



MEMORANDUM

Date: July 24, 2017

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Grants Administration Audit and Processing**

During several Board of Supervisors meetings, Supervisor Ally Miller has been critical of the grants administration, processing and audit functions of the County. I asked staff if they have information or knowledge regarding the County failing to address corrective action plan requirements or adverse audit findings associated with grants from any federal or state agency (Attachment 1).

While reviewing issues related to the most recent US Housing and Urban Development Grant questioned, staff outside the Finance Department became aware of the use of a Grants Monitoring Matrix used by the Finance Department as an internal document to track grants. It was discovered that columns provided in this internal form were labeled as "findings" or "observations," which are terms well known and quite meaningful in the grants world. To resolve this confusion, the Finance Department will modify the wording on the Grants Monitoring Matrix. These columns will read "potential findings" or "potential observations" and will allow the County to flag what might become more significant if not addressed by the administering County department and/or the sub-recipient or grantee.

It is important to note that the Finance Department's internal tracking documents are not external federal audit findings about Pima County's programs. Pima County can and should continue to highlight our "no findings" standing.

Attached are memoranda from Chief Deputy County Administrator Jan Leshar (Attachment 2) and Daniel Tylutki, Community Development and Neighborhood Conservation Senior Program Manager (Attachment 3) that provide additional information.

CHH/anc

Attachments

c: Jan Leshar, Chief Deputy County Administrator
Tom Burke, Deputy County Administrator for Administration
Keith Dommer, Director, Finance and Risk Management



MEMORANDUM

Date: July 14, 2017

To: Jan Leshar
Chief Deputy County Administrator

From: C.H. Huckelberry
County Administrator 

Tom Burke, Deputy County Administrator
for Administration

Keith Dommer, Director
Finance and Risk Management

Re: **Grant Administration Audit and Processing**

As you know from several Board of Supervisors meetings, Supervisor Ally Miller has been particularly critical of the grant administration, processing and audit functions of the County. Most recently, Ms. Miller claims that relative to a Board-approved US Housing and Urban Development Grant, the County was ignoring adverse comments from a corrective action plan, which I assume, must be a result of an audit of the grant process or program by a federal or state agency.

Does any staff member have information or knowledge regarding the County failing to address corrective action plan requirements or adverse audit findings associated with this grant or for any County grant from any federal or state agency? If so, I would appreciate knowing the details. What actions are being taken, and have we satisfied the requirements of the responsible agency regarding a plan of corrective action?

It is clear the discussions regarding grants continuously by Supervisor Miller are designed for political theater. Therefore, I would like to have specific information regarding these allegations to determine if they are unsubstantiated allegations or restatements of issues that are years old and have long since been resolved. If they are, I will convey such to the Board.

I would also request we obtain concurrence from the appropriate federal oversight agency if we do have adverse issues. It is important we have appropriate documentation of the administration process that has the approval and concurrence of the various federal oversight agencies or others. As you know, we undergo numerous audits for different purposes regarding our grant programs, and we need to ensure the integrity and credibility of the programs are confirmed and maintained at the highest standards.

CHH/anc



MEMORANDUM

Date: July 20, 2017

To: C.H. Huckelberry
County Administrator

From: Jan Lesher 
Chief Deputy County Administrator

Re: Memorandum of July 14, 2017 Regarding Grants Administration Audit and Processing

Your Memorandum of July 14 noted a number of concerns raised by Supervisor Ally Miller regarding the administration and management of, primarily, federal grants and the County's oversight of subrecipient or grantee agencies.

You asked if staff have information or knowledge regarding the County failing to address corrective action plan requirements or adverse audit finding associated with the US Housing and Urban Development Grant CT-CD-17396.

The attached July 18 Memorandum from Daniel Tylutki, Senior Program Manager in the Pima County Community Development and Neighborhood Conservation Department, reports that,

[T]here have been no "Findings" or "Concerns" pertaining specifically to the grant-funded microenterprise activity, the above referenced subrecipient contract, or the County's grantee administration of the CDBG program by either HUD or Arizona Office of the Audit [*sic*] General.

Staff reviewed the general topic of grants management in an attempt to determine why a member of the Board of Supervisors might believe there are issues related to grants when the staff managing the grants believe that such is not the case.

I conferred with staff noting that in recent months, members of the Board of Supervisors have raised questions or concerns about grants when they come before the Board for approval or renewal. The issues raised have been about "findings" or "observations" made regarding the grant, the subrecipient or the awardee. The answer may be simply a question of semantics.

The terms "findings" or "observations" are well known in the grants world in general. When grants are federal awards, it is understood that "findings" and "observations" can only be determined by external auditors working for audit organizations meeting specific

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federal standards. Federal regulations clearly state that the "term auditor does not include internal auditors" (2 CFR 200.7). When asked directly by a Board member about findings or observations pertaining to federal awards, representatives of CSET, CDNC, the Health Department or I have responded based on the above-referenced guidance. Per this guidance and its definitions, the County does not have findings and observations relating to its federal grant awards.

A Grants Monitoring Matrix is used by the Grants Finance Department and is posted on the Pima County intranet. While undoubtedly designed to allow for internal monitoring, the language used may have resulted unintended consequences. Columns that should be identified as potential "findings" and potential "observations" are noted simply "findings" and "observations." These unmodified terms suggest that an external auditor has officially documented and reported a schedule of findings and observations to the federal government. This is not factual.

This situation is problematic, and can be misleading for many reasons.

While it is critical that federal grants received by the County be regularly reviewed and monitored per federal regulations, it is necessary that potential findings or potential observations be flagged as such. This will not only allow the County to work with the Department and the agency that is the subrecipient or grantee to ensure compliance with all aspects of the grant, but allow the County to represent our record factually regarding findings and observations relating to federal awards. It will also allow us to avoid undermining our outstanding "no findings" reputation with the myriad stakeholders we work with on grants at federal, state, and local scales.

To resolve this confusion, the Finance Department has said it will modify the wording on the Grants Monitoring Matrix. The Department has noted that these action items are not Pima County's external federal audit findings about Pima County's programs. Pima County can and should continue to discuss proudly our "no findings" reputation.

The Finance Department has also noted that the Grants Monitoring Matrix lists deficiencies that Pima County has noted when monitoring someone else's federal program. Deficiencies listed are not about Pima County or Pima County's federal programs. When Pima County subgrants federal money to another agency or organization, the other party is responsible for federal compliance requirements. Pima County is responsible to contract properly when subgranting to another party; monitor the other party's compliance; require corrective action, if needed, from the other party; and then use this information possibly to modify the terms and conditions of subgrants to the other party.

C. H. Huckelberry, County Administrator

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If Pima County adequately subgrants and adequately performs both program and fiscal monitoring of its subgrants, it is unlikely that any of the deficiencies listed on the Grants Monitoring Matrix would become findings about Pima County's federal programs.

JKL/lsm

Attachment

c: Tom Burke, Deputy County Administrator, Administration
Keith Dommer, Director, Finance and Risk Management



Date: July 18, 2017

To: C. H. Huckelberry
County Administrator

From: Daniel Tylutki
Senior Program Manager

Via: Jan Leshner
Chief Deputy County Administrator

Cc: Margaret Kish, Director

Re: Grant Administration Audit and Processing;
US Housing and Urban Development (HUD) Grant CT, CD, 13*358, as amended

The above referenced Community Development Block Grant (CDBG) contract to fund a microloan program has been closed-out with HUD. Funds have been recaptured and reprogrammed to other eligible activities. There have been no "Findings" or "Concerns" pertaining specifically to the grant funded microenterprise activity, the above referenced subrecipient contract, or the County's grantee administration of the CDBG program by either HUD or Arizona Office of the Audit General.

Said "Findings" and reference to "Corrective Action Plans" seem to originate from intradepartmental documents generated from Finance and Risk Management Department, Grants Management Division. As of recently, the Grants Management Division has instituted a practice to independently monitor County subrecipients of grant funds, in addition to, respective County Departments and staff. In both instances, Grants Management Division staff issues "Findings" and requests for "Corrective Action Plans" to both subrecipients and staff.

CDNC is appreciative of the added assistance by Grants Management Division to assist in the monitoring of subrecipients as part of our Department's mission to administer effective technical assistance to agencies that deliver needed services and programs to those in need. However, there is immediate concern regarding County staff issuing "Findings" and requesting "Corrective Action Plans" to other County staff in formal document, which are neither specifically required nor requested by state or federal funders.

By closing out the above reference contract, recapturing funds, and programming, CDNC has effectively addressed Grants Management's "Findings" and proactively completed a "Corrective Action Plan" with no formal response required.

CDNC staff recommends working with other grant funded departments and the Grants Management Division to develop a mutual and beneficial process to effectively monitor County subrecipients in compliance with federal regulations, in addition to, providing "recommendations" to staff regarding grant administration.