Follow-Up of the Audit of the ReNEW Grant Program – Neighborhood Services Division

Report by the Office of County Comptroller

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September 30, 2003

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

We have conducted a follow-up of the audit of the ReNEW grant program administered by the Orange County Neighborhood Services Division (formerly known as the Community Enhancement Program). Our original audit included the period of October 1, 1998 to September 30, 2000. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 2000 through September 30, 2002. Our follow-up audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review. In addition, we found another concern during our follow-up that is presented in the Recommendation for Improvement section following the status of the Follow-Up to Previous Recommendations for Improvement section. Responses to our Recommendations for Improvement were received from the Manager of the Neighborhood Services Division and are incorporated herein.

We appreciate the cooperation of the personnel of the Orange County Neighborhood Services Division during the course of the audit.

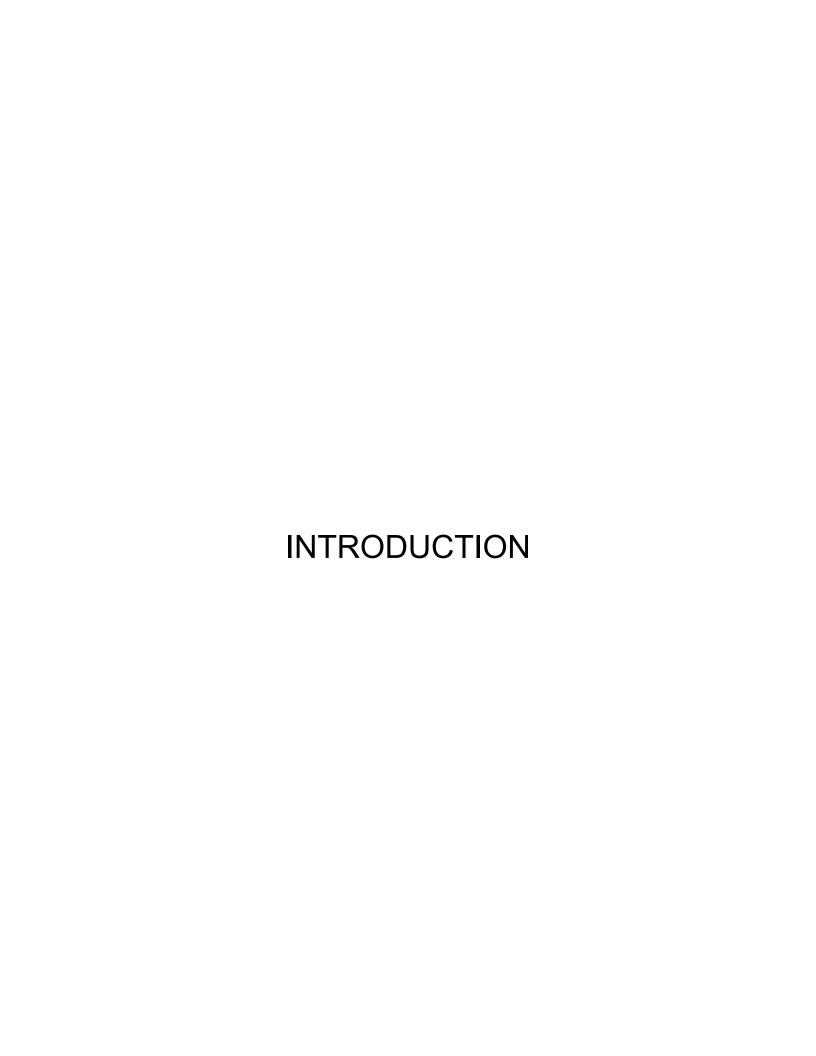
Martha O. Haynie, CPA County Comptroller

c: Ajit Lalchandani, County Administrator Melvin Pittman, Director, Community & Environmental Services Lavon Williams, Chief Planner, Neighborhood Services Division

IMPLEMENTATION STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

FOLLOW-UP OF THE AUDIT OF THE RENEW GRANT PROGRAM (FKA THE COMMUNITY ENHANCEMENT PROGRAM) STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT

NO.	PREVIOUS RECOMMENDATION	IMPLEMENTATION STATUS			
.10.		IMPLEMENTED	PARTIALLY IMPLEMENTED	NOT IMPLEMENTED	NOT APPLICABLE
1.	We recommend the Neighborhood Services Division ensures that the grant applications are date stamped upon receipt.	✓			
2.	We recommend that the Neighborhood Services Division reviews and follows established invoice payment procedures, specifically implementing the following:				
A)	Date stamp all vendor invoices immediately upon receipt;	\checkmark			
В)	Verify and document receipt of goods and/or services as quickly as possible; and	\checkmark			
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.		✓		
3.	We recommend the Neighborhood Services Division establishes project-monitoring guidelines and schedules that include documentation to evidence the results of such monitoring.		✓		



INTRODUCTION



Scope and Methodology

The audit scope was limited to an examination of the status of the previous recommendations for improvement from the original audit of the Community Enhancement grant dated June 2001. The grant is now known as the ReNEW grant program and is administered by the Orange County Neighborhood Services Division (NSD). The period tested was from October 1, 2000 through September 30, 2002.

The audit methodology included inquiring of personnel as to the status of the previous recommendations and testing data as follows:

We inspected a sample of 2002 ReNEW grant applications to determine whether they contained evidence of the date received by the County. We also ensured that the date received was within the established due date.

We reviewed a sample of 2001 Community Enhancement grant files to determine the following:

- A) Whether invoices were date stamped upon receipt;
- B) Whether receipt of goods/services was verified and documented on the invoice in a timely manner; and
- C) Whether purchase orders were monitored through final disposition and invoices were paid in a timely fashion.

We examined the 2001 Community Enhancement grant purchase order log to determine whether an invoice was received for each of the purchase orders listed.

We reviewed a sample of 2001 Community Enhancement and 2002 ReNEW grant files to determine the following:

- A) Whether the file contained "before" photos of the area to be improved;
- B) Whether the grant recipients submitted quarterly progress reports as required by the conditions of the grant;
- C) Whether the NSD was monitoring the progress of the projects; and

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D) Whether the project was completed as outlined in the grant application.

We analyzed a sample of 2002 ReNEW grant files to determine whether recipient communities were billed the appropriate amount for their portion of the project.

We examined the available budget for the 2002 ReNEW grant cycle and ensured that the related expenditures were within the budgeted amount.

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

We noted that 62 percent (five of eight) of the reviewed grant applications on file in the NSD did not contain a stamped date of receipt by the NSD.

<u>We Recommend</u> the NSD ensures that the grant applications are date stamped upon receipt.

Status:

Implemented. We reviewed the 2002 ReNEW grant applications to determine whether they contained a stamped date of receipt by the NSD. Significant improvements were made in this area, however we did note that one of nine of the reviewed applications did not contain a stamped date of receipt.

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

During our previous audit of the invoices processed for the grant program, we noted the following:

- A) None of the 24 applicable project vendor invoices reviewed and maintained in the NSD's grant project files contained a stamped date of receipt by the NSD.
- 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.



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C) A District six grant purchase order from a home repair store in September 1999, for \$2,296 had not been recorded as paid as of October 9, 2000.

<u>We Recommend</u> that the NSD 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; and
- 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.

Status:

- A) Implemented. We reviewed a sample of six invoices from the 2001 Community Enhancement grant program for evidence of a stamped date of receipt by the NSD and found no instances where the stamped date of receipt was missing.
- B) Implemented. We reviewed a sample of six invoices from the 2001 Community Enhancement grant program for evidence that the NSD verified and documented the receipt of goods and/or services as quickly as possible. We found no instances where the verification was not performed within nine days of receiving an invoice.
- C) Partially Implemented. The NSD created a purchase order log to track the status of the purchase orders issued for the grant program. We reviewed the log for the 2001 grant cycle to determine whether the

purchase orders issued were monitored through their final disposition. We noted that the log indicated invoices had not been received for three of the purchase orders issued for the 2001 grant cycle. As a result of our review of these three purchase orders we noted the following:

Purchase Order Number	Purchase Order Date	Comments
110501	7/18/01	An invoice was received and paid but was not indicated on the log. Also, 140 days lapsed between the date the invoice was received and the date it was paid. Initially, the invoice received on 8/9/02 could not be paid, as the County did not have a TIN or occupational license on file for the vendor. The grant file contains a W-9 dated 9/1/02 and an occupational license dated 10/1/02. The invoice was not paid until 1/6/03. The grant file contains no correspondence to explain the delay.
110607	7/26/01	An invoice was never received or paid. The community informed the NSD that the vendor completed all work to their satisfaction on 4/1/02. The file contains no correspondence with the vendor to obtain an invoice.
115935	6/10/02	An invoice was received and paid in accordance with County Policy but was not indicated on the log.

We Recommend the NSD monitor the purchase order log on a regular basis to ensure invoices are being received and processed timely. We further recommend the purchase order log be revised to indicate the date invoices are received, the date they are forwarded to Accounts Payable for payment, and the date they are actually paid. Should an invoice take more than 45 days from the date received to the

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date paid, correspondence logs should be maintained documenting the efforts to resolve the outstanding issue.

Management Response:

We concur. Staff has established a series of logs and reports to aid in monitoring grant status and purchase order status. However, these systems are relatively new and have been revised to better address the needs of ReNEW. In particular, staff has established a method to flag any outstanding purchase orders and payments owed to vendors. Open purchase orders will be monitored by quarterly reports and site visits to ensure timely receipt of goods or services. Any purchase orders stale dated beyond two weeks will be investigated and cancelled when necessary.

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

We noted that, of eight grant project files reviewed, none contained documentation to substantiate that NSD staff monitored the projects to ensure work was performed as stated in the grant application.

<u>We Recommend</u> the NSD establishes project-monitoring guidelines and schedules that include documentation to evidence the results of such monitoring.

Status:

Partially Implemented. The NSD implemented a practice requiring grant recipients to submit quarterly progress reports for their grant projects. Although significant improvements were made in this area, we noted that one of three 2001 Community Enhancement grant files reviewed did not contain evidence that the quarterly progress reports were received as required by the grant terms. We also



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noted that the NSD does not have a system to verify that all of the required reports are received.

<u>We Recommend</u> the NSD establishes project monitoring schedules that include documentation to evidence the results of such monitoring.

Management Response:

We concur. Beginning with the 2000 grant cycle, all communities sign a letter of agreement that stipulates the submission of 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 beginning with the 2000 grant cycle. However, with the inception of ReNEW, the number of grants awarded increased from 14 to 58 and the maximum grant award increased from \$6,000 to \$25,000. As a result, the monitoring process was refined in 2002 and staff more aggressively pursues delinquent reports via form letter.

ADDITIONAL RECOMMENDATION FOR IMPROVEMENT

FOLLOW-UP OF THE AUDIT OF THE RENEW GRANT PROGRAM (FKA THE COMMUNITY ENHANCEMENT PROGRAM) ADDITIONAL RECOMMENDATION FOR IMPROVEMENT ACTION PLAN

	MAN	AGEMENT RESP	ONSE	IMPLEMENTATION STATUS		RECOMMENDATIONS	
NO.	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED		
1.	√			√		We recommend the NSD establishes an effective system to ensure the proper community match amount is collected.	

During our Follow-up of the Audit of the ReNEW Grant Program, we noted another concern. The following is the related Recommendation For Improvement:

1. The Neighborhood Services Division Should Ensure Communities Are Assessed the Required Amount of Matching Funds

We noted that four of nine of the 2002 ReNEW grant files reviewed contained errors relative to the calculation of the 2002 ReNEW required community match. The Neighborhood Enhancement grant (NEG) application requirements state that each grant recipient is required to contribute \$250 to their project. The 2002 ReNEW Capital Project grant (CPG) application requirements state that each grant recipient is required to contribute an amount equal to 50 percent of the grant amount awarded. The items noted are as follows:

Grant Type	Amount Contributed	Required Contribution	Amount Over/Under	
NEG	\$222	\$250	(\$28)	
NEG	\$333	\$250	\$83	
CPG	\$10,418	\$10,113	\$305	
CPG	\$6,350	\$5,000	\$1,350	

The errors noted resulted from the cumbersome calculations needed to reduce the quoted amounts on the purchase orders by a percentage that yielded the required match amount. Vendors were instructed to bill the County for the amount on the purchase order and to bill the community for the difference. Also, the NSD only had about one month from the time the grants were awarded to the end of the fiscal year to prepare the 100 plus purchase orders needed for the 2002 grant cycle.

We also noted that the application instructions for the capital project grant contained conflicting information relative to the required match amount. We were informed that the initial intent of the grant program was to have the community contribute an amount equal to 50 percent of the overall

ADDITIONAL RECOMMENDATIONS FOR IMPROVEMENT



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project costs. However, the example contained in the application instructions defines the community requirement as 50 percent of the grant amount requested. This resulted in the communities paying only approximately 33 percent of the project costs. The application instructions for the 2003 grant cycle were properly adjusted to reflect a community match amount equal to 50 percent of the project cost.

<u>We Recommend</u> the NSD establishes an effective system to ensure the proper community match amount is collected.

Management Response:

Concur. The 2003 grant cycle applications simplify the community match requirements to reduce cumbersome calculations. During the 2002 grant cycle, staff received direction to apply a percentage of the required match toward each line in every purchase order issued. This cumbersome task created multiple errors in calculations. We have been advised that such calculations were not necessary. The Purchase and Finance Divisions will provide guidance on how to appropriately implement the match requirement in creating purchase orders and processing invoices.