accepting a grant typically commits a government to financially maintain a program or asset after the expiration of that grant, developing a policy that requires certain steps to be taken prior to accepting or applying for that grant is important. GFOA recommends formal processes at various stages of the grant life cycle. This includes:

- Efficient administration and operation of grant programs;
- Efficient financial management of grants;
- Maintain proper systems to support grants;
- Internal controls to support grants;
- Sub-recipient monitoring;
- Continuous communication;
- Guidance for specialized reporting requirements; and
- Ensure the completion of auditing requirements.

Governments should establish processes to promote awareness throughout the government that grants normally come with significant requirements.

-Government Finance Officers Association

To that end, the GFOA recommends developing formal policies and procedures, establishing regular training, developing regular communication with related parties, and developing an interdisciplinary task force that meets regularly to discuss changes and how they should be implemented.

San José Has Begun to Provide Centralized or Cross-Departmental Assistance for Grant Management

In San José, Finance and the City Manager's Office of Intergovernmental Relations (IGR) have begun developing resources for grants staff across the City. For example:

- Finance hired a limit-dated Division Manager and a supporting team to work on COVID-19-related grant requirements. The goal for Finance is that the Division Manager will begin work concurrently on Citywide policies and procedures so departments can have tools for grant management.
- Recently, IGR has begun posting upcoming grant opportunities for departments to use; allowing departments to be aware of what they could potentially apply for.

- At the beginning of the COVID-19 pandemic, as grants began to be received by the City, Finance began an informal grants working group to discuss upcoming funding opportunities and share best practices.

Despite these efforts, there remains more work to be done. While IGR provides a resource on grant opportunities, there is currently no tracking of whether departments did in fact benefit from these grant opportunities. Also, not all departments we spoke with were aware of or had taken part in the grants working group, though across departments, staff expressed interest in additional training or guidance on grant management overall. Finally, as noted above, Finance's team is not currently funded on an ongoing basis, and the City risks losing the benefits they provide as a central resource for grant-related guidance.

Recommendations:

- I: To assist departments that manage grants awards Citywide, the Administration should identify staffing resources to develop and maintain Citywide administrative guidelines or procedures, and training materials around the different phases of grant management, including:**
 - i. Applying for grants,**
 - ii. Accounting, tracking, and monitoring of expenditures, including subrecipient and contractor management,**
 - iii. Grant closeout responsibilities, and**
 - iv. Preparing for federal audits and reviews, including notifying the Finance Department when the award is selected for an audit or review by a federal agency.**
- 2: To provide a forum for inter-departmental coordination and training, the Administration should formalize the grant working group's role in coordinating training for grant managers across departments, and assessing and developing Citywide resources.**

The City Should Seek Approval of Its Current Indirect Cost Allocation Plan

Generally, the City may be reimbursed for indirect costs related to grants. Overall, there appears to be confusion about indirect costs across City departments, in terms of whether or what indirect costs are allowable.

The City Is Required to Have an Approved Indirect Cost Allocation Plan

Finance develops an annual Indirect Cost Allocation Plan (ICAP) for grants, that contains indirect cost rates for different departments and programs, based on the

levels of service provided by different indirect cost centers. Indirect cost centers are costs that are for common or joint objectives, including support services (such as finance or information technology services), facility costs, and others. The ICAP rates are then used to calculate the associated indirect costs to be reimbursed.

To receive reimbursement, a local agency is required to submit their ICAP to their cognizant agency if they receive more than \$35 million in direct federal funding.¹⁴ At the time of the last approval, the federal Department of Housing and Urban Development (HUD) was the City's cognizant agency. Although federal agencies do not appear to have denied recent indirect cost reimbursements, the City has not received approval for its ICAP since 2013. According to Finance, the City's ICAP has changed since that time. Because of the risk that costs may be denied in the future, the City should submit its most recent ICAP to its federal cognizant agency for approval.

State Agencies May Also Require Approval of Indirect Cost Allocation Plans

If a local agency receives federal funds that are passed-through Caltrans, then Caltrans is responsible for negotiating and monitoring the local agency's indirect costs as the pass-through entity. As a result, Caltrans takes on the role of a cognizant agency for these funds.

The City's Department of Transportation (DOT) receives grant funds passed through Caltrans. For most of its grants, DOT has not requested reimbursement for indirect costs because generally it uses the entire grant for project expenses. DOT staff noted that because of recent savings in staffing and construction costs in its projects, they may be able to seek reimbursement for indirect costs totaling approximately \$300,000. However, according to DOT, Caltrans has told them they cannot seek reimbursement until Caltrans receives and approves the City's ICAP. During the audit, we referred this to Finance, and they have reached out to DOT to work with them on this issue.

Recommendation

- 3: To comply with federal and state guidelines for reimbursable indirect costs, the Finance Department should develop a process to regularly submit the City's Indirect Cost Allocation Plan to the City's cognizant federal and state agencies.**

¹⁴ *Cognizant agency for indirect costs* means the Federal agency responsible for reviewing, negotiating, and approving cost allocation plans or indirect cost proposals developed under this part on behalf of all federal agencies. The cognizant agency for indirect cost is not necessarily the same as the cognizant agency for audit. Grantees are expected to submit their indirect cost rate proposals to the cognizant agencies within 90 days of receiving a cost reimbursable grant/award.

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Conclusion

The City receives funding from a variety of sources, including federal, state, and local grants. A majority of the City's grant funding is from federal grant awards; in FY 2020-21, the City had about \$250 million in federal grant awards. Multiple departments receive and manage federal awards and each department is responsible for each step of the grant lifecycle. The City's external financial auditor has repeatedly raised concerns about the City's financial reporting of federal expenditures. Our Office and federal auditors have also raised concerns in the past about tracking and documenting costs related to federal awards. Currently, the process to apply for, receive, and administer these awards is decentralized. This can create risks as departments vary in how they identify and manage grants, as well as the resources available for managing the awards. Finally, the City last received approval for its indirect cost allocation plan in 2013 and requesting reapproval is prudent.

RECOMMENDATIONS

Finding I: Better Coordination Is Needed to Improve Management and Administration of Federal Grant Awards

Recommendation #1: To assist departments that manage grants awards Citywide, the Administration should identify staffing resources to develop and maintain Citywide administrative guidelines or procedures, and training materials around the different phases of grant management, including:

- i. Applying for grants,
- ii. Accounting, tracking, and monitoring of expenditures, including subrecipient and contractor management,
- iii. Grant closeout responsibilities, and
- iv. Preparing for federal audits and reviews, including notifying the Finance Department when the award is selected for an audit or review by a federal agency.

Recommendation #2: To provide a forum for inter-departmental coordination and training, the Administration should formalize the grant working group's role in coordinating training for grant managers across departments, and assessing and developing Citywide resources.

Recommendation #3: To comply with federal and state guidelines for reimbursable indirect costs, the Finance Department should develop a process to regularly submit the City's Indirect Cost Allocation Plan to the City's cognizant federal and state agencies.

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APPENDIX A

Audit Objective, Scope, and Methodology

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability, and our audits provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, effectiveness, and equity of City operations and services.

In accordance with the City Auditor's Fiscal Year (FY) 2021-22 Work Plan, we have completed an audit of Citywide grant management of federal grant awards. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, 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.

The objective of this audit was review and assess Citywide management of federal awards across departments. To accomplish our audit objectives and understand management controls, we:

- Reviewed the City's Single Audit reports for FYs 2016-17 through 2020-21. In addition, reviewed the Finance Department's internal grant inventory listing worksheets for FYs 2019-20 and 2020-21.
- To understand grant management policies and procedures, trainings, and best practices across City departments:
 - Conducted a Citywide survey to understand how City staff across various departments manage grants including resources assigned
 - We interviewed staff from the following departments: Airport; Environmental Services; Finance; Fire; Housing; Parks, Recreation and Neighborhood Services; Planning, Building and Code Enforcement; Police, and Transportation and the City Manager's Offices of Economic Development and Cultural Affairs; Emergency Management; and Administration, Policy, and Intergovernmental Relations
 - Reviewed internal policies and procedures for various departments and offices including: Housing, Transportation, Economic Development and Cultural Affairs, and Police
- Reviewed *Grants Administration* by the Government Finance Officers Association (GFOA)
- To understand the federal grant cycle, resources available and statutory requirements of federal grant awards, reviewed federal resources including:
 - Federal Register, Title 2: Grants and Agreements, Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
 - Office of Management and Budget, Circular A-87 (Cost principles for States, Local Governments, and Indian Tribes)
 - Grants 101 (grants.gov)
- We compared City of San José's grant revenues received to other cities of similar size on a per capita basis using each jurisdictions' Annual Comprehensive Financial Reports.

- To understand the breakdown in the types of grants San José received in FYs 2019-20 and 2020-21, we reviewed the federal government’s award management website (SAM.gov)
- To compare San José’s grant management practices to other California jurisdictions we did a best practices survey of the following jurisdictions:
 - San Diego
 - Sacramento
 - Long Beach
 - San Francisco
 - Santa Clara (City)
- Using a judgmental sample from the FY 2019-20 Grant Inventory Listing we reviewed five federal grants managed by the Office of Economic Development and Cultural Affairs, the Airport, Police Department, Fire Department, and the Department of Transportation. We selected these grants to understand how departments manage federal grants, including internal policies and procedures.

The Office of the City Auditor thanks the Finance Department, the Budget Office; the Airport, Department of Transportation, the Office of Economic Development and Cultural Affairs; Parks, Recreation and Neighborhood Services; Planning, Building and Code Enforcement; the Police Department; the Fire Department; the Office of Administration, Policy, and Intergovernmental Relations; and the Office of Emergency Management for their time, information, insight, and cooperation during the audit process.



The City of San Diego

sandiego.gov

Corporate Partnerships and Development

City of San Diego Grants Administration Manual



Introduction and Background

The purpose of this manual is to describe the policies and procedures of the City of San Diego associated with:

- The development of grant proposals to external public and private funding sources
- Receipt and management of externally funded grant awards
- To define the roles and responsibilities of City of San Diego employees pertaining to the strategic application and management of external funding and compliance with prescribed grant and city requirements

This manual is designed to assist City of San Diego personnel to avoid duplication of effort, maximize human resources on projects that potentially interface across departmental lines, eliminate "process" questions relating to award management, and to maintain accurate grant records for the city. It includes the procedures necessary for:

- Applying for a grant
- Debriefing a denied grant
- Accepting a grant
- Appropriating a grant
- Expending a grant
- Closing out the grant

What is a Grant? Grants awarded to the City are funds or products disbursed or given by one external entity (grant makers) to fund a specific project, activity, or program and require some level of compliance and reporting. The grant writing process involves an applicant submitting a proposal (or submission) to a potential grantor, either on the applicant's own initiative or in response to a Request for Proposal from the grantor.

Funds can either be disbursed directly by the granting agency to the City, or in certain situations may be passed through another entity- such as the state or other governmental and non-state entities.

What are We Agreeing To?

When the city applies for and receives a grant, we are ensuring the purpose of the grant is accomplished and all the monies are spent in accordance with the Grantor Requirements.

Who Can Help?

- Grant Review Team Coordinator (GRT Coordinator)- Corporate Partnerships and Development Program Manager or successive office- coordinates the Grant Review Team approval process and facilitates communication between the Grant Review Team and the Grant Applicant.
- Department of Finance - reviews and approves reimbursement requests and financial reports created by the administering department that will be submitted to an outside agency to ensure that they are in line with the City's financial system.
- Department Analyst-appropriates, expends and manages the grant to ensure grant is following all compliance and financial reporting requirements in accordance with the Grant Agreements.

What is Your Responsibility?

It is the responsibility of assigned department staff to ensure projects support city mission, goals and objectives, a cost/benefit analysis is conducted prior to application and that staff appropriately and accurately manage the project and external funding per grantor agreements and guidelines and the policies and procedures of the City of San Diego.

Departments are also required to search for grant funding opportunities using the information and resources provided on the City's Grants and Gift Resource Center intra net website prior to submitting expenditure budget addition requests in Public Budget Formulation. Given any budget shortfalls, departments should be pursuing grant opportunities that fully or partially cover the costs associated with new budget additions. Consideration of grant opportunity will be a factor used by Department of Finance and the City's Executive management when evaluating budget additions.

It is also the department's responsibility to establish written procedures supplementing this manual for effective administration of grants that address financial management, internal controls, inter-departmental communication and sub-recipient monitoring.

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CHAPTER 1:APPLYING FOR A GRANT**Identification of grant funding sources:****[Grants.gov](#)**

Grants.gov is the clearinghouse for all federal grant opportunities, and allows organizations to electronically find, apply for, and manage more than \$400 billion in federal grants. Subscribing to Grants.gov will provide you perpetual notice of grant opportunities from federal agencies - simply visit the website and sign up for its email newsletter and email grant opportunities. (Note: you must have Pure Edge Viewer installed on your computer to use the Grants.gov application. Please contact City of San Diego Information and Communication Systems to download this software onto your computer.)

[Grant Finder](#)

Grantfinder.com is a resource provided by the membership with National League of Cities. This is a real-time, online, searchable database of every federal, state, foundation and corporate grant available to your community. Please contact GRT Coordinator for login and password.

Agency Websites and Listservs

Many agencies have listservs to which interested parties can subscribe to receive the latest grant opportunities and information. Simply visit the respective agency grants office website and subscribe per instructions.

Other sources:

[Funding Wizard](#), [USA.Gov](#), [Grantwatch](#) and [Federal Register](#)

Department Internal Procedures-Applying for a grant***Independent Departments***

Unless the law provides otherwise, where the grant applicant is an independent department of the City of San Diego, the grant applicant may seek review of the application by the grants review team or it may directly seek Council approval to accept, appropriate and expend grant funds. If an independent department uses the grants review team to review the application and the grants review team does not approve it, the independent department may seek Council approval to accept, appropriate, and expend grant funds.

Mayoral Department***City of San Diego Grants Application and Administration***

The following grant proposal process applies to all new and continuation grants for Mayoral departments. Grants that are excluded from this process are HUD entitlement grants (CDBG, ESG, and HOME Programs). <https://www.sandiego.gov/cdbg/general>

Municipal Code

[San Diego Municipal Code Chapter 2 Article 2 Division 52](#) states that the Mayor is authorized to accept, appropriate, and expend grant funds with an aggregate value of \$1,000,000 or less upon the recommendation of the grants review team, consistent with the Annual Appropriations Ordinance.

This designation of power shall be used when applying for funds requiring city council resolutions. For grants exceeding \$1 million, individual resolutions are available to staff after receiving City Council approval to apply, accept, appropriate and expend grant funding.

Grants Review Team

The Grants Review Team authorizes the submittal of external grants on behalf of the City of San Diego. This process will have management representation from the following departments: Corporate Partnerships and Development, Department of Finance, Assistant Chief Operating Officer, Deputy Chief Operating Officer, Chief of Fire-Rescue and Chief of Police and others as necessary. Proposals submitted will be reviewed to ensure the following occurs:

- Evaluation of alignment with City of San Diego's mission, strategic plan, and city's strategic goals
- Evaluation of the Cost and Benefit Analysis of the Grant program or activity
- Evaluation of grant requirements and grant monitoring including monitoring of any sub-recipients that may be receiving pass-through funding
- Evaluation of determined staff oversight responsibility
- Evaluation of resources available to support the grant during its lifetime and after to include: financial, human resources, information technology, etc.
- Evaluation of grant by Grant Review Team within 10 business days

GRT Coordinator Approval:

GRT Coordinator conducts initial review and screens all grant review forms prior to forwarding them through the Grants Review Team to ensure information is complete and appropriate for review. GRT Coordinator will route all denied and approved grant proposals to city staff originators as well as act as communication liaison for Grants Review Team. Tracking of citywide grants as well as letters of support will be completed by GRT Coordinator to ensure there are no conflicts with other city departments, agencies, and nonprofits.

Grants Review Team Approval

All grants will be reviewed and approved to apply for grant funds.

1. All departments shall seek approval from their Director when considering applying for a grant to discuss the scope and scheduling of the grant, the potential impact on operations, financial considerations and the procedures utilized by the grantor agency.
2. Staff must complete a [Grant Review Form](https://citynet.sandiego.gov/internal-services/grants) found on CityNet's Citywide Grants and Gifts Resource Center- <https://citynet.sandiego.gov/internal-services/grants>
3. GRT Coordinator submits grant review form to Grants Review Team for authorization to submit the proposed grant project to a funding agency. Please allow for ten (10) business days processing time.

In some cases, a proposal deadline may occur with 2 weeks or less time for review. If this arises, the City staff who are seeking to apply are required to contact the GRT Coordinator in order to have the proposal reviewed and authorized outside of the regular process. At no time shall a grant proposal be submitted without first having been reviewed and signed by the appropriate authority.

Mayoral Approval

Each grant under \$1 Million will be processed through OnBase as a mayoral item for approval to accept, appropriate and expend the grant funds that can be referenced here:

<https://citynet.sandiego.gov/sites/default/files/mayoral-action-flow-chart.pdf>.

1. Grants up to \$1 million will be reviewed and approved by Mayor or designee as stated in Municipal Code Chapter 2 Article 2 Division 52 and routed through On Base as a mayoral action item initiated by staff member.
2. Routing in OnBase will occur normally and simultaneously to designated departments which include but are not limited to Equal Opportunity Contracting, Environmental Analysis, Department of Finance, Grants Management and City Attorney. GRT Coordinator will ensure that a Grant Approval Memo has been given by Grants Review Team before approving mayoral grant item in OnBase.

City Council Approval

As mentioned in Applying for a Grant, the department is responsible for docketing the grant approval, acceptance, appropriation, and expenditure via the OnBase process that can be referenced here:

<https://citynet.sandiego.gov/know/edockets>.

Docketing for city council approval occurs upon these criteria:

1. Grants with an aggregate value over \$1,000,000;
2. Grants allocating funds for Capital Improvement Program Projects (CIP) that are not included in the approved CIP budget;
3. Grants requiring matching funds that are not included in the approved Department budget and that will cause an increase to the overall budget approved by City Council in the current Appropriations Ordinance;
4. Grants allocating funds for goods, services and consultant contracts that require City Council approval as provided in Chapter 2, Article 2, Division 32 of this Code;
5. Grants whose implementation would otherwise require Council approval;

Departments should begin immediately routing the Council Action upon receiving approval from the Grants Review Team. This action should ensure departments have the authority to appropriate and will be available to begin spending the grant on the first day of the award. For council action resolution language samples please refer to DOF Document <https://citynet.sandiego.gov/fm/cip/1472>.

Writing the Proposal

It is the submitting department's responsibility to prepare and submit the grant proposal application. Successful grant writing includes planning, searching for data and resources, writing and packaging a proposal, developing the budget and pricing proposal, submitting a proposal to a grantor, and follow-up.

Grant Guidelines

Grant application guidelines identify what to include in the respective grant proposal. Therefore, it is critical to thoroughly read and follow grant application guidelines.

Grant guidelines typically identify:

- Submission deadlines

- Grantee eligibility
- Proposal format: forms to use, page limitations, page margins, line spacing, etc.
- Budgets and budget justification narrative
- Funding goals and priorities
- Cost sharing/matching requirements
- Award levels
- Evaluation process and criteria
- Point(s) of contact
- Lifetime of the grant
- Any other submission requirements

Review the grant application guidelines thoroughly for specifications about required information and how it should be arranged. Follow all guidelines as specified. Structure, attention to specifications, concise, enthusiastic and persuasive writing and an estimated budget with justification narrative are the critical elements to be considered during the writing stage. Visit the page on the Citywide Grants and Donations website (<https://citynet.sandiego.gov/internal-services/grants>) for useful tips on successful grant writing.

Common Application Components:

While each grant opportunity will have specific requirements, writing a staff report, developing a budget, creating a cost and benefit analysis, and coordinating a letter of support can all be applied to grant pursuits in general.

Writing a Staff Report:

The [staff report](#) is a brief, page-limited overview of what the grant reviewer will find in the full grant application. Brevity is important-this section should be no longer than one page unless the guidelines indicate the need for a two-page summary. It is recommended to write your abstract or summary after you have written the entire grant application narrative. Always follow the grantor's guidelines regarding word or line limits and the structure of the abstract or executive summary.

Developing a Budget:

Your [budget](#) should contain two parts, (1) a budget and (2) a budget narrative. The budget will include a list of all line items and the specific dollar amounts, as well as a total cost for all expenses. The budget narrative is the more detailed, written explanation of how you plan to spend monies if your project is funded. In this section, you will explain and justify the calculations you used to arrive at the budget figures.

Create a Cost and Benefit Analysis:

The cost and benefit analysis of the grant program or activity should demonstrate that the grant will have a positive impact on the City of San Diego and its residents. The analysis will identify direct and indirect costs associated with the grant, matching funds that need to be set aside, and ongoing or other potential costs that will be incurred beyond the grant period.

Coordinating a Letter of Support:

If the grant you are applying for requests a [letter of support](#), please contact the GRT Coordinator. Ask for letters of support from the GRT Coordinator early in the planning process as the process can take

up to two weeks. The GRT Coordinator is the City's sole contact for Letters of Support requested either for internal city staff or from external partners. Coordination is completed with the Mayor's office for these Letters of Support.

Grant Writing Training:

Corporate Partnerships and Development host grant writing training workshops annually. Training dates are listed on CityNet's [Citywide Grants and Gifts Resource Center](#).

CHAPTER 2: MANAGING THE AWARDED GRANT AND GRANT DENIAL DEBRIEF**Types of Award Funding*****Cost-Reimbursable***

Cost-reimbursable grants are the most commonly received by the City. Reimbursement is requested by the City after expenditures have incurred, which means that the City subsidizes the project costs until reimbursement is made by the grantor. Therefore, it is vital that correct, allowable charges are posted to the right project and award and that reimbursement requests are submitted in a timely manner.

Advance Funding

Some awards are received by the City in advance of the project being performed, completed, or before expenditures are made. However, the reporting requirements are much the same as for cost-reimbursable grants. In addition, it is probable that any remaining, unspent funds must be returned to the grantor.

Fixed Price

These are awards wherein the City is paid a set amount by the grantor to fulfill a project, and the city receives the full award amount regardless of whether all funds are expended - if the project successfully fulfills the stated objectives as proposed in the grant application. Requesting reimbursement of fixed price awards is the same as cost-reimbursable awards, except they do not require a detailed listing of expenditures and are normally reimbursed in fixed increments, with final payment received once all deliverables have been submitted and approved by the grantor.

Grant Setup

While action is routing in Sharepoint to request authority to apply, the financial accountant/analyst will create a grant number in SAP and track it in "Application" status. No activity will be recorded in the grant until department receives authority to accept, appropriate and expend and the grant is awarded. Once the Grant is awarded and has been approved to accept, appropriate, and expend, the grant analyst for the department receiving the grant will coordinate with the financial accountant/analyst to enter the grant master data provided in the Appendix into SAP. Please reference [Process Narrative 0091](#). The submitting department will need to work with the financial accountant/analyst throughout the grant period to provide any changes to ensure SAP is current and accurate. The submitting department will also need to provide the award information to the GRT Coordinator for tracking purposes. Grant master data is maintained and updated in SAP as needed to complete set up at the time of award and throughout the different lifecycles of the grant.

Acceptance of the Award

Upon receipt of the grant award, the department will notify the GRT Coordinator of the award and will forward the agreement to the designated authority for signature then submits to the grantor for full execution. Upon receipt of the fully executed grant agreement, the original is sent to the city clerk with a copy filed with the submitting department and sent to the DOF Finance Analyst.

Unless pre-spending has been authorized in writing by the grantor, spending or encumbering eligible grant funds is limited to the performance period of the grant. Without prior approval of the grantor, expenditures made before full grant execution will be ineligible for grant reimbursement and will be

transferred to the department's operating budget.

Establish the Grant Files

Upon receipt of the award, department grant analyst should establish a unique grant file for each grant award. At a minimum, the following documents must be contained in the grant file:

- Grant proposal/application
 - Grant award letter/executed agreement
 - Post Award Grant Form and Terms of Award
 - All modifications to the grant award, i.e. continuations, supplements, modifications
 - Grant Review Team Approval Memo
 - Mayoral Actions Approval, if no Council approval was required
 - Council agenda items and resolution(s) if council approval is required
 - Budget amendments/transfers
 - Purchase orders and expenditure documentation
 - Subcontract(s) (if applicable)
 - Reimbursement requests
 - All technical, progress and final reports
- All written documentation pertaining to the grant, including correspondence, emails, notes (and phone log if applicable)

Establishing or Increasing Appropriations

Prior to spending grant funds, the grantor approved budget must be entered in SAP. Grant analyst should coordinate with financial accountant/analyst to create budget. Please reference Process Narrative 0384 <https://citynet.sandiego.gov/sites/default/files/pn0384.pdf>

Establishing an Internal Order Number or a Capital Improvement Program(CIP) to track expenditures

To record grant revenue received and non-CIP expenditure activity in SAP, grant transactions require an internal order. To create an internal order number please reference Process Narrative 0070 <https://citynet.sandiego.gov/sites/default/files/pn0070.pdf>

If the grant is funding a capital improvement program, expenditures will be tracked in a funded program through the use of Work Breakdown Structure elements(WBS). To create a new Capital Improvement Project please reference Process Narrative 0213 <https://citynet.sandiego.gov/sites/default/files/pn0213.pdf>

Eligible Costs and Assigning Project Charges

In order to charge against a grant award, all costs must be eligible, which means they are:

- Allowable, allocable, necessary, and reasonable, and provide a direct benefit to a grant funded project.

It is vital that transactions are properly charged to the correct grant award to avoid unnecessary expenditure transfers later. Expenditure transfers on grants are audit flags that can lead to disallowable costs.

All expenditure activity should be recorded and tracked in the SAP system in the grant. Expenditures are recorded in SAP and tracked under WBS elements or internal orders. SAP system categorizes expenditures by general ledger accounts into sponsored classes that are grouped based on the grantors defined budget categories.

Federal Spending Guidelines

Uniform Guidance

The Uniform Guidance, (*Title 2 in the Code of Federal Regulations, Subtitle A, Chapter II, part 200 (2 CFR 200)*) establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with state, local and federally-recognized Indian tribal governments. These cost principles are applied by all federal agencies in determining costs incurred by the above governmental units under federal awards (including subcontracts).

To comply with the Uniform Guidance and federal cost accounting standards, the following principles must be considered when charging costs to projects funded with federal or federal flow-through monies (flow-through, or pass-through monies are federal funds awarded through a non-federal entity):

Direct Costs

Direct costs are those costs that have been included in the proposal budget and can be directly attributable to the expenses necessary to fulfill the project's objectives. Key direct costs typically allowable on awards are those that have been budgeted and thus approved via the award. These include:

- Salaries and fringe benefits of Project Manager and other technical personnel; other workforce members as allowed per guidelines
- Capital equipment
- Project related supplies and materials as allowed per guidelines
- Long distance telephone charges
- Travel costs
- Consultants/Subcontractors
- Contractors

Indirect Costs

Indirect costs, described as overhead costs or general and administrative (G&A) costs, are those costs that generally are shared among projects, and therefore cannot be directly attributable to a single project. These include:

- Clerical and administrative salaries and fringe benefits
- Postage (including commercial delivery services such as FedEx and DHL)
- Basic telephone service (i.e. monthly phone service)
- General purpose office supplies; e.g. copier paper, pens, ink cartridges, etc.
- Software purchased for general purposes; e.g. Microsoft Office suite
- Subscriptions and Individual memberships

Procurement Standards

Non-Federal entities are required to follow 2 CFR 200.318 *General Procurement Standards through* 200.326 Contract Provisions when procuring for property and services under a federal award effective for fiscal years beginning on or after December 26, 2017.

Collecting Revenue

Most grant awards are cost-reimbursable and therefore generally supported by the City until revenues are collected. Timely invoicing is critical to ensure that the City promptly receives grant revenue as expenses are incurred. Most federal and some state grant awards are electronically transferred lines-of-credit and are "invoiced" via electronic drawdown. Preferably, grants will be invoiced at least semi-annually unless there are no eligible expenses to report. More frequent invoicing (quarterly or monthly) may be required by the grant agreement or if the eligible expenditures are greater than \$500,000. All financial reports and invoices to a grantor must be reviewed and approved by the Department of Finance before they are submitted. Department grant analyst must create a Grant AR Invoice in SAP at the time of reimbursement request or to deposit grant awards received in advance. Please reference Process Narrative 0386

<https://cit:ynet.sandiego.gov/sites/default/files/pn0386.pdf>

Grant Management Training

Corporate Partnerships and Development host grant writing training workshops annually. Training dates are listed on CityNet's [Citywide Grants and Gifts Resource Center](#). Department of Finance provides training as well and can be found here

<https://citynet.sandiego.gov/erp/functions/filo/gm>

Grant Denial***Debrief Process***

In order to improve the City's success in obtaining grant funding, City staff is required to seek a debrief with grantmakers on denied grants. A debrief guide is available for staff and the debrief information gathered will be available on [Sharepoint](#) for City staff. In addition to obtaining ways to improve applications, this information will be invaluable to future grants applications from the same grantors.

Please contact Corporate Partnerships and Development Program Manager for assistance in debrief process if needed.

CHAPTER 3: MONITORING AND OVERSIGHT

Every award has reporting requirements specified in the grant agreement. It is critical that all reports - technical and financial - are provided in a timely manner per the specified timeframe outlined in the grant agreement.

Expenditure Monitoring

It is critical to the overall success of a project that grant funds are expended properly and accurately. After initial setup, grant awards should be reconciled by administering departments on a monthly basis to ensure:

- Expenditures are allowable, allocable, necessary, and reasonable based on terms and conditions of the grant award.
- Expenditures are adequately documented.
- Award spending is commensurate with the project time frame.

Cost Sharing/Matching

Cost sharing (matching) is provided either through cash, in-kind services, or via a third party commitment. On grants where cost sharing is allowed, the cost share must be an eligible cost as mentioned previously- it must be allowable, allocable, necessary and reasonable, and provide a direct benefit to a grant funded project to be charged against a grant award. Any charge that cannot normally be applied to a grant award as a direct cost cannot be used as cost share. Source of cost share must be identified before it is submitted through the Grant Oversight Process.

Cost Transfers

Incorrectly posted charges to grant funded projects must be fixed within regulated time-constraints. Misdirected charges to federally funded projects must be transferred from the project and/or fund charged to the correct one ***within 90 days*** of the error, which is why routine account reconciliation is critical. Failure to transfer incorrectly posted charges in a timely manner will result in the possibility of the expense being disallowed for grant award reimbursement. Timecard entries should be reviewed bi-weekly for correction.

Reporting

The purpose of grant reporting is to apprise the granter of the progress made towards fulfilling grant deliverables. The grant agreement or a grantor's guidance manual will outline the types of reports and submittal time schedules required by the granter. These requirements will be used by the granter as the basis for evaluation of grant award compliance. Typically, grants require financial reports, technical progress reports, annual progress reports (for multi-year awards), and a final report at the end of the grant.

Financial Reporting

Financial reports are generally required when invoicing or drawdown occurs, and the necessary format or form to use is defined in the grant document. Depending on the award funding type, expenditure documentation may be required. Providing the appropriate expense documentation in a timely manner is essential to ensure that award revenue is collected. It is critical during year-end close out, and is vital for reducing the risk of adverse audit findings and the return of improperly

accounted grant funds. All financial reports must be reviewed and approved by the Department of Finance before they are submitted to the granting agency.

Technical/Progress Reports

In addition to the fiscal responsibilities associated with implementing a grant-funded project, there are also programmatic or activity-related responsibilities. Each grantor requires different levels of reporting. Technical progress reports will often be in the form of quarterly and/or annual reports (for multi-year awards). As with financial reports, some grantors may require specific forms to be used when documenting grant activity, which will be defined in the grant agreement and/or guidance manual provided by the grantor.

Final Reports

Typically, all final financial, programmatic, and other reports are required to be submitted **within 90 days** after the end of the funding period. Meeting this deadline is especially crucial if the award specifically stipulates final billings received after the 90-day deadline are not acceptable and will not be paid. All financial reports must be reviewed and approved by the Department of Finance before they are submitted to the granting agency.

Subcontracting

A subcontract is a purchase or other contractual arrangement made through a contract.

Types of Subcontracts

A **vendor agreement** is issued for obtaining routine commercial services, supplies, and equipment that require no special handling or prior approvals and are issued as standard purchase orders.

A **sub-award** is issued when part of the programmatic effort of the prime award must be performed by an external entity with special expertise or resources that the city does not possess but are necessary to fulfill the overall objectives of the project. This type of subcontract usually requires prior approval of the grantor and is subject to sub-recipient monitoring.

Sub-recipient Monitoring

A subcontractor awarded via a **sub-award** is referred to as a sub-recipient. All grant requirements placed upon the City will flow-down to any sub-recipient, and it is our responsibility to ensure sub-award compliance with the prime grant provisions. All sub-awards issued under federal grants must contain language requiring sub-recipients to fulfill the prime grant requirements.

The federal regulations 2 CFR 200.331 that describe sub-recipient monitoring are general, but contain the following core elements of compliance:

- Pass-thru entity must evaluate each subrecipients risk of non-compliance and depending on assessment determine monitoring level that will be required
- Advise sub-recipients of all applicable federal laws and regulations, and all appropriate flow-down provisions from the prime agreement
- Routine receipt and review of technical performance/progress reports
- Routine review of expenses-to-budget
- Periodic on-site visits, or regular contact, if necessary
- The option to perform "audits" if necessary
- Verify recipient is audited if federal award expenditures exceed the threshold of \$750,000 set

forth 2 CFR 200.501.

- Review of single audit reports conducted in accordance with 2 CFR 200.514 filed by sub-recipients and any audit findings
- Review of corrective actions cited by sub-recipients in response to their audit findings
- Consideration of sanctions on sub-recipients in cases of continued inability or unwillingness to have required audits or to correct non-compliant actions

All sub-awards for which monitoring is mandated shall be reviewed regularly throughout the year and at a minimum must include:

- Reviewing financial and performance reports submitted by the sub-recipient
- Performing site visits to review records and observe operations
- Maintaining regular contact and making appropriate inquiries concerning program activities

Suspension and Debarment

It is the responsibility of the department to ensure that any subcontractor or sub-awardee that will be funded through a grant award is not prohibited from receiving federal or state funds due to suspension or debarment. A person or entity debarred or suspended is excluded from federal financial and non-financial assistance and benefits under federal programs and activities. Debarment or suspension of a participant in a program by one agency has government-wide, reciprocal effect. The grant award letter should have instructions on specific suspension/debarment lists to check.

Support of Salaries and Wages

Compensation for personnel services on all grants must be based on payrolls documented through standard city practice, and salaries and wages of employees used in meeting cost sharing or matching requirements of federal awards must be supported in the same manner as those claimed as allowable costs under federal awards. The consequences of noncompliance with employee time and effort certification may be the disallowance of such charges to a federal grant program.

Grant Close-Out

A grant award is considered completed when: (1) all work funded by the award is completed, or (2) the award period-of-performance ends. The Project Manager has the prime responsibility of ensuring that a continuation, supplement, or no-cost time extension is requested in a timely manner to continue the project, which is typically **at least 45 days prior to the end of the award end-date**. If at the end of the award period-of-performance the city has not secured a continuation, supplement, or no-cost time extension, grant close-out must occur.

The grant agreement identifies the grantor's process to close-out the award, including record retention requirements. Key features of grant close-out are:

- Settlement of cash, and cost share (if applicable)
- Cancellation of outstanding encumbrances (purchase requisitions, purchase orders, and comptroller certificates)
- Ending personnel distribution
- Final property inventory, and disposition of property (if applicable)
- Consideration of program generated income

- Submission of all final technical and financial reports/final invoice

The Department of Finance will coordinate the final reconciliation of the award and closing it in the city's SAP system as described in Process Narrative 0092

<https://citynet.sandiego.gov/sites/default/files/pn0092.pdf>

Record Retention

Grant records shall be maintained in accordance with the City's Record Retention Policy <https://citynet.sandiego.gov/know/records-retention>

Per the Uniform Guidance 2 CFR 200.333, all records related to federal financial awards must be retained for three years from the date of grant closeout.

Important Federal Guidelines Regarding Capital Improvement Projects

It is the responsibility of the department to ensure compliance with Federal Guidelines. Departments should plan accordingly to ensure that adequate time, funding and staffing are available to carry out these additional responsibilities.

CHAPTER 4: MODIFICATIONS, EXTENSIONS, OR CANCELLATIONS TO THE BUDGET OR PROJECT SCOPE-OF-WORK

During a grant's lifetime, there are times when changes are necessary to either the budget or the project scope-of-work. Most of these changes, typically called grant amendments, are allowable, but it is important to follow the procedures written in the grant agreement or in the guides provided by the granter. These changes must be pre-approved by the granter before they are considered eligible. Contact your Department Program Manager for assistance when a change is necessary.

Prior Approvals

It is essential to get written confirmation from the granter before any money is spent on items different from what was approved in the original budget. Also, project activities that deviate from those originally proposed in the grant application shall be documented and receive prior approval from the granter before instituting these changes. Copies of any budget amendments or similar documentation affecting the grant budget shall be sent to the City's Department of Finance.

Most grants will allow for at least one no-cost time extension to complete a project, if necessary. These requests must be documented, and written approval must be received from the granter, usually in the form of a grant amendment/modification. Copies of these extension approvals shall be forwarded to financial accountant/analyst.

For those grants that have sub-awards for services, a subcontract extension may have to go through city council for approval.

If a grant must be terminated before the original completion date or returned to the granter prior to project initiation, financial accountant/analyst must be notified so that the grant is appropriately terminated.

CHAPTERS: AUDITS

Preparation for an audit should begin at the time the award is received. There are specific requirements that must be met when managing grants, defined within the grant agreement. Costs in questioned during a grantor audit can lead to the city having to pay back the amount of the questioned costs.

The following internal entities must be promptly notified in the event your award or program has been selected for audit by an external granting agency:

- Assistant Chief Operating Officer
- Department of Finance
- The City's outside auditors via the Department of Finance

Federal Single Audit Act - Uniform Guidance, 2 CFR 200, Subpart F

Federal audit and annual reporting requirements are contained in OMB Circulars A-87 (Cost Principles) and OMB Circular A-133 (Compliance and Audit Requirements). The OMBA-133 Compliance Supplement identifies the compliance requirements that the federal government expects to be considered as part of an audit while 2 CFR 200 established uniform administrative requirements, cost principles and audit requirements for federal awards to non-federal entities. Non-federal entities that expend \$750,000 or more in a year in federal awards are required to have a single or program-specific audit conducted for that year, performed by an outside auditor. It is important that all grant activity and any changes to the grant are well documented to facilitate any audit. Audit findings identified during the single audit could prompt an audit by the granting agency. All single audit reporting packages are submitted to the Federal Audit Clearinghouse(FAC) which is designated by the OMB as the repository of records. Reporting packages are available to all entities by accessing the FAC.

The following list contains the types of compliance requirements considered in every audit conducted under OMB Circular A-133, and can be found highlighted throughout this manual:

1. Activities Allowed or Un-allowed
2. Allowable Costs/Cost Principles
3. Cash Management
4. Eligibility
5. Equipment and Real Property Management
6. Matching, Level of Effort, Earmarking
7. Period of Availability of Federal Funds
8. Procurement and Suspension and Debarment
9. Program Income
10. Reporting
11. Sub-recipient Monitoring
12. Special Tests and Provisions

CHAPTER 6: ROLES AND RESPONSIBILITIES

The following identifies the roles and responsibilities of City of San Diego personnel involved in the application for, administration of, and close-out of externally funded awards. Please reference [A.R. 1.80](#)

Appointing Authority

Staff with Appointing Authority are those individuals who are authorized to enter into agreements for the city, and who will enforce City of San Diego policies and procedures and thusly provide organizational oversight and accountability as related to grant compliance.

Grantee Department Project Manager

The Grantee Department Project Manager is the primary person responsible for programmatic activities on a City of San Diego project as authorized by the grant agreement. Although some tasks may be delegated, the Project Manager is the chief accountable person and bears responsibility for the overall administrative and fiscal conduct of the grant award for meeting the terms and conditions of the award and for representing the project to the granting agency.

- Preparing the grant proposal, or assisting with its preparation, with emphasis on the technical and budgetary components in a timely manner to meet deadlines delegated by City of San Diego and granting agency.
- Review of Grant Request form completed in SharePoint by Management Analyst
- Review grant item when routed in OnBase
- Adhering to the terms of the grant agreement and policies
- Approving the Modification of the project scope as needed to accommodate the granting agency.
- Notifying the department director or appropriate staff about changes in project scope and budget.
- Appropriately managing the programmatic aspects of the project.
- Appropriately managing the fiscal aspects of the project and grant award in compliance with grant program regulations and assigning staff to assist in monitoring project budget
- Ensuring the completion, accuracy, and timeliness of technical reports to the granting agency.
- Ensuring continuation proposals, if any, are submitted on time.
- Ensuring that subcontractors have complied with the appropriate work in a timely manner and in accordance with technical, financial, and other requirements of the award.
- Coordinating on-site monitoring visits by granting agency
- Coordinating granter audits of City of San Diego Programs or projects
- Participating in department specific grant management and compliance training
- Participating in general departmental-level support activities related to grants management.
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project.
- Providing approval that
 - o The Management Analyst can manage the grant award correctly and effectively
 - o The budget is adequate relative to the project scope, and its justification is appropriate.
 - o Committed cost sharing through contributed effort is appropriate, or that cost sharing dollars are available and documented

Grantee Department Management Analyst

The Grantee Department Management Analyst works with the Grantee Dept. Project Manager and the Grants Analyst to ensure that allowable costs are being charged to the grant, and report due dates are met. The Grantee Department Management Analyst is responsible for:

- Preparing the grant proposal, or assisting with its preparation, with emphasis on the technical and budgetary components.
- Modifying the project scope as needed to accommodate the granting agency.
- Modifying the project budget in line with the award budget provided by the granting agency
- Notifying the Department Director or appropriate staff about changes in project scope and budget.
- Monitoring expenditures to ensure grant funds are spent in accordance with the approved budget, and approving all expenditures
- Ensuring adherence to the terms of the grant agreement and policies and notifying the appropriate staff changes are needed. Also, validating with the Project Manager if the terms of the grant agreement have special conditions associated to the project.
- Monitoring the project budget and ensuring the appropriate expenses to the project grant are met.
- Leading in resolving any resolutions due to cost run-overs.
- Evaluating and enacting expenditure transfer requests as needed.
- Ensuring that the appropriate staff receive a copy of the letter of transmittal of any reports or correspondence with the granting agency.
- Coordinating on-site monitoring visits by the granting agency.
- Coordinating grantor audits of City of San Diego programs or projects.
- Coordinating federal and state audits of grant awards
- Ensuring proper financial management of projects and grant awards in compliance with grant program regulations.
- Participating with City of San Diego personnel engaged in specialized fiscal and grant regulation compliance operations.
- Coordinating and assisting in developing program budgets and required financial reporting.
- Performing the required pre-audit function for encumbrances and expenditures related to various grant programs.
- Receiving a copy of the grant award and maintaining grant files.

Grantee Department Analyst

The Grantee Department Analyst is the individual who is responsible for fiscally managing the award and is the primary person who maintains the award record in the city's financial system. The Grantee Department Analyst is responsible for:

- Preparing the grant proposal, or assisting with its preparation, with emphasis on the technical and budgetary components in a timely manner to meet deadlines delegated by a City of San Diego and granting agency.
- Submitting grant request through the grants oversight process for approval
- Preparing & routing grant item in On Base for approval
- Adhering to the terms of the grant agreement and policies
- Approving the modification of the project scope as needed to accommodate the granting

agency.

- Notifying the department director or appropriate staff about changes in project scope and budget.
- Providing approval that the budget is adequate relative to the project scope and its justification is appropriate
- Providing approval that committed cost sharing through contributed effort is appropriate, or that cost sharing dollars are available and approved in operating budget
- Monitoring expenditures to ensure grant funds are spent in accordance with the approved budget, and approving all expenditures. (Procurement Standards in 2CFR 200 Sections 317-326)
- Ensuring the completion, accuracy, and timeliness of technical reports to the granting agency.
- Ensuring adherence to the terms of the grant agreement and policies and notifying the appropriate staff changes are needed. Also, validating with the Project Manager if the terms of the grant agreement have special conditions associated to the project.
- Lead in resolving any resolutions due to cost run overs
- Ensuring all appropriate staff receive copy of the letter of transmittal of any reports or correspondence with the granting agency.
- Evaluating and enacting expenditure transfer requests as needed
- Participating in department specific grant management and compliance training
- Coordinating on-site monitoring visits by the granting agency.
- Performing the required pre-audit function for encumbrances and expenditures related to various grant programs
- Coordinating granter audits of City of San Diego programs or projects.
- Participating in general departmental-level support activities related to grants management.
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project.

Department of Finance Director/Assistant Director of Finance/Financial Operations Manager

The Department of Finance Director is responsible for providing oversight of City fiscal management through the City's Comprehensive Annual Financial Report. The Department of Finance Director is responsible for:

- Participating in City of San Diego grants administration training on grant management and compliance
- Coordinating annual federal and state single audit act audits by the city's contracted external auditors
- Coordinating and assisting in developing program budgets and required financial reporting
- Ensuring staff have been trained in department specific grant management and compliance
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project.

Principal Accountant/Supervisor Accountant

The Principal Accountant/Supervisor Accountant is responsible for:

- Developing and conducting City of San Diego grants administration training on fiscal grant

management and compliance

- Ensuring staff have been trained in department specific grant management and compliance
- Reviewing budget revision requests if they affect commitments by the department
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project.
- Coordinating annual federal and state single audit act audits by the City's contracted external auditors.

Financial Accountant/Analyst

The Department of Finance Financial Accountant/Analyst is responsible for:

- Coordinating with grantee department to create grant master data in SAP
- Managing general departmental level support activities related to grants management
- Entering the grant budget in line with the award budget provided by the granting agency
- Ensuring the completion, accuracy, and timeliness of technical and financial reports to the granting agency.
- Evaluating and enacting expenditure transfer requests as needed
- Coordinating and assisting in developing grant budgets and required financial reporting
- Preparing any modifications of the grant budget in line with the award budget provided by granting agency
- Receiving a copy of the grant award and maintaining grant files
- Developing and conducting City of San Diego grants administration training on fiscal grant management and compliance
- Participating in City of San Diego grants administration training on fiscal grant management and compliance
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project

Grantee Department Director

The Department Director is a manager with programmatic and fiscal responsibilities for a designated department. He or she is the individual who ensures adequate staff and infrastructure are provided for the appropriate conduct of project management duties and grant award management, and supervises staff members who serve as Project Manager, Management Analyst, and Grant Analyst identified as key members on projects and grant awards.

The Department Director is responsible for:

- Initial review of [Grant Review form](#) in SharePoint and review in On Base
- Ensuring adequate management of the programmatic and fiscal aspects of the project and grant award.
- Assigning staff to assist in monitoring the project budget.
- Ensuring staff have been trained in department specific grant management and compliance
- Participating in City of San Diego grants administration training on grant management and compliance
- Managing general departmental-level support activities related to grants management.

- Approving any proposed programmatic and fiscal changes to the project and grant. Ensuring continuation proposals, if any, are submitted on time
- Reviewing budget revision requests if they affect commitments by the department.
- Identifying the grant records retention requirements and ensuring that the department has a retention schedule in place to protect the integrity of the grant records and data collected during the project.
- Providing approval that:
 - o The Project Manager is eligible to conduct the project and can manage the project effectively.
 - o The Management Analyst can manage the grant award correctly and effectively.
 - o The Grant Analyst can manage the grant award correctly and effectively.
 - o Review of applications involving subcontracts, matching commitments, and other variables affecting the city's commitment to the grant are denoted.
 - o The budget is adequate relative to the project scope, and its justification is appropriate.
 - o Committed cost sharing through contributed effort is appropriate, or that cost sharing dollars are available and documented.

Grant Review Team Coordinator (GRT Coordinator)

The GRT Coordinator is responsible for:

- Initial review of [Grant Review form](#) submitted by City staff in SharePoint
- Coordinating the Grants Review Team review in Share Point
- Reporting to City Council on a semi-annual basis of all grants applied for, received and denied up to \$1 million
- Receiving notification of grant award letter and grant closeout
- Participating in the development of grants administration training on grant management and compliance
- Coordination of Letters of Support for City staff and external organizations
- Tracking of all citywide grants in transit and active

Grants Review Team:

Reviewers are responsible for:

- Initial review of [Grant Request form](#) submitted by City staff in SharePoint
- Proposals submitted will be reviewed to ensure the following occurs:
 - o Evaluation of alignment with City of San Diego's mission, strategic plan, and city's strategic goals
 - o Evaluation of grant requirements and grant monitoring
 - o Evaluation of determined staff oversight responsibility
 - o Evaluation of resources available to support the grant during its lifetime and after to include: financial, human resources, information technology etc.
- Grant proposal routing and reviewing shall not exceed 10days.
- Authorizes the submittal of grants up to \$1 million on behalf of the City of San Diego

Assistant Chief Operating Officer- Assistant Chief Operating Officer

Individual authorized to enter into agreements for the city, and who will enforce City of San Diego policies and procedures, ensure relevance to strategic plan, and provide organizational oversight and accountability as related to grant compliance.

Department of Finance

To determine audit requirements; relevant accounting and reporting requirements; prefunding, letter of credit, and/or matching fund requirements; overhead rates; fund flow procedures; establish grant master data and structure to assure that grant revenues and expenses are handled separately from General Fund revenues and expenses. Analyze the application document to ensure that, to the extent that the grant guidelines permit, the grant application includes all costs associated with the grant funded program; these costs may include indirect costs and administrative support costs. Other items which may be reviewed included: potential cost efficiencies that may accrue through implementation of the grant funded project; an assessment of any required City match and the requesting department's proposed source of this match.

Deputy Chief Operating Officer

To enforce City of San Diego policies and procedures, ensure relevance to strategic plan, and provide organizational oversight and accountability as related to grant compliance.

External Department Grant Review***City Attorney***

The City Attorney Office provides counsel to the City Council, Council Committees, the Mayor, all City Departments, and City Boards and Commissions. The department also assists City of San Diego staff with writing ordinances and council resolutions, reviews and prepares grant agreements for signature by authorized representatives, and prepares and negotiates contracts, settlements, and other documents pertinent to grant awards.

Equal Opportunity Contracting

For analysis of civil service, equal opportunity and civil rights compliance requirements.

Environmental Analysis

For determination of the need for an environmental impact statement or other environmental review.

Purchasing and Contracting/PWC

For approval of all contracts associated with grant proposals and to ensure all federal procurement standards are being followed.

###

Memorandum

TO: JOE ROIS
CITY AUDITOR

FROM: Julia H. Cooper

SUBJECT: SEE BELOW

DATE: April 7, 2022

Approved



Date

4/11/2022

SUBJECT: RESPONSE TO THE CITY AUDITOR REPORT ON CITYWIDE GRANT MANAGEMENT: IMPROVED COORDINATION CAN INCREASE FEDERAL GRANT OPPORTUNITIES AND STANDARDIZE GRANT ADMINISTRATION

BACKGROUND

The Administration has reviewed the report from the City Auditor entitled *Citywide Grant Management: Improved Coordination Can Increase Federal Grant Opportunities and Standardize Grant Administration*, which contains three recommendations described below. This memorandum captures the Administration responses to each recommendation and presents an overview of the work required to implement the recommendations and projected target dates for completion.

RECOMMENDATIONS AND ADMINISTRATION'S RESPONSE

Recommendation #1: To assist departments that manage grants awards Citywide, the Administration should identify staffing resources to develop and maintain Citywide administrative guidelines or procedures, and training materials around the different phases of grant management, including:

- a) Applying for grants,
- b) Accounting, tracking, and monitoring of expenditures, including subrecipient and contractor management,
- c) Grant closeout responsibilities, and
- d) Preparing for federal audits and reviews, including notifying the Finance Department when the award is selected for an audit or review by a federal agency.

Administration Response 1a: The Administration agrees with this recommendation.

Green: The Finance Department will coordinate with the City Manager's Office of Administration, Policy, and Intergovernmental Relations on developing Citywide administrative

guidelines and/or procedures, and training materials to assist department staff in applying for grants.

Target Date for Completion: June 2023

Administration Response 1b/1c/1d: The Administration agrees with this recommendation.

Yellow: The Finance Department has identified staffing resources of seven limit-dated positions (through June 30, 2023) to develop Citywide administrative guidelines or procedures, and training materials for (1b) accounting, tracking, and monitoring of expenditures, including subrecipient and contractor management, (1c) grant closeout responsibilities, and (1d) preparing the City for federal audits and reviews, including guidelines for City staff to notify the Finance Department when the award is selected for an audit or review by a federal agency. While the limit-dated positions will develop Citywide administrative guidelines or procedures, and training materials for the grant management areas described above (1b, 1c, 1d), identification of permanent staffing resources will need to be evaluated during the 2023-2024 budget development process to adequately maintain these guidelines and/or procedures, and training materials on a continuing basis.

Target Date for Completion: June 2023

<p><u>Recommendation #2:</u> To provide a forum for inter-departmental coordination and training, the Administration should formalize the grant working group's role in coordinating training for grant managers across departments and assessing and developing Citywide resources.</p>

Administration Response: The Administration agrees with this recommendation.

Green: The Finance Department is currently developing a forum for inter-departmental coordination and training, including formalizing the Grant Working Group's role in coordinating training for grant managers across departments, and assessing and developing Citywide resources.

Target Date for Completion: December 2022

Recommendation #3: To comply with federal and state guidelines for reimbursable indirect costs, the Finance Department should develop a process to regularly submit the City's Indirect Cost Allocation Plan to the City's cognizant federal and state agencies.

Administration Response: The Administration agrees with this recommendation.

Green: The Finance Department will develop a process to regularly submit the City Indirect Cost Allocation Plan to the City's cognizant federal and state agencies to comply with federal and state guidelines for reimbursable indirect costs.

Target Date for Completion: June 2023

CONCLUSION

The Administration thanks the City Auditor's Office for the comprehensive audit of Citywide Grants Management. The audit report provides recommendations that will strengthen interdepartmental program communication, coordination, and processes, enhance management and oversight, improve overall performance, foster accountability, and reduce risk. The report is focused, and the recommendations are fair and practical.

/s/

JULIA H. COOPER
Director of Finance

For questions, please contact Rick Bruneau, Deputy Director of Finance, at (408) 535-8310 or rick.bruneau@sanjoseca.gov.