



**Audit Report
Grant Accounting FY15
May 31, 2017**

**City Auditor's Office
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Purpose and Scope

The purpose of this audit was to determine compliance with the City's Grant Administration Policy and applicable federal guidelines for grant activities. Internal Audit selected a grant from each department based on information loaded into MUNIS and listed on the Comprehensive Annual Financial Report (CAFR) Schedule of Expenditures FY15 report.

Internal Audit selected 11 grants across 10 departments for testing. Grants audited by the City's outside accounting firm were excluded. (See Appendix for a complete listing of grants reviewed in this audit.)

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.

This report is intended for the use of the City Manager's Office, City Council and all City Departments.

Conclusion

The City has managed grants satisfactorily. Internal controls are adequate to ensure compliance with City policies and federal, state and local guidelines.

Summary Results

The transactions tested were in compliance with City policies and federal, state and local grant guidelines. Auditors noted clerical errors which occurred during the initial rollout of the City's MUNIS ERP system. After inquiring with accounts payable, staff located documentation to support grant payments that were tested. There are centralized grant processes that would be beneficial to the City and should be considered.

Background

The City of Charlotte receives a variety of federal, state and local grants. Grant activities are handled among individual grantee departments, Strategy & Budget, and Finance. According to the Schedule of Expenditures of Federal and State Awards for the year

ended June 30, 2015, the City had a total of 128 active grants. Collectively, \$241,711,937 was expended for these. The departments' grants program managers are responsible for ensuring grants are managed in accordance with grant agreements and applicable regulations.

Findings and Recommendations

1. The transactions tested were in compliance with City policies and federal, state and local grant guidelines.

Auditors selected 11 grants for review whose expenditures for FY15 totaled approximately \$38 million. Thirty invoices totaling \$8,319,541 were tested for these grants. Auditors selected two or more revenue and expenditure transactions (from each) to verify grant appropriateness. These included City payroll transactions and P-Card purchases. Testing included the validity of purchases, proper documentation and accurate account posting. The revenues and expenditures were compliant with each applicable grant guideline.

Auditors selected Cornelius Park and Ride for a detailed review of the grant process. The process started with the approval of the 2012 State Transportation Improvement Program (STIP) and ended with the 2017 Charlotte Area Transit System (CATS) Project Management Plan. The grant application, MUNIS workflow and City Council contract approval followed procedures.

Conclusion: The City effectively maintains compliance with applicable federal, state and local policies. Internal controls are adequate.

2. Accounts Payable should ensure invoices are attached in MUNIS when payments are processed.

During testing, auditors were not able to find a selected invoice for \$2,590,798 that should have been attached in MUNIS. The department provided a copy upon request but further investigation noted that none of the construction invoices for FY15 were attached. At auditors' request, Accounts Payable researched the missing documentation and determined that the invoices were manually attached to the incorrect vendor in MUNIS.

Conclusion: With one exception attributed to clerical errors occurring during the initial rollout of the City's MUNIS ERP system, documentation to support grant payments was appropriate.

3. **Centralized grant processes would be beneficial to the City.**

The City is awarded numerous grants each year, and existing grants can extend over several years. The grant process is complex and must be handled appropriately. The City relies on grant funding to offset some of the cost associated with improving its infrastructure and implementing programs that are beneficial to the Charlotte community.

City departments have very different grants, and individual grant analysts ensure all grants are in compliance and financial reporting is accurate. These analysts work very closely with grantors. Having centralized processes in place would benefit departments and financial reporting to ensure all pertinent information can be easily accessed.

Recommendation

Departments' grant analysts and Finance's reporting staff should meet regularly to exchange information regarding MUNIS project ledger applications, new grants, grantor guidelines, and financial training available for federal and state grants to ensure compliance. This would help the City ensure that Departments are using all available resources, e.g., MUNIS revenue allocation. Finance's staff would also benefit as these meetings would be a place to update reporting requirements. In addition, the schedule of grants could be updated throughout the year to improve the efficiency of year-end reporting.

Finance Response

Finance agrees with the recommendation.

Appendix: Grant Selection

Grant	Department	FY15 Expenditures	Tested Amount
Streetcar Starter Project	E&PM	\$11,897,853	\$2,685,794
Airport Checked Baggage	Aviation	\$10,862,726	\$1,576,909
ARRA-BTOP	I&T	\$7,182,355	\$1,241,303
Community Development Block	NBS	\$4,332,967	\$55,924
Cornelius Park & Ride	CATS	\$1,567,213	\$1,765,092*
Urban Area Security Initiative	CFD	\$1,339,561	\$406,445
COPS Technology	CMPD	\$646,998	\$264,066
Metropolitan Planning Program	CDOT	\$183,333	\$53,425
CNG-Refuse Vehicles	SWS	\$168,400	\$168,400
Fair Housing Assistance Program	CMO-CR	\$46,239	\$5,182
SPX Corporation	NBS	(\$97,000)	\$97,000
Total		\$38,130,645	\$8,319,541

*Portion of expenditures paid by CATS

Streetcar Starter Project: The Urban Circulator awarded grant funds of \$24,990,000 to the City to construct 1.5 miles of a proposed 10 mile streetcar project in the City's urban core. The streetcar alignment will extend along Trade Street and Elizabeth Avenue to Hawthorne Street. The local share of this grant was \$12,000,000 increasing the total to \$36,990,000.

Airport Checked Baggage: The Transportation Security Administration (TSA) awarded the City \$45,431,845 in reimbursable funds for the design and construction of the TSA Checked Baggage Inspection System at the main terminal of the Charlotte Douglas Airport. The award was amended to increase the funding by \$3,834,000 in 2015 adjusting the total award to \$49,265,845.

ARRA-BTOP (American Recovery and Reinvestment Act-Broadband Technologies Opportunity Program): The City of Charlotte was awarded \$16,702,490 to deploy an interoperable public safety wireless broadband network for the City as well as the greater Mecklenburg County area. The project will construct 24 new wireless towers to complement six existing towers and bring 11,000 public safety users onto the system. The grant stipulates a recipient share cost of \$4,389,953 increasing the total to \$21,092,443.

CDBG (Community Development Block Grant): The grant was designed to provide affordable housing, services and jobs for the most vulnerable within the Charlotte community. The Department of Housing and Urban Development (HUD) requires at least 70% of the funds must be used for activities that benefit low and moderate income persons. The total award was \$4,865,370.

Cornelius Park & Ride: The U.S. Department of Transportation-Federal Transit Administration (FTA) awarded the City \$3,750,000 toward the design and construction of a bus park and ride lot within the Town of Cornelius. The lot will include landscaping, bicycle and pedestrian amenities, and an Art-in-Transit component. The North Carolina Department of Transportation (NCDOT) and the Charlotte Area Transit System (CATS) will each provide \$468,750 in funding increasing the grant to \$4,687,500.

Urban Area Initiative Security (UASD): The City of Charlotte entered into an agreement with the State of North Carolina, the Department of Public Safety and the North Carolina Emergency Management to establish responsibilities and procedures to implement the terms of the U.S. Department of Homeland Security FY2013 Homeland Security Grant Program. The agreement was to purchase equipment, provide planning, exercise and training activities that will prevent, protect against, respond to, mitigate, and recover from potential acts of terrorism and other hazardous or catastrophic events. The agreement was not to exceed \$2,400,000.

COPS Technology (Community Oriented Policing Services): The U.S. Department of Justice awarded the City of Charlotte \$2,884,170 towards funding collection and analysis technology for police in preventing, detecting, and effectively addressing criminal activity and criminal enterprises. The Charlotte Mecklenburg Police Department chose COPLink to fulfill the grant guidelines. The cost to implement COPLink was \$3,845,560 and the City paid the additional \$961,390.

Metropolitan Planning Program: The City of Charlotte entered into an agreement with the North Carolina Department of Transportation (NCDOT) to provide for the undertaking of public transportation studies described in each cycle of the Planning Work Program (PWP). The agreement was properly developed, endorsed, approved and transmitted by the Mecklenburg Union Metropolitan Planning Organization to the

NCDOT, and to state the terms, conditions and mutual undertaking of the parties as to the manner in which the PWP will be undertaken and completed. The cost of the project was \$657,950 of which 80% (\$526,360) was to be paid with federal funds and the remaining 20% (\$65,795) in state funds by NCDOT.

CNG-Refuse Vehicles (Compressed Natural Gas): The North Carolina Solar Center at the University of North Carolina State awarded the City \$168,400 towards the purchase of five CNG powered refuse vehicles in an effort to reduce environmental burdens from business activities and promote green purchasing practices throughout the City of Charlotte. Solid Waste Services provided \$8,420 per vehicle increasing the total grant to \$210,500.

Fair Housing Assistance Program: The US Department of Housing and Urban Development has awarded \$112, 815 in funds to the City. These funds are to be used to promote fair housing laws and equal housing opportunity awareness. In addition, the funds can be used to conduct preliminary investigation of discrimination claims by sending “testers” to properties suspected of practicing housing discrimination.

SPX Corporation: The City of Charlotte entered into an agreement with SPX Corporation, a company that intends to create jobs and invest in North Carolina. The City was awarded a One North Carolina Fund grant from the NC Department of Commerce in the amount of \$350,000. The grant was to be used by SPX Corporation to create 180 permanent full-time new jobs and \$70,000,000 in new investment in the state of North Carolina.