

**Audit of the Community
Enhancement Grant Program-
Planning Division**

**Report by the
Office of County Comptroller**

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TABLE OF CONTENTS

| | |
|--|----|
| Transmittal Letter | 1 |
| Executive Summary | 2 |
| Action Plan | 4 |
| Introduction..... | 6 |
| Background | 7 |
| Scope, Objectives, and Methodology | 7 |
| Overall Evaluation | 8 |
| Recommendations for Improvement | 9 |
| 1. Grant Applications Should Be Date Stamped by the Planning Division Upon Receipt | 10 |
| 2. The Planning Division Should Process Vendor Invoices in Accordance with the Orange County Administrative Code | 10 |
| 3. The Planning Division Should Establish Project-Monitoring Guidelines and Document the Results of Such Monitoring | 13 |

June 7, 2001

Richard T. Crotty, County Chairman
And
Board of County Commissioners

We have conducted an audit of the Community Enhancement Grant Program administered by the Orange County Planning Division. The audit was limited to a review of the expenditures for grants awarded in 1999. The period audited was October 1, 1998 through September 30, 2000. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

Responses to our Recommendations for Improvement were received from the Planning Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Planning Division during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
Bruce McClendon, Director, Growth Management and Environmental Resources

EXECUTIVE SUMMARY

Executive Summary

The Community Enhancement Grant Program, administered through the Orange County Planning Division (Division), is intended to provide support for projects involving groups (homeowner associations and community /neighborhood organizations) that promote the development of community and build neighborhoods. We audited expenditures for grants awarded in 1999 to determine whether related projects were completed and proper payment was made on the purchase orders issued. We concluded that controls over the grant projects awarded by the program were adequate, except for documentation of project monitoring. Specifics are as follows:

Although the Division prepared a 1999 Community Enhancement Grant Summary Report with photos of the completed projects, we noted that, of eight grant project files reviewed, none contained documentation to substantiate that Division staff monitored the projects to ensure work was performed as stated in the grant application. We were unable to objectively determine the projects' implementation and completion since grant applications did not include "before" photos of the sites where projects were proposed. Also, with respect to the grant applications, we noted that 62 percent (five of eight) of those on file in the Division did not contain a stamped date of receipt. The date of receipt is needed to determine if the applicant complied with the application instructions.

Regarding the verification of goods received, none of the 24 applicable project vendor invoices reviewed and maintained by the Division contained a stamped date of receipt. Eighty-five percent (18 of 21) of the tested payments indicated that the vendor invoice was dated more than seven days prior to the receiving report date. The difference in dates between the invoice for the goods and service and the actual noted receipt of goods and services date varied between five to 229 days after the invoice date. Written acknowledgement and the timely receipting of goods are controls to ensure that assets are safeguarded.

The Division had not performed a timely follow-up of a purchase order that had remained open for over a year.

Except for partially concurring on the need to document receipt of goods and/or services as quickly as possible, the Division concurred with all of the recommendations, and has instituted steps to begin corrective action.

ACTION PLAN

Review of the Community Enhancement
Grant Program-Planning Division
Action Plan

| NO. | MANAGEMENT RESPONSE | | | IMPLEMENTATION STATUS | | RECOMMENDATIONS |
|-----|---------------------|------------------|---------------|-----------------------|---------|--|
| | CONCUR | PARTIALLY CONCUR | DO NOT CONCUR | UNDERWAY | PLANNED | |
| 1. | X | | | X | | <u>We recommend</u> the Planning Division ensures that the grant applications are date stamped upon receipt. |
| 2. | X | | | | X | <u>We recommend</u> that the Planning Division reviews and follows established invoice payment procedures, specifically implementing the following: |
| A) | X | | | | X | Date stamp all vendor invoices immediately upon receipt. |
| B) | | X | | | X | Verify and document receipt of goods and/or services as quickly as possible. |
| C) | X | | | | X | Routinely monitor open purchase orders and follow up in a timely manner, those purchase orders where goods and/or services were received but where invoicing or payment is not indicated. Stale dated purchase orders should be cancelled after all avenues of resolution are exhausted. |
| 3. | X | | | X | | <u>We recommend</u> the Planning Division establishes project-monitoring guidelines and schedules that include documentation to evidence the results of such monitoring. |

INTRODUCTION

**Background**

The Community Enhancement Grant Program is administered through the Orange County Planning Division. The program's intent is to provide support for projects involving groups that promote the development of community and build neighborhoods. The grants provide funds to groups (homeowner associations and community /neighborhood organizations) located in unincorporated areas of Orange County.

Groups are asked to submit grant applications and descriptive project proposals to the Planning Division. The grant applications are due on a date prior to the annual Community Conference. Groups must be registered with the County's Planning Division in order to meet eligibility requirements. A panel of judges made up of Orange County residents reviews the grant applications. The judges make their recommendations to the Chairman and Commissioners who announce the awards on the day of the Community Conference. The County awards \$48,000 in Community Enhancement Grants to 14 communities in unincorporated Orange County. The grants are referred to and awarded as two \$6,000 Chairman's Grants and twelve \$3,000 Commissioner's Grants.

**Scope, Objectives,
and Methodology**

The scope of the audit was limited to a review of the Community Enhancement Grant expenditures for grants awarded in 1999.

The objectives of the audit were to determine if the Grant projects awarded by the program were completed and the proper payment was made on the purchase orders issued.

The audit methodology used was as follows:

We prepared a schedule of sampled grant projects awarded in 1999 and reviewed the grant applications to determine if the Planning Division date stamped the applications upon receipt.

INTRODUCTION



Audit of the Planning Division Community
Enhancement Grant Program

We reviewed the grant project application files to ensure that at least six scoring sheets were completed for each application. The scoring sheets record each judge's rating of the grant application's content, project creativity, neighborhood value, and implementation plan. A scale of points is used with a maximum total point score of 73.

We scanned grant project files to ensure that at least three quotes for each project's cost/purchases were on file.

We reviewed grant disbursements procedures to determine the Planning Division's compliance with Orange County Administrative Code relating to invoice payment procedures. We reviewed selected grant disbursement transactions to determine if the Planning Division evidenced receipt of the goods and services, and if vendor invoices were date stamped upon receipt. For selected grant projects, we compared the date on the vendor's invoice, the goods/services receipt date, and the date that the Orange County Comptroller's Accounts Payable Section received the invoice to process it for payment.

Lastly, we inquired of appropriate Planning Division staff and reviewed notes in the Planning Division's grant project files to determine if adequate monitoring exists to ensure that the grantee performed the work and complied with grant guidelines.

Overall Evaluation

In our opinion, controls over the Grant projects awarded by the program were adequate, except for documentation of project monitoring. Improvements are needed as outlined in this report.

RECOMMENDATIONS FOR IMPROVEMENT



1. Grant Applications Should Be Date Stamped by the Planning Division Upon Receipt

We noted that 62 percent (five of eight) of the reviewed grant applications on file in the Planning Division did not contain a stamped date of receipt by the Planning Division. This stamp provides the Planning Division a record as to when they received the application.

The grant application instructions identified a deadline for submission of applications for consideration of eligibility. Verification of the applicant's compliance with grant submission requirements cannot be done without evidence of the date. We noted that the application-scoring sheet did not include timeliness of submission as a rated criterion. However, documentation of an applicant's compliance with all requirements will minimize the risk of a contest of award results.

We Recommend the Planning Division ensures that the grant applications are date stamped upon receipt.

Management's Response:

We concur with the recommendation that the grant applications are date stamped upon receipt. Beginning in the 2000 grant cycle, applicants were required to incorporate timelines. In the 2001 grant cycle, review of the timeline is a rated criterion in application review.

2. The Planning Division Should Process Vendor Invoices in Accordance with the Orange County Administrative Code

Invoice payment procedures are established in Section 6.12 of the Orange County Administrative Code. It prescribes that vendors receive payments for goods and services on a timely basis. Good business practices for proper control and payment of assets call for timely monitoring of the receipt of goods/services. The Code requires that each invoice

RECOMMENDATIONS FOR IMPROVEMENT



received be date stamped on the date that it is first delivered to the respective division. In addition, each division for which goods are received shall indicate the date the goods are received. The Planning Division uses a copy of the respective purchase order as the receiving copy (report). The payment due date is established as 45 days from the date on which a proper invoice is received by the Comptroller's Office. Divisions and departments must submit necessary documentation of the receipt of goods/services together with the vendor invoices to the Comptroller's Office in a timely manner.

We were informed that vendors sent invoices for grant purchased goods/ services to the Planning Division. The Planning Division staff verbally confirmed receipt of the goods with the grantee, then signed the yellow purchase order receiving copy, and forwarded it to Accounts Payable with the vendor invoice.

We noted the following:

- A) None of the 24 applicable project vendor invoices reviewed and maintained in the Planning Division's grant project files contained a stamped date of receipt by the Planning Division.
- B) Eighty-five percent (18 of 21) of the tested payments indicated that the vendor invoice was dated more than seven days prior to the receiving report date. The difference in dates between the invoice for the goods and service and the actual noted receipt of goods and services date varied between five to 229 days after the invoice date. The average length of time between the actual noted goods receipt date and the invoice date was 62 days. Although it is common for invoice and actual delivery dates to vary slightly, the large difference in the grants area indicates that the Planning Division did not document and verify receipt of invoiced goods and services in a timely manner.

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Planning Division Community
Enhancement Grant Program

- C) We noted that a purchase order number M0000100640 from a home repair store dated September 2, 1999 for \$2,296 for a District six grant, had not been recorded as paid as of October 9, 2000. There is no copy of the vendor's invoice in the Planning Department's files and Accounts Payable did not have a copy to process for payment. Documents in the Planning Department's application file for the project indicate that the project has been completed.

County Audit called the store to research the issue. The vendor's customer service representative confirmed that their records indicate a sales receipt/invoice was generated and referenced to the purchase order was paid by an Orange County charge card on October 12, 1999. However, since the transaction took place over a year ago, their records did not provide information as to which County Department charge card was used to pay the item.

The Planning Division should routinely monitor open purchase orders and follow-up in a timely manner, those purchase orders where goods and/or services were received but where invoicing or payment is not indicated. Stale dated purchase orders should be cancelled after all avenues of resolution are exhausted.

We Recommend that the Planning Division reviews and follows established invoice payment procedures, specifically implementing the following:

- A) Date stamp all vendor invoices immediately upon receipt.
- B) Verify and document receipt of goods and/or services as quickly as possible.

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Planning Division Community
Enhancement Grant Program

-
- C) Routinely monitor open purchase orders and follow up in a timely manner, those purchase orders where goods and/or services were received but where invoicing or payment is not indicated. Stale dated purchase orders should be cancelled after all avenues of resolution are exhausted.

Management's Response:

We generally **concur** with the recommendation that we review and follow established invoice payment procedures, specifically we note the following:

- A) Concur. Date stamps will be recorded on all invoices received.
- B) Partially concur. The invoice is our indicator that the communities have received goods or services. However, we do not release the invoice for payment until we verify that the communities received all goods and services. Receiving reports of goods and services will be indicated by date and initials of authorized staff on the invoices and invoices will be submitted to the Comptrollers Office in a timely manner.
- C) Concur. Purchase orders will be monitored by quarterly reports and site visits to ensure the timely receipt of goods and services. Any stale dated purchases orders will be investigated and cancelled when necessary.

3. The Planning Division Should Establish Project-Monitoring Guidelines and Document the Results of Such Monitoring

Although the Planning Division prepared a 1999 Community Enhancement Grant Summary Report with photos of the completed projects, we noted that, of eight grant project files reviewed, none contained documentation to substantiate that

RECOMMENDATIONS FOR IMPROVEMENT



Audit of the Planning Division Community
Enhancement Grant Program

Planning Division staff monitored the projects to ensure work was performed as stated in the grant application. Applications for grants did not include “before” photos of the sites where projects were proposed. Therefore, we were unable to objectively determine the projects’ implementation and completion. Planning Division management should develop guidelines to provide staff with the proper techniques to monitor projects on a systematic or periodic basis to verify that the work performed is based on grant criteria.

We Recommend the Planning Division establishes project-monitoring guidelines and schedules that include documentation to evidence the results of such monitoring.

Management’s Response:

We concur in developing monitoring guidelines. Beginning with the 2000 grants, all communities must sign a letter of agreement that required quarterly and final reports, which include project timelines, photographs, and receipts. In addition, we have established internal guidelines for staff to follow regarding monitoring the projects. These guidelines became effective in the 2000 grant cycle.