

# Audit Report Highlights

Grants Management

November 2023

Approx. Amount of Federal Grants Revenue<sup>1</sup> = \$464 million

County Annual Budget<sup>2</sup> = \$1.4 billion

## Why DIA Did This Audit



An audit was conducted to assess the adequacy of monitoring activities regarding grants management. This included reviewing current systems utilized for grant reporting and management. DIA also researched best practices regarding grant management and compared to current County processes. The audit was approved as part of the 2021 Audit Plan and then deferred until 2023. Grants posed an area of higher risk due to the high dollar value of grants received by the County. The audit period under review was January 1, 2022 through December 31, 2022.

## What DIA Found

DIA noted the following internal control or compliance issues:

- A lack of centralized grant management for grants received countywide.
- A lack of policies and procedures for all grant-related processes.
- Accuracy of input of grant data within County's Financial system (Lawson) is not ensured.
- Not utilizing the Grant Management module within Lawson.
- Lack of transparency regarding grant listings related to County Code.

*Recommendations have been rated by priority: High, Moderate, Low, or Business Process Improvement.*

*The report contains 7 recommendations:*

**5 High** – 30 days to complete

**1 Moderate** – 90 days to complete

**1 Low** – 180 days to complete

**0 Process Improvements**- No action required

<sup>1</sup> Based on 2021 SEFA amount of Total Expenditures of Federal Awards.

<sup>2</sup> The County Annual Budget includes operating appropriations from all County funds.

# Audit Report Highlights

Grants Management

November 2023

## Background

County grants have historically been managed by the receiving department or agency. The Fiscal Office will report applicable federal grants as part of the Schedule of Expenditures of Federal Awards (SEFA).

The Fiscal Office assists the departments in setting up the grant within the County financial system.



## What DIA Recommended

DIA provided Fiscal Office management with recommendations for improving internal controls. We provided these recommendations during fieldwork to lessen potential risks related to grant management. Doing so during the course of fieldwork rather than at audit completion allows the department a chance to remedy identified issues immediately and have no surprises when the report is written.

The Fiscal Office is working to address the issues noted in this report. Based on their responses, we believe corrective action will be taken to mitigate the risks identified. Management responses follow each recommendation in the report. Recommendations we made for management included:

- Creating comprehensive Policies and Procedures Manual for grant management.
- Consider a Grant Coordinator position to oversee grant management.
- Fiscal Office should oversee grant compliance for all grants.
- Review and correct (as needed) accuracy of all grants within Lawson.
- Review possibility of utilizing Grant Management module in Lawson.
- Increase transparency of grant listings on Procurement website by adding a filter for grants in Contract Database and place notice on website that Grant Search data does not include more recent grants.

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*Internal Audit would like to express our appreciation for the cooperation and assistance received from the Fiscal Office during this audit. The strides made help improve the County's efficiency and accountability.*

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# Internal Audit Report

Cuyahoga County, Ohio  
Department of Internal Auditing

**Grant Management and Funding Audit  
Fiscal Office  
January 1, 2022- December 31, 2022**

**Director of Internal Auditing: Monica Houston, CPA,  
CGMA, CFE, CIDA**

**Audit Manager: Joshua Ault, CIA**

**Sr. Internal Auditor: Jeremy Hejnal, CIA, CFE**

**Staff Auditor: Dawn Meredith**





**CUYAHOGA COUNTY  
DEPARTMENT OF INTERNAL AUDITING**

**INTERNAL AUDIT REPORT Grant  
Management and Funding Cover  
Letter**

November 27, 2023

To: Director of the Fiscal Office, Mike Chambers and current management of the Fiscal Office:

The Department of Internal Auditing (DIA) has conducted an audit of the grant management process of the Fiscal Office for the period January 1, 2022- December 31, 2022. Our main objective was to evaluate the grant management and funding life cycle for the largest grants received and/or awarded including processes and controls in place for grant/funding tracking, reporting, and compliance. After initial meetings with the Fiscal Office and an assessment of current processes, the objective was modified to focus on the Fiscal Office's procedures relating to grant governance over maintenance, tracking, reporting, and compliance. DIA determined that this focus was the best use of the audit resources allocated as processes for grant management were highly decentralized, and essentially non-existent and/or inconsistent in application.

To accomplish our objectives DIA conducted interviews with management and staff regarding current processes for grant management, reviewed systems and reports utilized, reviewed County compliance requirements, and compared current procedures to best practices for centralized grant management.

Our audit procedures disclosed the following internal control weaknesses:

- A lack of centralized grant management for grants received countywide.
- A lack of policies and procedures for all grant-related processes.
- Accuracy of input of grant data within County's Financial system (Lawson) is not ensured.
- Not utilizing Grant Management module within Lawson.
- Lack of transparency regarding grant listings related to County Code.

We are confident corrective action has been taken or will be taken to mitigate the risks identified in this audit report. We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing. 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.

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projection of any current evaluation of the internal control structure to future periods is subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may weaken.

DIA would like to express our appreciation to Fiscal Office staff and management, and interrelated departments that assisted throughout the process for their courtesy and cooperation during this audit. A draft report was provided to Fiscal management for review. Management responses are included within the audit report.

Respectfully,

A handwritten signature in cursive script, appearing to read "Monica Houston".

Monica Houston, CPA, CGMA, CFE, CIDA  
Director of Internal Auditing

Cc: Cuyahoga County Council  
Erik Janas, Chief of Staff  
Richard D. Manoloff, Law Director  
Michael C. O'Malley, Cuyahoga County Prosecutor  
Katie Gallagher, Chief of Operations and Community Innovation (Audit Liaison)

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## Glossary

<b>Lawson</b>	Cuyahoga County's financial accounting system. Also contains grant information.
<b>SEFA</b>	Schedule of Expenditures of Federal Awards. Included in the County's financial statements, this shows all federal awards that are greater than \$750,000.
<b>OBM</b>	Office of Budget and Management.
<b>CFIS</b>	County Finance Information System.
<b>ARPA</b>	American Rescue Act.
<b>CARES Act</b>	Coronavirus Aid, Relief, and Economic Security Act.
<b>GFOA</b>	Government Finance Officers Association.
<b>GAAP</b>	Generally Accepted Accounting Principles.
<b>FAMIS</b>	Cuyahoga County's legacy financial accounting system.
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission.
<b>Uniform Guidance</b>	Uniform Guidance Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Authoritative rules and requirements for federal awards.
<b>GAGAS</b>	Generally Accepted Government Auditing Standards.
<b>GAAS</b>	Generally Accepted Accounting Standards.

## Report Details

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### Purpose

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The purpose of this audit was to conduct an examination of the countywide grant management process (i.e. grant governance) including processes and controls in place for grant/funding tracking, reporting, and compliance.

The Audit Committee approved DIA's 2023 audit plan to include an audit of Grants Management and Funding. Grants Management and Funding was identified as an area of high risk because of the number of grants and high dollar amount on the 2020 Annual Risk Assessment. This audit was deferred twice. We conducted our review through inquiry and review of grants during the audit period.

The audit included review and evaluation of procedures, practices and controls as deemed necessary.

### Audit Objectives

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The objective of this audit was to assess the processes and controls over countywide grant reporting and maintenance.

### Scope

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To accomplish our objectives, we reviewed processes for oversight of grants provided by the Fiscal Office. This included reviewing modules used within the Lawson financial system, reporting requirements, grant reports availability and integrity, and comparison to best practices for centralized grant management for the audit period January 1, 2022 - December 31, 2022. Interviews with management and staff were conducted to document the controls in place and determine if they were designed appropriately.



## Methodology

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DIA made inquiries to gain a general understanding of Fiscal Office grant management processes. DIA compared current grant management practices of the Fiscal Office to best practices for centralized grant management.

DIA reviewed current modules utilized within the Lawson financial system for grant management. This included trying to obtain a complete list of all grants and performing analysis on reports of grants that were listed as open in the system. Also, DIA reviewed other available Lawson modules that can be used for grant management tracking and reporting.

DIA reviewed County Code requirements relating to grants and examined listings of grants located on the County website.

## Audit Procedures

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Although every audit conducted by the DIA is unique, the audit process for most engagements consists of the following three phases:

- Planning
- Fieldwork
- Reporting

The planning phase of an engagement entails gathering sufficient understanding of the area being audited to identify and reduce key audit risks to an appropriate level. The DIA must document and develop a plan for each audit engagement, including the engagement's objectives, scope, timing, and resource allocation.

The fieldwork phase of an engagement entails executing the audit steps. This usually includes testing, reviewing, and analyzing data along with interviewing the appropriate personnel. Each audit has unique aspects and therefore the audit fieldwork and analysis performed on each audit segment should be customized for that assignment. See Methodology for a summary of fieldwork performed.

The DIA prepares written reports to communicate the results of each engagement. The format and nature of the report can vary depending on user needs and the type of engagement. Additionally, the DIA requires all engagements to receive an appropriate level of supervisory review and quality control as required by professional standards. At the time of report release, DIA resources required to complete the audit were as follows:

Stages		Actual Hours
Planning		117
Fieldwork		74
Reporting:		107
Review	15	
Draft Report	92	
<b>Totals</b>		<b>298</b>

## Background

The County often seeks or receives grant funding to help maintain programs and provide services to the public. A grant is a general term for financial assistance that is not expected to be repaid. However, most grants require the funds to be used for a designated purpose or goal within a specific timeframe. Many grants also require matching of funds and regular reporting to ensure funds are used appropriately.



Financial Reporting, a department within the Fiscal Office, is responsible for setting up new grants within Lawson and creating the requisite Activity Codes. The Office of Budget and Management (OBM), a department within the Fiscal Office, approves the grant information provided by departments for Financial Reporting to use in creating the Activity Code. OBM

must receive documentation of Board of Control (BOC) approval, Council Resolution Approval, and Grant Award Support Documentation to appropriate funds to the Activity Code.

Entering grant activities (expenses and/or revenue) within Lawson is performed at the departmental level. Financial Reporting is responsible for adding attributes such as “Federal” within Lawson, which is done based on information provided by the grant receiving department. They are also responsible for removing appropriations from expired grants. Fiscal does not monitor grants for Board of Health and Soil & Water since they are component units of the County.

Federal grants require the County to prepare a Schedule of Expenditures of Federal Awards (SEFA) on an annual basis within its financial statements. The SEFA lists the County’s expenditures of federal assistance for the fiscal year by federal agency, grant number, and amount. Departments are responsible for maintaining documentation

and tracking SEFA reporting requirements. Financial Reporting is responsible for the preparation of the annual SEFA. The OBM Manager and Financial Reporting Manager work collaboratively to collect all departmental data required, assess/reconcile for accuracy, and prepare the annual SEFA. Departmental data is requested semiannually. Data requested includes the SEFA Worksheet, all related federal reporting to grantors, and explanations of any discrepancies between amounts reporting in SEFA Worksheet and reporting to grantors. OBM and Financial Reporting Managers review the departmental documentation to assess it for accuracy including Lawson activity reports, County Finance Information System (CFIS) reporting to the State of Ohio, and grantor required reports. The prepared SEFA draft is then submitted to the external auditor for independent review. It is important to note that not all grants are included or given oversight through the SEFA process; the threshold for SEFA reporting is a minimum of \$750K of award expenditures in a calendar year.

## **Commendable Practices**

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We commend and thank the Fiscal Office for their cooperation during the audit. DIA especially thanks Financial Reporting and OBM employees for their time during the audit. Specific commendable practices that DIA noted during the audit include:

- Development of a SEFA Worksheet, a template for departments to report federal expenditures semiannually, in the absence of an automated reporting solution. This worksheet has detailed instructions that assist departments in what could be a difficult task. The Fiscal Office created a separate email process for SEFA documents and questions which allows for better record keeping and faster responses to questions.
- Requiring recipient Departments provide Fiscal copies of Federal grant reports that are submitted directly to the grantor agencies.
- The Fiscal Office drafted policies to ensure organizational compliance with Uniform Guidance for Federal Programs during the audit.

## Priority Level Criteria for Recommendations

<b>High (P1)</b>	<b>Highest-Ranking Officer's immediate attention</b> is required. Corrective action is strongly recommended ( <u>30days</u> ).
	<ul style="list-style-type: none"> <li>Financially material loss or potential loss</li> <li>Lack of or failure of internal controls requiring considerable time and resources to correct.</li> <li>Non-compliance with laws, regulations, and policies resulting in significant loss of funds, fines, or restrictions.</li> <li>Significantly negative effect on the County's reputation or public perception</li> </ul>
<b>Moderate (P2)</b>	<b>Senior Management's attention</b> is required. Corrective action is recommended ( <u>90days</u> ).
	<ul style="list-style-type: none"> <li>Financial loss or potential loss</li> <li>Internal controls exist but they are not effective, or they are not consistently applied.</li> <li>Non-compliance with laws, regulations, and policies resulting in loss of funds, fines, or restrictions.</li> <li>Negative effect on the County's reputation or public perception</li> </ul>
<b>Low (P3)</b>	<b>Management's attention</b> is required. Corrective action is recommended ( <u>180 days</u> ).
	<ul style="list-style-type: none"> <li>Financial loss or potential loss is minimal.</li> <li>Internal controls exist, but could be improved.</li> <li>Non-compliance with laws, regulations, and policies is a minimal risk.</li> <li>No effect on the County's reputation or public perception</li> </ul>
<b>Business Process Improvement (P4)</b>	<b>Management or supervisory attention</b> recommended but not required
	<ul style="list-style-type: none"> <li>Process improvement recommendation</li> <li>Financial loss or potential loss is minimal or not applicable.</li> <li>Non-compliance with laws, regulations, and policies is a minimal risk or not applicable.</li> <li>No effect on County's reputation or public perception</li> </ul>

In an effort to assist the auditee in making the best use of their resources, we have prioritized the recommendations according to the table above.

## Findings and Recommendations

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### Fiscal-Grant Management Findings

#### **FINDING    Lack of Countywide Grant Governance**

The County lacks governance over the grant management life cycle.

Although the Fiscal Office has established and documented procedures relative to the initial setup of grants within Lawson, the County does not have policies and procedures that cover the remainder of the grant management process. Specifically, organization-wide policies and procedures do not exist relative to tracking grant expenditures, maintaining appropriate records, recording transactions within Lawson, and monitoring compliance.

Departments are charged with tracking and monitoring the grant expenses upon award. Federal grant expenditures reporting within the annual Schedule of Federal Awards (SEFA) requires departments to manually prepare calculations. The calculations are provided semi-annually to Fiscal.

Non-Federal grant data is entered into Lawson the same way as federal grants; however, expenses are not reported back to the Fiscal Office semi-annually. Non-federal grant reports are also not received by the Fiscal Office as Federal grant reports are.

Recipients of grant monies are usually required to comply with stated rules and guidelines. Whereas these rules and guidelines are specific to individual grants, Uniform Guidance applies to all federal grants. Uniform Guidance states recipients that receive federal grant funding shall establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should comply with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). This is in addition to other specific internal control requirements as listed in 2 CFR 200.303. Uniform Guidance also states that financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR 200.302 also includes a list of items that the financial management system of each non-Federal entity (recipient) must provide for including:

- Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- Effective control over, and accountability for, all funds, property, and other assets. The non-Federal entity must adequately safeguard all assets and assure that they are used solely for authorized purposes.

There are many best practices in relation to grants. The Government Finance Officers Association (GFOA) created a list of best practices for Grants Administration which includes (not an exhaustive list):

- Maintain a process to monitor for changes in grant terms and conditions that occur after the acceptance of a grant.
- Establish a central grants management function.
- Establish one or more grant funds or unique grant project identifiers to account for all financial transactions for each grant.
- Identify and segregate costs as necessary for the grant (e.g., separate allowable and unallowable costs, separate direct costs from indirect costs, and separate administrative costs).
- Document grant procedures.
- Maintain internal control procedures over accounting, financial reporting, and program administration.
- Maintain internal control procedures over the identification of, and adherence to, Federal and State compliance requirements, such as those relating to contracting.
- Developing and documenting an understanding of audit requirements specific to grants including, those in Generally Accepted Government Auditing Standards (GAGAS), Generally Accepted Auditing Standards (GAAS), and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).
- Developing and documenting an understanding of audit requirements for grant close-out.

Per AmpliFund, a grant management solution firm, a centralized grant coordinator or administration, "... is especially helpful for local government because sub-recipients are often involved. Instead of using disparate systems, consolidate your information on one system to consolidate information and keep everyone from your team to your sub-recipients on the same

page,” Their article, “How to Manage Local Government Grants”, contains a listing of best practices including monitoring spending and performance on a regular basis.

The risk relative to grants management was not previously identified and considered. Thus, Countywide policies and procedures to ensure Countywide compliance with federal, state, or local regulations related to grants were never created. The County has traditionally relied on individual departments to manage their respective grants. This included submitting any necessary grant reporting requirements, responding to any grant oversight body questions, or receiving any grant oversight body reviews.

Also, there is not a centralized Grant Coordinator overseeing Countywide grants or a department focused on grant monitoring and tracking Countywide. There have previously been Fiscal Office employees in a Grant Coordinator position but has been unfilled since 2021. Priorities of the Fiscal Office as it relates to grants are limited in focus to SEFA preparation for financial reporting.

## **Risk to the County if Not Corrected**

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Without proper governance there is an increased risk of noncompliance with grant requirements or uniform guidance. Noncompliance can result in fines, penalties, repayment, and negative public perception. There is also an increased risk that departments’ grant management process will not be in accordance with the County’s desire for grants.

## **Recommendations**

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1. (P1) The Fiscal Office should create a comprehensive Policies and Procedures Manual for grant management. This may include (but not limited to):
  - Process for grant application and initial grant setup within Lawson;
  - Tracking of expenditures within Lawson;
  - Monitoring of compliance with grant terms;
  - Maintaining supporting documentation and reports sent to funders;
  - Processes for closing of grants to be performed by agency users and Fiscal Office;
  - Process for the administration of uniform guidance for federal grants.
2. (P1) The Fiscal Office should consider a Grants Coordinator position whose responsibilities may include (but not limited to):
  - Coordinate and evaluate monitoring of grant compliance on a Countywide basis;
  - Ensure consistent and appropriate tracking of grant expenditures throughout the County;

- Assist departments with or solely prepare grant proposals.
3. (P1) The Fiscal Office should oversee grant compliance of individual departments, including nonfederal grants. This should include:
- Maintaining a complete and updated list of grants received by department;
  - Tracking all grant requirements;
  - Receiving supporting documentation of grant compliance submissions, reports, or results;
  - Verifying expenses are allowable.

***Management's Response:***

***The Fiscal office has drafted a comprehensive grants policy and procedure manual. The policy encompasses the maintenance, administration, and financial management of all financial awards/grants types. This policy is also applicable to subgrants awarded to subrecipients.***

***The Financial Reporting team will be responsible for monitoring Countywide grant compliance, however the individual departments will be responsible for the overall administration of grants as noted in the Cuyahoga County Grants Policy including verifying that expenses are allowable (this will not be a Fiscal responsibility).***

***Countywide policies and procedures to ensure Countywide compliance with federal grants were developed in June 2023.***

***Target Date of Completion: March 31, 2024***

## **FINDING    Lawson Grant Data Is Inaccurate**

Grant data within Lawson is incomplete, inaccurate, and unreliable.

During the audit, the Financial Reporting Manager advised there are numerous grants that are open within Lawson which should be closed. Using Lawson Activity Listing and Audit (AC210), DIA performed an analysis of the 1,543 open grants within the Activities Module. Of the 1,543 open grants:

- 273 (18%) documented ending dates of 2023 or later.
- 1,270 (82%) documented ending dates before 2023.



- 220 of which documented ending dates during 2020-2022.
- 1,050 of which documented ending dates in the 1900s (1929, 1930, 1999).

The 1,050 open grants with 1900s closing dates were potentially missing inputs when transferring data from the prior financial system (FAMIS) to Lawson and never updated appropriately to a closed status. As a result, DIA was unable to definitively identify how many of the open grants within the Activities Module should be closed. However, DIA was able to identify 258 open grants which were first created in Lawson, ended in 2022, and were not closed as appropriate.

Additionally, DIA noted that not all grants are input into Lawson with all relevant grant data. There are grants known to be federal funds, such as American Rescue Act (ARPA and the CARES ACT), that are not indicated as federal in Lawson. As a result, reporting on federal grants within Lawson is unreliable.

Data in Lawson relating to grants should be accurate and complete. Per the Government Finance Officers Association (GFOA) Best Practices of *Grants Administration* (<https://www.gfoa.org/materials/grants-administration>), "... governments should maintain systems that ensure that systems will provide information to all involved parties to allow them to comply with both GAAP and grant requirements." The GFOA recommends as best practice that, "financial and other reporting required by these grants is accurate and timely."

The Office of Budget and Management (OBM) requires a New Activity Element Request Form, which they must approve, when a department requests a new activity be created within Lawson, by Financial Reporting, for a grant. This has information such as grant start date, end date, and grantor information (including if a federal award). It is filled out by the department but input into Lawson by Financial Reporting and OBM.

The Fiscal Office is responsible for closing grants within Lawson upon their completion. As a best practice, grants should also be regularly reviewed to ensure the correct status is maintained.

During the transition from FAMIS to Lawson, data was not verified nor updated prior to conversion to the new system. This resulted in a large number of closed or old grants being open in Lawson. The Fiscal Office has fallen behind in closing out grants as appropriate. Grants that do not have end dates entered default to a 12/31/1999 end date, which is actually 2099 within Lawson.

There is a lack of standardized procedures regarding the entry of all grant information or closeout of grants within Lawson

## **Risk to the County if Not Corrected**

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Not having accurate data within the Lawson module makes reporting and identifying all County grants from Lawson unreliable. Accurate grant information in the system is an important factor

to ensure controls within the Lawson system operate as intended. If grants remain in open status with inaccurate ending activity date, expenses can potentially be posted to the grant inappropriately.

Additionally, unreliable data requires significant time for employees to manually prepare reports. Manually prepared reports are also more susceptible to human errors. Errors in grant administration or funding could result in lost funds in the form of recovered costs or loss of future grant funding.

## Recommendations

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1. (P1) The Fiscal Office should conduct a review of all grants in Lawson.
  - a. Verify information is accurate and complete for all available fields.
  - b. If necessary, make any needed corrections. This includes closing any grants listed as open that should not be. This should be done in consultation with the departments that received the grant.
2. (P1) The Fiscal Office should develop standardized internal and departmental policies and procedures as it relates to entering and monitoring grant activities setup and closeout. *(See Grant Governance Recommendations)*

### ***Management's Response:***

***The Financial Reporting team is currently in the process of reviewing and closing out grants that should not be open (i.e., old FAMIS grants).***

***There are standardized procedures for closing out grants and/or programs in the Grants Policy Manual.***

***Target Date of Completion: June 30, 2024***

## **FINDING      Grant Tracking and Reporting Inefficient**

Grant tracking and reporting from the County's financial system (Lawson) is inconsistent and inefficient.

The Lawson Grants Management module is not utilized by the County. Most grants are tracked as projects within Lawson's project accounting module (Activities Module). Grants are

identifiable for reporting within the Activities Module through the use of a “Grants” Activity Group. Activity Codes, contained within the Activity Group, are used to provide further descriptions and identifiers for the individual grants. Activity Codes are created by Financial Reporting upon request of the grant-receiving department and after approval by the Office of Budget and Management (OBM).

Not all grants/awards are recorded and tracked consistently within Lawson. During the audit, DIA noted the Schedule of Expenditures of Federal Awards (SEFA) included 65 awards that did not use the “Grants” Activity Group and did not have Activity Codes within Lawson. Therefore, they were not included in grant listings within the Activities Module of Lawson. Many of these awards were managed by Health and Human Services (HHS) who utilize user codes as opposed to activity codes. These awards do not follow established procedures for grant setup within Lawson. User codes were not created by Financial Reporting but were transferred over from the previous financial system (FAMIS).

As a result, the tracking and reporting of grants is inefficient. Departments and agencies must perform manual tracking and calculations for external reporting to grantors when utilizing User Codes. Additionally, SEFA preparation cannot be automated. The County is required to prepare the SEFA annually and such is a critical part of the financial statement audit. However, its preparation is almost entirely manual and requires the Fiscal Office to perform significant departmental and agency outreach. Data collection from departments is performed semi-annually and input manually into an Excel SEFA worksheet template. Fiscal must then review the departmental data for accuracy.

Uniform Guidance states that financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the Federal statutes, regulations, and the terms and conditions of the Federal award. 2 CFR 200.302 also includes a list of items that the financial management system of each non-Federal entity (recipient) must provide for including:

- Identification, in its accounts, of all Federal awards received and expended and the Federal programs under which they were received.
- Records that identify adequately the source and application of funds for federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.
- Comparison of expenditures with budget amounts for each Federal award.

Thus, grants typically require more tracking and reporting than most projects. This is needed for both grantor reporting and the County’s annual financial statements (i.e. SEFA). Centralizing and automating grant management enhances internal controls, improves accuracy, and increases

efficiency. Grant information and expenses should be readily available and easily reportable to departments, especially the Fiscal office.

The Lawson system includes various modules to perform the typical accounting functions and reporting needed. The various modules are intended to work in conjunction to allow for efficient enterprise resource planning (ERP). For example, the Activities Management module (Activities Module) is used for project accounting. All projects are assigned Activity Groups and Activity Codes for accounting and reporting purposes.

Lawson also includes a Grant Management module which is specifically designed to work in conjunction with other Lawson modules for the administration, tracking and reporting of grants. For example, Lawson GM270 will automate the SEFA report creation.

The roll out of Infor in 2020 changed the way Fiscal staff performed many processes and required significant effort and time. Management decided to delay the launch of the grants management module until a later date when the staff was more comfortable using Infor; however, this was never revisited. It was noted at the time the Grant Management module was being reviewed, there seemed to be duplication of various efforts and it was unclear if the Grant Management module was best for the County's tracking or reporting needs.

### **Risk to the County if Not Corrected**

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Inconsistent grant management and inefficient processes within Lawson could result in inappropriate or unallowable use of grant funds, accurate reporting, and even potentially the loss of awards. Loss of grants/awards could impact the County's ability to better service its residents.

### **Recommendations**

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1. (P2) The Fiscal Office should review the Grant Management module and determine if it would improve the process of grant entry, management, or reporting by making it more efficient and effective.
  - a. If it is determined to be beneficial to the County grant management process, then steps should be taken to implement the grants management system. This may include the following:
    - Determine module owners and users;
    - Develop business processes and policies;
    - Train end users on the module;
    - Roll out module functionality.

- b. If the Grants Management module, is determined to not be beneficial to the County, include standardized processes and reporting utilizing the Activities module within the comprehensive Policies and Procedures Manual for grant management as recommended in the *Lack of Grant Management Governance* finding within this report. This may include:
- Process for entry of all available data fields within Activities module;
  - Process for the creation of the SEFA;
  - Process for developing reporting from Lawson that will identify all grants received by the County, including all items listed on the SEFA;
  - Regular review of the entries within the module to ensure accuracy.

***Management's Response:***

***It has been determined that Lawson's grant management module does not meet the needs for appropriate grant reporting and monitoring. The grants management module would require duplication and additional time and efforts due to the lack of information and program monitoring that is available within the grants management module.***

***Because it has been determined that the Lawson grants management module doesn't meet our needs, standardized processes and reporting will be included in the Grants Policy manual. There will be a method developed to ensure all grants are appropriately captured in Lawson.***

***Target Date of Completion: June 30, 2024***

## **FINDING     County Procurement Database Incomplete or May Not Comply with County Code**

The County's Procurement Database is incomplete and may not comply with County Code.

There is a searchable database of contracts, purchases, and loans posted to the County website ("Procurement Database"). This database includes grants. DIA searched for all grants in the database. Two hundred fifty-three (253) grants were located in the search. None of these grants had an approval date later than August 2021.

Grants began being placed into the Contract section ("Contract Database") of the Procurement Database at an unspecified date. There is no notification of this change on the website. The name of the grant or other specifics must be known to locate it. A search of the Contract Database using "Grant" as the keyword produced 360 records. Without a full and accurate listing of grants that the County is receiving or providing it is unknown if all grants are being captured in the Contract Database or are searchable as grants.

Cuyahoga County Code Section 501.23(B) states in part the County:

... shall develop, maintain, and post on the county's website a grants and loans database, which shall include two separate parts, which shall contain descriptions of:

1. all grants and loans received, searchable by purpose, funding source, department, date of receipt, length of term, and other relevant factors; and
2. all grants and loans provided, searchable by purpose, recipient, funding source, department, date provided, and other relevant factors.

The completeness and searchability of the database are dependent upon the completeness and accuracy of information entered into the County's document management system (OnBase). OnBase now routes all agreements through Contract Management, so all items appear in the Contract database.

### **Risk to the County if Not Corrected**

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Failure to have a complete and easily searchable database of grants creates a lack of transparency with the public about what grants are received and provided. Additionally, it may result in a lack of compliance with County Code.

### **Recommendations**

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1. (P3) The Purchasing and IT Departments should work together to create a more transparent and user-friendly database for grants and/or contracts.
  - a. If it is determined newer grants will remain within Contract Database, review the feasibility of adding a filter for grants.
  - b. If the Grant Search option remains on Purchasing's website add a footnote detailing the end date of those grants and the more recent grants are located within Contract Database.

#### ***Management's Response:***

***Department of Purchasing (DoP) is currently working with Department of IT to clean up the searchable database. Currently a reconciliation is being performed (lead by DoP) between the system and OnBase.***

***Target Date of Completion: March 31, 2024***