Office of the County Auditor
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County Auditor
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March 31, 2021

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

The Office of the Cook County Auditor has conducted an audit of the Grant Management Process for the Department of Budget and Management Services in accordance with the Cook County Auditor Ordinance. During the course of our audit, we determined one other departments had grant responsibilities tied to our recommendations, the Bureau of Finance. Our sample dates for this audit varied, due to the grants different awarded start and end dates. Our fieldwork was conducted from July through October 2020.

The overall objective of our audit was to assess the policies, procedures and internal controls used in the grant management process to ensure that grant funds are managed in an effective and efficient manner. Grants received as part of the COVID-19 pandemic were excluded from this review, as separate oversight is underway.

The audit report contains five recommendations. The Executive Summary of our report provides an overview of the audit.

We express our great appreciation for the cooperation from the Department of Budget and Management Services, Bureau of Finance, and the awarded departments staff extended to Della Hernandez and Tsira Lashkarava. We have discussed our recommendations with the Department of Budget and Management Services and Bureau of Finance. Management has had an opportunity to review our report. Managements comments are included in their entirety, within the Recommendations section.

Respectfully Submitted,

Mary Modelski
County Auditor

Cc: Ammar Rizki, Chief Financial Officer
    Lawrence Wilson, Comptroller
    Annette Guzman, Director of Budget and Management Services

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COOK COUNTY GOVERNMENT

OFFICE OF THE COUNTY AUDITOR

Grant Management Process

Internal Audit Report

Report Date: March 31, 2021

Issued By:

Mary Modelski, County Auditor

Audit Conducted By:
Della Hernandez, Field Auditor V
Tsira Lashkarava, Field Auditor V
Julie Stack, Audit Supervisor

EXECUTIVE SUMMARY

We have completed an audit of the grant management process for the Department of Budget and Management Services. The audit was performed to ensure grants follow a consistent financial management process and adhere to programmatic requirements. The Department of Budget and Management Services oversees approximately 180 grants awarded to various County departments. We assessed a sample of grants and reviewed the processes to manage such grants to ensure compliance with the grant agreements and established policies and procedures. Within our audit scope, it was identified that the awarded departments were properly expending funds to be utilized in accordance with the applicable laws/rules/regulations of the Grantor.

We conducted this audit in accordance with generally accepted accounting principles. These standards require that we plan and perform the audit to obtain sufficient and 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. Our fieldwork was conducted from July through October 2020 and our sample of grants were active in fiscal year 2020.

Management was presented and asked to respond to five recommendations related to:

- The Bureau of Finance should establish and lead a task force to formulate a plan to centralize the grant management process. (Recommendation #1)
- The Department of Budget and Management Services should develop a policy and procedure manual for their own department. (Recommendation #2)
- The Department of Budget and Management Services should update the Grants Manual to include a checklist and due dates for grant management personnel. (Recommendation #3)
- The Department of Budget and Management Services should encourage the awarded departments to seek out new and expanded funding sources during their budget creation. (Recommendation #4)
- The Department of Budget and Management Services should encourage the awarded departments, during grant training sessions, of the requirements to notify the Department of Budget and Management Services of the need for a cash match. (Recommendation #5)

BACKGROUND

The Department of Budget and Management Services prepares, manages, and executes the County budget. Cook County received $126 million in grants in fiscal year 2019 from the Federal government and/or State of Illinois. Funds are received either directly from the Federal government or indirectly through pass-through agencies, such as the State of Illinois.

County agencies applies and implements grant programs based on an awarded amount allocated by the Grantor, performance, regulations, and guidelines outlined by each granting agency through a written and executed grant agreement. The County will only seek out grants that are consistent with its public mission and stated priorities and when the cost of administering the grant is at least fully offset by the funds received.

Agencies apply and manage their own grants. Collaboration between agencies does not take place, which has limited the County's ability to best manage and oversee grants. Due to limited resources, agencies do not seek out new opportunities for grants that could align with the County mission and offset funding sources. The Comptroller's Office and the Department of Budget and Management Services have had limited oversight in grant inception to closure which has caused a number of concerns related to journal entry corrections and reporting accuracies.

The Department of Budget and Management Services developed the Cook County Grant Management Policies to: (1) strengthen the oversight and requirements for internal controls; (2) ensure accountability of County agencies managing grant funds; and (3) ensure compliance with applicable Federal, State, and County laws and regulations.

Below is a table of the top 20 grants the Cook County received in Fiscal Year 2019:[1]

Responsible County Agency	Program Name	Federal Expenditure
Department of Planning and Development	CDBG Disaster Relief	$12,951,626 $11,109,128 [2]
Emergency Management Regional Security	Urban Area Security Initiative	$9,377,576
Sheriff	Chicago HIDTA (Non-Cash)	$8,945,248
Emergency Management Regional Security	Urban Area Security Initiative	$8,409,009
Emergency Management Regional Security	Urban Area Security Initiative	$4,207,783
State's Attorney	Child Support Enforcement	$3,779,842
Emergency Management Regional Security	Urban Area Security Initiative	$3,634,657 [2]
Department of Planning and Development	Community Development Block Grant	$3,401,190
Department of Planning and Development	Community Development Block Grant	$3,382,191 [2]
Public Health	Supplemental Food WIC - Non-Cash Award	$3,240,510
Department of Planning and Development	Community Development Block Grant	$3,202,836
Sheriff	Chicago HIDTA	$2,805,835
State's Attorney	Child Support Enforcement	$2,590,389
Department of Planning and Development	HOME Investment Partnerships Program	$2,065,176
Chief Financial Officer/Sheriff	State Criminal Assistance Program	$2,001,523
Department of Planning and Development	HOME Investment Partnerships Program	$1,898,726
Department of Planning and Development	Community Development Block Grant	$1,513,332 [2]
Department of Planning and Development	HOME Investment Partnerships Program	$1,440,000 [2]
Public Health	IDHS Supplemental WIC	$1,315,361
Emergency Management Regional Security	Flood Mitigation Assistance	$1,211,207

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[1] This table was referenced from the 2019 SEFA Single Audit Report.
[2] The awarded grants were Pass-Through

AUDIT SCOPE AND OBJECTIVE

The scope and objectives of this audit were designed to determine if the grant management process was handled in accordance with the established policies, procedures as well as assess if internal controls are in place. The scope of our audit was all active grants county wide as of June 2020. The periods and testing of the selected grants varied due to having different awarded start and end dates. Below is a table of the grants selected and their timetable:

Award Organization	Award Name	Award Amount	Award Start Date	Award End Date
Department of Transportation and Highways	Division Street Economic Development Program	$2,000,000	9/21/2017	9/21/2022
Department of Sustainability and Environment	Air Pollution Particulate	$432,000	4/1/2018	3/31/2020
Department of Emergency Management and Regional Security	Justice Assistant Grant	$476,582	10/1/2017	9/30/2020
State's Attorney	Post-Conviction DNA Program	$426,191	10/1/2017	2/29/2020
County Clerk	Election Security Grant	$364,271	7/1/2018	6/30/2020
Office of The Chief Judge	North Suburban Municipal Districts Drug Court Enhancement	$1,199,637	9/30/2018	9/29/2021
Department of Planning and Development	Community Development Block Grant	$10,805,545	10/1/2018	9/30/2021
Department of Planning and Development	P&D Community Development Block	$1,063,0363	10/1/2019	9/30/2022
Department of Public Health	CCH Healthy Start Initiative	$980,000	4/1/2020	3/31/2021
Department of Public Health	Health Protection	$6,457,966	7/1/2019	6/30/2021
Public Defender	PD Forensic DNA	$28,137	7/1/2019	6/30/2020

The audit objectives were the following:

- Determine if there were written policies and procedures documenting the controls over the Grant Management Process.
- Verify compliance with established written policies and procedures.
- Verify the internal controls were in place and operating effectively.
- Verify compliance with internal controls in individual departments, as well as Budget and Management Services.

The following procedures were performed to assess the objectives:

- Requested Policies and Procedures that document the Department of Budget and Management Services' and selected awarded departments' processes.
- Reviewed the Grants Manual submitted by the Department of Budget and Management Services and conducted interviews with the Department of Budget and Management Services, the Comptroller's Office and selected awarded departments to identify compliance with the established policies and procedures.
- Requested grant agreements and relevant set-up forms to verify that internal controls were in place and the grants are managed and compliant with relevant regulations.
- Reviewed selected expenditures under the selected grants against back-up documentation to verify if they were complete and conducted interviews with awarded departments to determine if internal controls are in place.

AUDIT RESULTS

Based on our analysis and evaluation of the internal controls over the Grant Management process of the Department of Budget and Management Services and the awarded departments, we have reached the following conclusions on our audit objectives:

- Formal written policies and procedures that outline the entire Grants Management process had not been developed.
- The Grants Manual was not up to date.
- Internal controls over financial processes appeared to be in place and operating as intended.
- Individual departments appear to have complied with internal controls over financial processes.

RECOMMENDATIONS

Bureau of Finance

Recommendation #1:

The grants management process is decentralized. Each department/bureau manages their respective grant independently. Decentralization has led to inconsistent communication, practices, and inefficiencies within the County and between the awarded departments, Budget and the Comptroller's staff. The decentralized approach, has also raised the following concerns:

Four of the nine departments interviewed did not have dedicated staff responsible for researching new grant opportunities. Due to lack of adequate knowledge and staff, departments are simply renewing existing grants, rather than researching and/or pursuing new opportunities that align with County goals and initiatives.

Grant agreements and documents were not found in a centralized location and were not readily available for review. This can cause users such as awarded departments, Comptroller's Office, Bureau of Finance, Department of Budget and Management Services, and/or those who want to view them for reference purposes unable to review terms and conditions for the grant agreements.

Inadequate financial reporting and accounting knowledge by those responsible for managing grants was also found, as demonstrated by the lack of:

- Standardized reporting process for data entry into Business Intelligence and Oracle EBS. This led to inconsistent and inaccurate reports generated to make decisions for grant spending.
- Adequate separation of duties and roles. Multiple individuals were responsible for entering data for grants without secondary validation or knowledgeable oversight to ensure consistency and accuracy.
- Understanding of the need to regularly reconcile the subledger accounts against the general ledger. This caused downstream inefficiencies due to the Comptroller and Budget and Management Services need to follow-up and have entries corrected.
- Longevity and consistency in staff. Turnover and lack of knowledge transfer caused some grants to suffer turnover challenges.

We recommend the Bureau of Finance establish and lead a task force to formulate a plan to centralize the Grant Management process. By centralizing the Grant Management process, efficiencies can be gained and potentially new funding opportunities established.

We recommend a task force, include representation and input from grant departments, initially focus upon the following items to centralize the grant management process:

- Establish the role for a knowledgeable grant researcher/writer on behalf of the overall County to focus on new grant opportunities that aligns with County operations, goals, and aspirations.
- Consolidate all current grant agreements and relevant documents for awarded grants, including the application package, terms and conditions, award letter, etc. into a centralized location.
- Establish a formal reporting process outlining required data elements to include, along with reporting timeframes.
- Establish a routine of reconciling on a monthly/quarterly/bi-weekly basis.
- Implement an oversight process for grant applications; monitoring; data collection and reporting; to include timely presentation of relevant information to respective parties, such as the department utilizing the grant and the Board of Commissioners.

- Design a mechanism to notify appropriate individuals when a grant is approaching midlife, renewal and/or expiration.
- Upon notification of grants midlife, establish a process to evaluate if the grant aligns with the County initiatives and should be pursued for renewal.
- Establish an ongoing training program to educate those monitoring the grant as to required financial elements along with third-party oversight. Training should be mandatory and completed on an annual basis, focusing as a refresher for grant responsibilities, any updates to the grant terms, conditions and/or audit findings.
- Strengthen the reporting requirements to the Board of Commissioners and elected officials to outline grant matches; status of grant in the lifecycle; allocation, encumbered and remaining grant allocations.
- Provide County-Wide guidance for Authorized Signatories for the Grants.
- Research whether the current technology will support these recommendations or will new technology be needed.

Management Response:

The Bureau of Finance (BOF) recognizes and agrees with the Auditor's recommendation to establish a grants task force. This task force will be selected to review the Auditor's recommendations, research the pros and cons of centralization over the County's current decentralized state and provide recommendations that BOF can then work with all stakeholders to implement.

These recommendations, along with a strong grants management platform that is paired with proper skills sets in terms of the human capital needed, will be essential to ensure the County can maximize efficiencies from its grant processes.

Estimated Completion Date:

The potential centralization of the County's grants management infrastructure requires an in-depth review of processes currently in place along with the technology platforms that support the current decentralized state. That level of review will take time and involve several layers of inquiry by the task force. BOF anticipates that this recommendation will require several years of work broken into phases, which will include:

- *Phase I – Research and requirements gathering by the Grant Task Force – Q3 2021*
- *Phase II – Recommendations for future state of grants management provided by the Grant Task Force – Q2 2022 (to be incorporated in FY2023 budget process)*
- *Phase III – Implementation of Grants Task Force recommendations – Q1 2023*

The grant task force, together with the departments impacted by the recommendations, will be tasked with finalizing a timeline for implementation of the task force's recommendations. BOF will then report out progress being made accordingly.

Department of Budget and Management Services

Recommendation #2:

The Department of Budget and Management Services does not have current comprehensive written policies and procedures regarding the grant management process. Additionally, tool and processes utilized should be kept consistent and current if management is using them to make decisions. Such tools as the Grant Tracker should be maintained with accurate dates, data and accessed by only appropriate individuals. Documented policies and procedures would include individual job functions and responsibilities, timelines and form/documentation required to be completed for employees who are responsible for managing the grant process. Without documented and complete policies, procedures and tools in place, functions may not be performed or in the timeframe as management intended. Key processes in the function

may be missed leading to errors, omissions or delays. Due to a turnover in the department and lack of sufficient resources, developing policies, procedures and reviews of processes were not a high priority.

We recommend that the Department of Budget and Management Services develop a policy and procedure manual for their own department, update the manual as lessons are learned, confirm information input into Grant Tracker is accurate, along with provide training at least annually.

Management Response:

While the Department of Budget & Management Services (DBMS) does not have a separate internal process manual for grants administration, it does follow the processes set forth in the County's Grants Manual, which was published in 2019 (less than a year before this audit was conducted). The Grants Manual sets forth policies and processes for the functions to be performed by the various actors involved in grants administration and management of the County's grants, including the roles and functions to be performed by DBMS. Despite this, DBMS agrees that the development of internal standard operating procedures (SOP) for grants administration as a companion piece to the Grants Manual will further clarify the specific tasks to be conducted by DBMS staff. It will also allow for performance KPIs to be developed, implemented, tracked and evaluated for DBMS staff responsible for performing each task. This work is ongoing and was interrupted during the course of FY2020 due to staff attrition and the impact of COVID-19 on the work of the office.

At the beginning of FY2020, there was only one staff member (the Assistant Grants Management Director) in DBMS responsible for administering the County's >$250M grant program. Thus, over the course of FY2020 DBMS worked to build up the capacity of the grants division, including the hiring of a new Managing Deputy Budget Director, Deputy Budget Director (Grants/Capital), and a Budget Analyst to assist the Assistant Grant Management Director with grants administration. In the midst of FY2020, the work of the office was greatly shifted from building out capacity for DBMS functions to responding to the financial needs of the County as they arose in the midst of the COVID-19 pandemic. However, FY2021 has presented DBMS an opportunity to refocus the office's goal of building out and formalizing the internal processes implemented by DBMS for grants administration. DBMS is currently working with a policy team from the University of Illinois at Chicago to identify (a) best practices in grants administration (which will serve as the basis for SOP development) and (b) what resources (staffing and software) are necessary to implement a best-practice grant administration infrastructure. This work is ongoing, with recommendations anticipated in May of 2021.

Despite the impact of COVID-19 on the work of the office during FY2020, DBMS developed several tools over the course of FY2020 to aid in both clarifying roles within the grants division of DBMS and evaluating performance on grants management processes internally. Those tools include:

- *A process map for all grants management tasks DBMS is responsible for*
- *Templates for grants staff to use for internal process approvals*
- *A Grants Tracker to track all grants requests submitted to DBMS by user departments*
- *Grants email inbox to receive and house all requests from user departments (Grants.Management@cookcountyil.gov)*
- *A SharePoint site where all grant request documentation is stored and available to user departments*
- *New convention for saving grant documents within DBMS's shared drive (which is accessible to the County's external auditors for the annual single audit)*

Each of these tools has been shared with the County Auditor. The process map has provided clarity to grants division staff when evaluating requests from user departments and whether they are in compliance with the FY2021 Resolution and Annual Appropriation Bill (Budget Resolution) and Grants Manual. We are in the process of developing (a) a document checklist to be used internally by staff to further aid in their work and (b) a timeline for how long grants administration

tasks take in order to develop performance KPIs for staff as well as assist user departments in planning their grant budgeting activities.

The County Auditor has placed a large emphasis on the accuracy of the Grants Tracker tool. It should be noted that DBMS uses the Grants Tracker not to confirm the accuracy of information provided by user departments, but simply as a tool to measure DBMS's response rate to user department requests. User departments submit requests to DBMS via our grants email inbox (not through EBS or another software platform) DBMS staff then input information about the request into our Grants tracker (which is an excel spreadsheet) to document when the request was received and when the request was completed. Thus, the information that is key to the purpose of the Grants Tracker is not primarily the information about the grant itself. It is the date on which a request was received and the date on which the request was completed by the assigned DBMS staff. It is how we measure our service performance to user departments. The Grants Tracker is not a system of record for the County's grants. EBS is the system of record and the information that staff use to adjust or enter information about grants is not recorded on the Grants Tracker. The source documentation used by DBMS staff to enter information into the County's financial system of record are the requests forms submitted to DBMS by the user departments. Because the Grants Tracker is a means to measure timeliness in response to requests, the key information that must be accurate is the date of the request and the date on which the request was completed, which the Auditor has not noted was inaccurate.

As noted above, EBS is the platform in which accuracy about the grant matters, as it is the financial system of record and where the financial transactions on grants occur. Thus, an evaluation of DBMS's accuracy in its work could focus on the staff's record of accurately taking information submitted by user departments on various request forms and inputting it into EBS. Ensuring accuracy in recording information in the financial system of record is one of many goals the office is currently focused on. In addition, DBMS is currently exploring options for developing a holistic grants management platform for the County, which would include the ability to not only track response time on requests from user departments, but would also provide clear document checklists for each process, best-practice process and approval workflows aligned with the County's Budget Resolution, and dynamic reporting on the County's grants program. Implementing such a platform would make the use of the Grants Tracker moot. We are currently working with the Office of the Chief Financial Officer and the Bureau of Technology to explore consulting services that provide grants management policy development and technological platforms that achieve holistic grants management. Though we are currently early in the exploration of this project, we expect the scope of the project to include (among other things):

- *Development of updated best-practice grants management policies and processes (both internal DBMS SOPs and updates to the County Grants Manual)*
- *Detailed process mapping of pre-award review and approval and post-award management processes*
- *Development and implementation of a grants management tech platform that manages the pre-award review and post-award management process (based on the policies and process mapping noted above) and provides dynamic reporting capabilities*

Estimated Completion Date:

As noted above, DBMS has created a number of internal tools currently used to manage the process by which the office ensures compliance with its responsibilities under the Budget Resolution and to track the timeliness of the staff's work. The internal checklist and performance metrics related to timeliness of the work performed by DBMS is still being finalized. We anticipate that to be completed by the end of FY2021.

DBMS is focused on the development and implementation of a holistic grants management platform, which we believe will address the larger intention of the Auditor's recommendation. The recommendations to be provided by the University of Illinois at Chicago will inform the scope of DBMS's work to develop a holistic grants management platform, internal processes and an updated Grants Manual. Given the time needed to gather requirements for such a system from stakeholders, secure a method to procure technical assistance for such a project and launch the project, we anticipate being in a position to launch a holistic grants management platform by FY2022.

Recommendation #3

We found that the Grants Manual did not reflect current processes and requirements. After the new Justice Assistance Grant was renewed, the Department of Emergency Management and Regional Security submitted a grant agreement with relevant set-up forms and the EBS Position Update Form to the Department of Budget and Management Services. Because the employee was not correctly set up in the EBS Oracle PA ledger by the Department of Budget and Management Services the position's payroll expenses of $37,592.49 were booked to the old grant and the renewed grant program at the same time. This issue was detected when the relevant ledgers were reconciled by the Department of Budget and Management Services three months later.

Additionally, the Department of Planning and Development requested a budget transfer, but due to lack of appropriate documentation, the budget transfer took longer than intended. A Grants Manual provides instructions and reference for grant managers as to what processes need to be completed, by when and submitted to whom. Lack of a current comprehensive Grants Manual has led to confusion and delays in completing necessary tasks, communications and processing of requests, such as reconciliation of general and sub-ledger accounts, budget transfers, staffing allocations and setup of the proper subledger account for the awarded departments.

We recommend the Department of Budget and Management Services update the Grants Manual to include a checklist and due dates for grant management personnel to follow to ensure the accuracy and timeliness of compiling financial information and impacted processes. Training should be offered at least annually by the Department of Budget and Management Services, initially focusing upon the reconciliation process for the general and sub-ledgers. Instructions should be consistent for all awarded departments. An on-going training program should be developed and communicated to ensure new and existing employees, who are responsible for managing grants, have a clear understanding of how to complete their responsibilities, along with any new updates to grant processes and/or procedures.

Management Response:

It is unclear from the Auditors response which parts of the Grants Manual do not reflect current practices or processes, or if that statement is meant to reflect that user departments are not following the processes and practices outlined in the Grants Manual. While we agree that the Grants Manual could benefit from additional clarification to aid user departments, it does provide information on the process user departments are required to use for grants budget transactions. We find the incidents noted above were most likely caused not by deficiencies in the Grants Manual, but in lack of understanding of the grants management processes that user departments are responsible for. DBMS believes many of the incidents noted by the Auditor will be addressed through continued updates to the Grants Manual, continual training of user department staff, and assisting user departments with building out capacity within their grants division with staff with grants management experience.

However, we do want to address the two incidents noted above by the Auditor as there are instructive in the different roles played by DBMS and user departments in the grants management process. Taking each of the incidents noted above separately:

1. *Set up of position in EBS.*

It is unclear from the Auditor's write up above what time period this incident occurred. So, it is unclear if it pre-dates the publication of the Grants Manual [3] . Understanding the time frame is essential for determining whether the recommendation provided by the Auditor has already been completed through the publication of the Grants Manual in 2019. Below are excerpts from the Grants Manual as it relates to processes for employment activities:

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[3] Per the notes under "Audit Scope and Objective" on page 4, the Justice Assistance Grant was established in 2017.

Employment Activities

1. **Requests to Hire**

   Per Resolution Section 8, Departments must obtain an approval from DBMS to take any employment actions. Departments are required to submit a PDF request to hire (RTH) to Budget Analysts. Upon the approval of the RTH, Departments are required to enter "Position Transaction" in EBS. Bureau of Human Resources (BHR) will review your Position Transaction submission and forward to DBMS for the final approval. Departments must submit Personnel Action Form (PAF) to the BHR to assign an employee to the position.

2. **New Position Assignment**

   If the Department receives a new grant award and a new position is required, the Department submits a RTH as described above, and creates a new position in EBS. Bureau of Human Resources reviews and approves the position in EBS, which will be forwarded to DBMS for final approval. For grant funded positions, Departments must submit the specified EBS Position Update Form, which includes Project information (i.e., "Extra Information") so that DBMS can assign correct project information to the position.

3. **Position Transfers**

   Most of the County's grants are renewed year-to-year, allowing the operating department to sustain the same staffing levels. In this case, departments can request a transfer from the existing grant to the newly received grant. This is the opportunity to adjust any staffing levels according to the approved grant budget. If positions' funding should be updated due to the grant renewal, Departments should submit the EBS Position Update Form. Without updating positions timely, the payroll expenses would continue to be charged to old grant program.

4. **Personnel Setup and Verification**

   Each Department is responsible for monitoring the employees, titles, codes, and amounts associated with a grant. If additional reports are required or reconciliations are needed, departments should contact the DBMS to rectify any discrepancies.

5. **Any Changes in Positions and Employees**

   As discussed above, it is crucial to maintain positions' GL funding strings and Extra Information match and grant funded position has Extra Information assigned. If there are any changes in the position to be funded by a grant, it is Department's responsibility to notify DBMS by submitting the specified EBS Position Update Form available on SharePoint. Such changes would include:
   - Change of Job Code
   - New Hires into a new position or an existing position but without correct Project information
   - Transfer of position into a new grant program
   - Changing of funding source

The Grants Manual makes it clear that the managing of the grant budget is the responsibility of the user department, including managing employment related activities. From the instructions above it is clear that the user department is responsible for (a) creating the new position in EBS, (b) submitting information about the position (through the EBS Position Update form) to DBMS (identifying the grant onto which the position is to be funded), (c) monitoring the budgets on positions, (d) alerting DBMS regarding any discrepancies in the setup of their positions, (e) notifying DBMS when a transfer is needed on the position (including transferring the position to a new grant program). While DBMS adds funding to a position on behalf of the user department in EBS (our financial system of record), the information that DBMS enters is supplied on the EBS Position Update form by the user department. It isn't clear, as it is not reflected in the comments above from the Auditor, if there was a review of the EBS Position Update form to determine if the information on it matched what was ultimately entered into EBS by DBMS (thus reflecting an error on the part of the user department) or if the information on the EBS Position Update form supplied by the user department had the correct information and what was entered into EBS by DBMS was incorrect. Also, because grants from most granting agencies straddle the County's fiscal year, it is conceivable that a position can have funding from a prior grant and a new grant at the same time. Thus, without more information, it is not clear to whom to attribute the errors in the incident highlighted above by the Auditor.

To ensure that DBMS staff are completing their portion of the set-up of positions correctly, we do train staff on how to properly set up grant budgets in the PA subledger, including for employee positions.
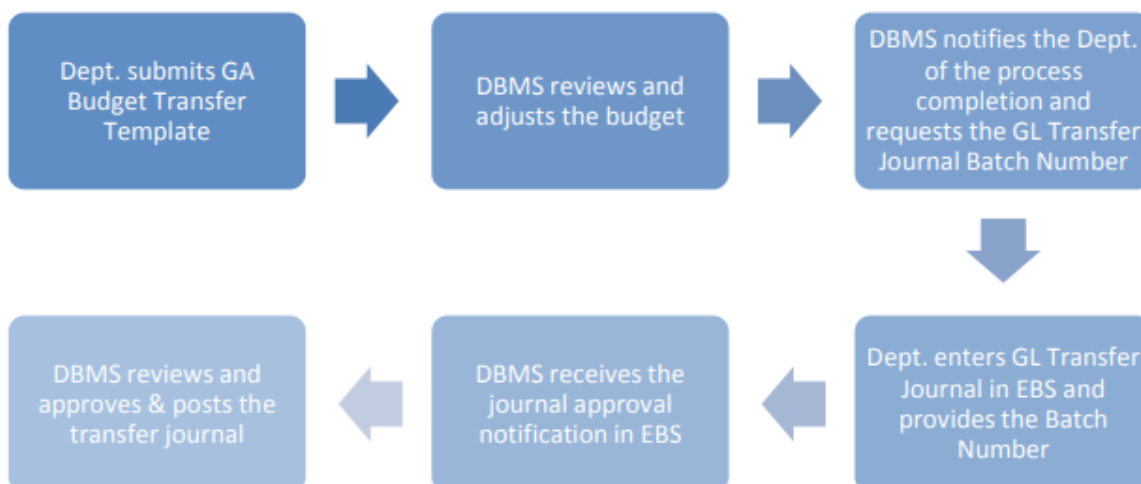
2. *Grant Budget Transfer*

Again, it is unclear from the Auditor's write-up above who to attribute the delay in DPP's grant budget transfer. Below are excerpts from the Grants Manual as it relates to the transfer process:

Budget Transfer

When Department needs to amend grant budget, it is Department's responsibility to obtain the grantor's approval according to the grant agreement and/or Uniform Guidance.

Budget Transfers take place in two steps – in the Sub Ledger (i.e., Award/Project) and General Ledger. First, Departments are required to submit a sub-ledger budget transfer request form to the DBMS. The request form is distributed to Departments and also available on the DBMS Grant SharePoint site. If the granting agency does not require prior approval before amendments can be made, the department must indicate that no pre-approval is required. Once the DBMS completes the sub-ledger budget transfer, the DBMS will notify the Departments and requests Departments to initiate GL budget transfer in EBS, which mirrors the sub-ledger budget transfer. GL Budget Transfer instructions are available in the Knowledge Center as well as the SharePoint site.

From the except referenced above, it is clear that to initiate a transfer the user department must:

- *If applicable per the terms of the specific grant agreement, obtain the grantor's prior approval for the budget transfer and if no approval is required, they must indicate as much to DBMS.*
- *Submit a transfer request form to DBMS for review and approval.*
- *Enter the primary ledger transfer after DBMS enters the subledger transfer.*

In the Auditor's write up, it suggests the delay for this particular transfer was due to the user department not submitting the correct documentation to DBMS to effectuate the transfer. As reflected above in the Grants Manual, the documentation needed by user departments are housed on the County's grants SharePoint site, of which all user departments have access. It further provides additional reference materials through a link to the County's Knowledge Center (which houses training materials and job aids for different processes in EBS). Thus, without more information, it is unclear why this incident reflects a deficiency in the instructions set forth in the Grants Manual on how to submit grant transfers to DBMS or how the Grants Manual doesn't reflect current processes for grants budgeting activities. Despite this, DBMS has worked over the course of FY2020 to provide additional information to user departments on grant budget processes (which is detailed in the recommendations below).

The Auditor makes the following recommendations to DBMS:

- A. *Update the Grants Manual to include a checklist and due dates for grant management personnel to follow to ensure the accuracy and timeliness of compiling financial information and impacted processes.*
- B. *Provide training at least annually, initially focusing upon the reconciliation process for the general and sub-ledgers. Instructions should be consistent for all awarded departments*
- C. *An on-going training program should be developed and communicated to ensure new and existing employees, who are responsible for managing grants, have a clear understanding of how to complete their responsibilities, along with any new updates to grant processes and/or procedures*

We take each of these recommendations separately:

- A. *Update the Grants Manual to include a checklist and due dates*

The current Grants Manual was published in 2019 (less than a year prior to this audit) and was developed over many years by staff in BOF (as grants administration is dispersed across financial divisions beyond just DBMS). With any new processes and manuals, it takes time to cultivate widespread compliance. While the endeavor to update a process manual takes time, DBMS has produced a number of additional aids to assist departments in the process of managing their grants. That includes producing and distributing:

- i. *A grant document matrix (reflecting which documents are needed for specific grant processes)*
- ii. *Updated forms for grant budget set ups, budget transfers and position set ups*
- iii. *New template for requesting reduced indirect costs or waiver of indirect costs within a grant budget (this is required pursuant to Section 26 of the Budget Resolution)*

These forms were introduced to all user departments during the FY2021 1ˢᵗ Quarter Grants Meeting held on January 29, 2021 (1ˢᵗ Quarter Grants Meeting) and are housed on the County's Grants SharePoint site (which all user departments have access to).

We are currently working on a timeline for all grants processes to provide user departments notice of how long grants processes take place so that they can plan their activities accordingly.

- B. *Provide training at least annually*

The Auditor noted that training should be provided annually by DBMS, with initial training to focus on the reconciliation process between the PA and GL ledgers of EBS. The Auditor also implores that instructions on PA/GL reconciliation be

consistent for all user departments. As it relates to training, we agree that annual training is critical for adherence to grant processes and are working on how to implement such a training program. Training on PA/GL reconciliation happens between DBMS and user departments currently on an ad-hoc basis as issues arise. However, DBMS is planning on providing training on PA/GL reconciliation at the FY2021 2nd Quarter Grants Meeting to be held on April 30, 2021 with all user departments.

But it must be highlighted that the instructions on PA/GL reconciliation are directly provided in the Grants Manual (as reflected below).

Monthly Expenditure Reconciliation

It is Department's responsibility to review both your GL and PA expenditures on a regular basis – monthly at least – to ensure that expenditures are recorded in both ledgers. Departments are requested to report the expenditures only recorded in the Project to the grantor, which should match with your GL expenditures.

On a monthly basis, Departments receive a summary of PA and GL discrepancies based on the Program number. Departments are required to review transactions of programs with discrepancies and take corrective actions within a few weeks. Departments are also required to reconcile expenses from the prior fiscal years to ensure that over a course of the program period, expenses in GL and PA reconcile. For any questions or assistance, please contact DBMS.

Monthly reconciliation helps minimize the over expenses or under expenses. It also facilitates the revenue and expenditure reconciliation. If Departments fail to record expenses in Projects, after the grant close out date passes, the Departments are requested to submit an approval in writing from the grantor to extend the close out period.

As noted in the Grants Manual above, it is the user department's responsibility to review the GL and PA ledgers and resolve any issues on at least a monthly basis (and over the life of the grant). DBMS is available to assist user departments if they have any questions on how to do this activity. Thus, it is clear from the Grants Manual that instructions for this activity are already consistent across user departments. DBMS is exploring the feasibility of running the necessary PA/GL reports and delivering them to the user departments monthly as a reminder to engage in this critical activity. But these reports are currently available to each user department to run and we believe the upcoming training will reinforce how to perform this activity.

C. *An ongoing training program*

We agree that an ongoing training program would be ideal to ensure compliance with grant budgeting best practices. While a formal training program does not currently exist, DBMS does use the quarterly grants meetings with user departments to reinforce grant budget processes and new processes. It also uses regular meetings with grant-heavy departments to re-train staff responsible for grant activities. Without a dedicated training staff, DBMS will explore the best way to implement this recommendation.

Estimated Completion Date:

A. *Update the Grants Manual to include a checklist and due dates*

Updating the Grants Manual will take time. Thus, in the interim, DBMS is releasing companion pieces to the Grants Manual to further clarify grant processes. The development of a checklist has been completed and released to user departments and we anticipate releasing a timetable for grants processes by the end of FY2021. I addition, as noted in recommendation

#2 above, we anticipate updating the Grants Manual in concert with the development of a holistic grants management platform.

    B.   Provide training at least annually, focusing first on PA/GL reconciliation

Developing a formal annual training program will take time. However, DBMS will be conducting a PA/GL reconciliation training on April 30, 2021 during our FY2021 2nd Quarter Grants Meeting.

    C.   Ongoing Training Program

Development of formal annual and ongoing training program will take time and will have to align with obtaining additional resources. DBMS already provides informal training on grant processes throughout the year for user departments and will continue to do so during our quarterly grants meetings and monthly user department meetings. We do not, at this time, have an anticipated date for the development of a formal grants training program, but will continue to brief the Auditor and Board of Commissioners on the development of such program as resources become available.

Recommendation #4:

Based on interviews from the randomly selected awarded departments, dedicated staff/employee(s) responsible for researching grant opportunities were not found within all departments. This has caused some departments to be unaware of grants the County may be eligible for to expand or enhance current programs or initiatives. Departments with existing grants were not found to be pursuing new or expanded funding sources. Future County financial resources may be impacted by changes in local or federal aid; therefore, departments should look to offsetting constrictions in County funding by potentially increasing new or other grant revenue streams.

Departments should be encouraged to seek out new and expanded funding sources during their budget creation, Analyst check-ins and annual training sessions. Departments lacking knowledge as to how to apply for new or expanded grant opportunities should be provided guidance as to whom or where assistance may be obtained.

Management Response:

While we agree that the County's operations would greatly benefit from increased grant revenue, the recommendation places onto DBMS a responsibility not currently envisioned within our budgeting infrastructure. Pursuant to Section 26 of the Budget Resolution, "County Agencies are authorized [by the County Board] to apply for grants or other financial awards from governmental and private grantors." In addition, pursuant to Section 26 of the Budget Resolution, "the President of the Board and the heads of various County Agencies are authorized [by the County Board] to execute agreements and amendments to effectuate the purposes of such grants and financial awards and provide such additional information, assurances, and certifications as are necessary, in connection with any of the foregoing."

Thus, the provisions reflected above, along with other parts of Section 26 of the Budget Resolution, contemplate a decentralized grants management infrastructure, with user departments both identifying grant opportunities for their operations and managing those grants, and DBMS serving as grants administrator, largely responsible for ensuring compliance with the Budget Resolution. To that end, while DBMS will use the annual budgeting process and quarterly department grants meetings to encourage departments to seek out additional grant funding and to train them on grant budgeting best practices, because the responsibility does not lie with DBMS to manage the grant writing function or the grants themselves, we believe this recommendation is best suited for (a) the finance departments within user departments themselves or (b) a centralized grants infrastructure where the responsibility for grants metrics lies with the finance organization. The concept of a centralized system is explored in greater detail in Recommendation #1 above.

In our decentralized system, the responsibility for increasing revenue to offset operational costs lies with the individual user departments. Thus, in this current state, reporting out efforts made by a user department to increase their grant revenue

could be built into the presentations each user department makes to the County Board during the Mid-Year and Annual Budget hearings.

Estimated Completion Date:

As noted above, DBMS will use the annual budgeting process and quarterly meetings to encourage departments to seek additional grant opportunities as well as determine if current operations could potentially move to existing or future grants the user department seeks.

Recommendation #5

During our testing for the State's Attorney grant, the Awarded Amount did not match the Total Funding Amount in the Oracle Financial system (EBS). The selected department failed to notify the Department of Budget and Management Services at the time of the grant set-up, in 2017, that the grant required a cash match. Without cash match funds, the awarded department cannot expend all eligible funds associated with the grant nor is the County in compliance with the agreed upon terms of the grant agreement.

We recommend awarded departments notify the Department of Budget and Management Services when a grant requires a cash match before the grant is set-up in the system and/or at the time that they submit their contract agreements. Departments should be reminded, during grant training session, of the requirements to notify the Department of Budget and Management Services of the need for a cash match as stipulated in the Grants Manual.

Management Response:

DBMS agrees with the County Auditor about the importance of identifying the cash match requirement of a grant prior to setting up the grant for use by the department in our budget system. In fact, the identification of a cash match for a grant award is essential during the pre-award/application phase of a grant in order to assess the County's and department's fiscal obligation for the program and to determine whether such funding exists. Thus, the review and confirmation of cash match requirements is completed during both the (a) pre-award review phase in a grant's life cycle and (b) post-award maintenance and monitoring phase in the grant's life cycle.

Pre-Award Review & Approval Phase

Pursuant to Section 26 of the Budget Resolution, all "grant applications and renewals, as well as any financial awards regardless of amount, must be submitted to the Department of Budget and Management Services no later than two business days prior to submission to the granting or awarding agency". This requirement is in place in order for DBMS to conduct a financial impact analysis on the grant on behalf of the County Board and determine what obligations are required of the County should the grant be awarded to the user department. As part of that analysis, DBMS reviews the grant agreement terms and proposed budget to be included in the grant application/renewal. If the grant requires a cash match from the using agency, the using agency must identify the source of the funding to satisfy the cash match requirement during the life cycle of the grant (in the form of the budget account). DBMS checks to ensure the requisite funding for the required cash match is in fact budgeted in the account identified before providing approval for the user department to apply for the grant. The cash match requirement for a grant (if any) is included in a memo to the signatory of the application on behalf of the County (the Cook County Board President and (if required) the Chief Financial Officer) so that it is clearly identified.

Post-Award Set Up and Monitoring Phase

Pursuant to Section 26 of the Budget Resolution, "[n]o expenditures will be allowed against a grant until the actual grant has been awarded and confirmed with an agreement or other commitment notice from the Funding Agency." In addition, if the grant award was not included as an estimated amount in the Annual Appropriation Bill, no expenditure of such grant

revenues or other financial award can be made without the prior approval of the County Board (or, if applicable, the Budget Director). Given these requirements set forth in the Budget Resolution, DBMS requires (a) evidence of appropriation approval (either approved as part of the Annual Appropriation Bill, via Board approval intra-year, or, as applicable, by the Budget Director) and (b) that each user department submit a completed (and signed) grant agreement (or similar document) and an award set up form (i.e. the grant budget) that identifies any required cash match. The award set up form is reviewed by DBMS grant staff against the grant agreement to confirm alignment with grant requirements. To the extent a cash match has been identified in the grant, the using agency is required to identify the account in which the funding for the cash match is budgeted for that fiscal year. DBMS sets the grant up for the revenue received from the granting agency as well as the cash match received from the using agency's budget.

To aid in both the pre-award and post-award phases of the grant life cycle, DBMS created new processes and new forms to be used by user departments, which focus on identifying (among other things) any required cash match. These new processes and forms were introduced to all user departments during the 1ˢᵗ Quarter Grants Meeting. At this meeting, which is hosted by DBMS for all user departments with grants, DBMS walked all user departments through the new processes and grant forms, explained both why cash matches must be identified during the pre-award and post-award phase, and how the cash match is set up in the grant budget in EBS. All processes and documents were stored on the DBMS hosted Grants SharePoint site, which all grant user departments have access to.

Finally, pursuant to Section 26 of the Budget Resolution, the "Budget Director shall issue a report to the Board of Commissioners by the 15ᵗʰ day of the end of each quarter identifying (a) all awards received and (ii) any grants, grant amendments, grant renewals or financial awards approved by the Budget Director pursuant to the terms of this Section 26, during the preceding quarter." In compliance, DBMS prepares and submits a quarterly report to the Board, which reflects the cash match amount for each grant award received and set up over the course of the preceding quarter.

Estimated Completion Date:

Completed