



Minneapolis Park and
Recreation Board (MPRB)
Grant Administration
Process Audit

City of Minneapolis
Internal Audit Department
December 7, 2020

Table of Contents

Executive Summary 3

Audit Scope and Approach..... 3

Results 4

Conclusion 5

Background6

Observations and Management Action Plans..... 9

Executive Summary

As part of our risk-based integrated audit plan approved by the Audit Committee, the City of Minneapolis (the “City”) Internal Audit department (“Audit”) conducted an audit of the Minneapolis Park and Recreation Board (the “Park Board”) grant administration processes. The objective of this audit was to determine whether internal controls are adequate to ensure grant compliance and efficient grant administration processes at the Park Board. This review follows the City of Minneapolis Grant Management Audit, published on June 10, 2019, and the Community Planning and Economic Development (CPED) Grant Management Audit, published on April 27, 2020.

Grants are an important financial assistance tool that helps its recipients achieve their goals. The Park Board receives various federal, state and private grants to support public services and initiatives, including programs and equipment. The Park Board has also received, and is in the process of applying for, grant funds related to the coronavirus and public health emergency response.

A robust grant administration program reduces the risk of not meeting the objectives set forth by the grantor, which in turn increases the probability of the Park Board receiving future funding. Strong controls help ensure grants are used for intended purposes and in accordance with regulations.

The audit scope and approach, testing results, and conclusion are discussed below, followed by a description of the Park Board grant administration processes in the background section and a detailed description of observations and management’s action plans in the final section.

Audit Scope and Approach

The scope of this engagement included an assessment of the design and operating effectiveness of controls related to the Park Board grant administration processes from January 1, 2018 to June 30, 2020. Specifically, the scope included the following:

Park Board Grant Administration Policy and Procedures

- A review of available documentation, including policy and procedure manuals to ensure the following:
 - Grant administration processes are adequately documented to allow reperformance by third parties (e.g., auditors) or another employee in the absence of the main process owner
 - Policy and procedures are current and adequate to ensure compliance with grant terms and conditions

Park Board Grant Oversight and Monitoring

- A review of the adequacy of the grant oversight and monitoring processes in place to mitigate compliance and fraud risks

- Testing of a sample of grants to assess the adequacy of the control environment in place to mitigate financial, compliance and fraud risks of grant disbursements

Park Board Grant Reporting

- An assessment of the completeness, accuracy and timeliness of the grant close-out and reporting processes
- An assessment of the adequacy of internal systems used to track grant activity to determine whether they provide accurate and complete reporting.

Results

As a result of this audit, three issues were identified:

1. Grant close-out reporting requirements are not followed, documented, and available for review. (HIGH)
2. Procedures for grant administration and oversight processes are not documented. (MOD)
3. System limitations make it difficult to confirm whether grant activity data from the Park Board is complete and accurate. (LOW)

Table 1 below contains the overall evaluation of the severity of the risk and the potential impact on operations. There are many areas of risk to consider including financial, operational, compliance, and reputational when determining the relative risk rating. Issues are rated as High, Moderate, or Low.

Table 1

Minneapolis Park and Recreation Board (MPRB) Grant Administration Process Audit

High	Moderate	Low
Grant close-out reporting requirements are not followed, documented, and available for review.		
	Procedures for grant administration and oversight processes are not documented.	
		System limitations make it difficult to confirm whether grant activity data from the Park Board is complete and accurate.

- **High Risk:** Some key controls do not exist or are not effective resulting in impaired control environment; high risk improvement opportunities require immediate corrective action
- **Moderate Risk:** Adequate control environment in most areas; moderate risk improvement opportunities identified which require corrective action
- **Low Risk:** Satisfactory overall control environment; small number of lower risk improvement opportunities identified which do not require a management action plan

The details of these observations are included within the *Observations and Management's Action Plan* section of this report, beginning on page 9

Conclusion

Overall, the Park Board's internal controls related to the grant administration processes need strengthening to ensure consistency, effectiveness and efficiency. Internal Audit noted an opportunity for the Park Board to work with grantor agencies to ensure that reporting requirements per grant agreements are met, or that such requirements are removed from future grant agreements if not applicable. Internal Audit also noted an opportunity for the Park Board to create and regularly update policy and procedure documents used in the grant administration process. Finally, Internal Audit noted an opportunity for the Park Board to work with the Information Technology (IT) department to automate financial systems used to track grant activity.

Internal Audit would like to thank the Park Board, especially Park Board Finance for their cooperation and time during this engagement.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal 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.

Audit Team for this Engagement

Travis Kamm, Internal Auditor (Lead)
Comlan Alede, Internal Auditor
Huguette Essoh Latte, CIA, Internal Audit Manager

Park Board Primary Contacts

Julia Wiseman, Director of Finance
Sue Fosse, Accounting Manager
Jon Sikkink, Grant Project Accountant
Carly Casey, Grant Project Accountant

Director of Internal Audit

Ryan Patrick, CIA

Office of Internal Audit

Phone: (612) 673-5938
Email: InternalAuditDepartment@minneapolismn.gov
Website: <http://www.ci.minneapolis.mn.us/audit>

Background

The Minneapolis Park and Recreation Board (the “Park Board”) is an independently elected, semi-autonomous body responsible for governing, maintaining, and developing the Minneapolis Park System. The mission of the Park Board is to permanently preserve, protect, maintain, improve, and enhance the City’s natural resources, parkland, and recreational opportunities for current and future generations. The Park Board exists to provide places and recreation opportunities for all people to gather, celebrate, contemplate, and engage in activities that promote health, well-being, community, and the environment.¹

The Minneapolis parks system consists of 6,800 acres of parks, playgrounds, golf courses, gardens, biking and walking paths, nature sanctuaries, lakes, and a 55-mile parkway system. There are 180 park properties, including 22 lakes, 12 formal gardens, 7 golf courses, and 49 recreation centers. According to the Park Board, altogether its properties receive about 23 million visits annually. A staff of about 550 full-time employees and 1,150 temporary employees support the organization and its missions and goals.² The Park Board is supported by an annual budget of approximately \$126.2 million for 2020, including \$89.3 million in the general operating funding, \$3.2 million for the special revenue fund, \$13.2 million for the enterprise operating fund, and \$20.5 million in capital project funding.³

Grants are used to operate programs, provide community services, and fulfill policy or regulatory mandates. The Park Board uses grants along with other sources to provide funding for parks, capital projects, equipment, and services across the City. The Park Board also works with stakeholders, including for example neighborhood groups with Neighborhood Revitalization Program (NRP) grants. The Park Board does not have sub-recipients for their grants.

The Park Board has recently been applying for grant funds related to the coronavirus pandemic and its impacts, and emergency funds for encampments. An example is the \$800,000 grant the Park Board received from Hennepin County for *Save the Summer Youth Programs* to fund compliance with public health precautions. The Park Board tracks these grants and funds in a similar process as other grants.

Below are charts and summary grant data information Audit reviewed, followed by a description of the grant solicitation and administration process the Park Board follows when administering grants.

Park Board Grant Data

Internal Audit requested and reviewed grant data for January 1, 2018 through June 30, 2020.⁴ For the period noted, approximately \$51,348,493.44 was awarded in grants. The Park Board broadly groups grants into two categories: capital grants and recreation grants. For the period in scope, Internal Audit noted approximately 129 grants (87 capital grants and 42 recreation grants).

¹ https://www.minneapolisparcs.org/about_us/mission_vision__values/

² https://www.minneapolisparcs.org/about_us/

³ https://www.minneapolisparcs.org/about_us/budget__financial/;

<https://www.minneapolisparcs.org/news/2019/12/12/minneapolis-park-board-adopts-2020-budget/>

⁴ See Audit Issue 2.

Capital grants represented approximately 99% of the total awarded grant amount. The start and end dates of the grants ranged from mid-2000's through 2020's. Grantor agencies included Hennepin County, the Metropolitan Council (Met Council), Minnesota Department of Transportation (MNDOT), the Department of Natural Resources, and the City of Minneapolis Neighborhood Revitalization Program (NRP) grants.

Table 2. Grants by Grantor Agency

Grantor	Number of Capital Grants	Number of Recreation Grants	Grant Amount Awarded
Hennepin County	17	33	\$3,006,101.33
The Metropolitan Council (Met Council)	35	-	\$39,171,367.00
Neighborhood Revitalization Program (NRP)	16	8	\$1,326,732.81
Department of Natural Resources (DNR)	9	1	\$2,901,854.14
Mississippi Watershed Management Organization (MWMO)	6	-	\$4,162,993.65
Minnesota Historical Society	3	-	\$53,000.00
MNDOT	1	-	\$726,444.51
Total	87	42	\$51,348,493.44

Table 3. Capital Project Grants

Number of Grants	87
Total Grant Awarded Amount	\$51,019,824.63
Average Grant Awarded Amount	\$586,434.77
Median Grant Awarded Amount	\$189,000.00
Most Frequent Grantor	Met Council

Table 4. Recreation Grants

Number of Grants	42
Total Grant Awarded Amount	\$328,668.81 ⁵
Average Grant Awarded Amount	\$8,427.41
Median Grant Awarded Amount	\$5,770.00
Most Frequent Grantor	Hennepin County

⁵ 3 grant award amounts were not provided

Grant Solicitation

The Park Board follows a decentralized grant administration model. Grant managers across the various departments are responsible for their own grants. Staff and management initiate the process by identifying government and private grant opportunities that are consistent with the following:

- Comprehensive plan, mission and goals
- Approved master plans
- Adopted Park Board Annual Budget
- Approved work plans

In addition, some sources of funding may be given and treated as grants, such as park funding from Met Council.

Staff, with supervisor approval, complete and submit a grant tracking form to the Grant Committee, an internal group made up of department representatives across the Park Board. The committee does not review the grant application. It does review the form to:

- Determine if the grant application should be made
- Determine which functional area would be the most appropriate to apply for the grant
- Manage and prioritize competing requests.

The Grants Committee meets roughly quarterly and as needed to review applications. Once approval is given, staff proceed with the grant application. If a grant is under \$100,000, approval for the application and acceptance by the Board of Commissioners is not required; however, if it is greater than \$100,000, or contains certain elements such as staff hiring, match requirements, additional funding or costs, etc., staff route the grant for Board review and approval.

Grant Administration

Finance staff are heavily involved with monitoring grant-related activities to ensure compliance with terms and conditions. Once a grant is awarded and contracts signed and executed, the grant project manager responsible for the grant and finance staff gather the necessary forms and documents to enter into the system. Through discussions and the grant data Audit reviewed, most grants are reimbursable grants; the Park Board receives payments as work is completed or items purchased.

For larger capital projects, the Park Board works with consultants and contractors. There are processes in place to review and gather the necessary documentation that the Finance staff submit to the grantor agencies. Consultants and project managers monitor the work completed, and assist with Finance staff in payment requests, quarterly, and final reporting as necessary.

Throughout the grant lifecycle, Finance staff communicate frequently with project managers to ensure information is updated, payments are submitted and received, invoices and documentation are updated, and grant expenditures are correctly recorded and tracked, and coded correctly in the system.

Observations and Management Action Plans

Internal Audit identified two overall audit issues throughout this engagement. Observations, criteria, risks, and management action plans, if applicable, follow below.

ISSUE #1

Grant close out reporting requirements are not followed, documented, and available for review (HIGH)

Observation

Out of a sample of 20 grants reviewed, 9 closed out prior to, or during the scope period of this review (June 1, 2018 to June 30, 2020); however, for 4 grants, Audit was unable to obtain the reports and documents specified in the grant agreements. Specifically:

- A grant with a project end date of September 2018 had a jobs requirement not yet completed
- A grant with a project end date of 12/31/2017, specified that a final report was due to the board within 90 days of completion; however, no report was submitted
- A grant with a project end date of 12/31/2018, specified that a project close-out meeting was to occur within 90 days; however, no meeting was held
- A grant with a project completed in 2017, specified that upon completion a report detailing information, data, statistics and metrics related to usage was to be provided within one year, and on an annual basis for 2 years after; however, no report was submitted.

In all the instances noted above, it is important to note that grantor agencies did not specifically follow up to request reports and documents that were due per the grant agreements.

Grant agreements include requirements that grant recipients have to meet in order to qualify for grant renewal or future grant opportunities. Such requirements often include grant close-out reports, which allow grantor agencies to verify that grant funds were used in accordance with terms and conditions stipulated in the grant agreements.

The grant administration process, including oversight and monitoring activities, at the Minneapolis Park and Recreation Board (MPRB) is decentralized, with individual project managers responsible for their own grants. As such, staff may only be involved for parts of the process, and without communication with grantor agencies and in-depth understanding of grant requirements, they may be unaware of the exact reporting requirements. Also, the fact that grantor agencies did not specifically reach out to request close-out reporting documents, may have led the auditee to believe that there were not mandatory.

Non-compliance with grant requirements may subject grant recipients to civil penalties, suspension and debarment from receiving future grants and freezing of grant funds.

Recommendation

Internal Audit recommends the following:

- Management should reach out to grantor agencies to confirm whether reporting requirements in grant agreements are still applicable;

- For reporting requirements that are applicable, management should work with grantor agencies to determine documents that need to be submitted, submit documents and maintain evidence of submission
- For reporting requirements that are not applicable, management should work with grantor agencies to make and document necessary amendments to grant agreements, and maintain copy of amendments.

Management Action Plan

MPRB staff will reach out to grantor agencies that have included the annual and close out reporting requirements in the grant agreement(s), but have not requested such documents, to determine if the language in future agreements can be modified to remove the reporting requirements if they are not needed.

In addition, working cooperatively, the MPRB Finance Department and the Planning Division will establish a grant requirement spreadsheet that will be reviewed quarterly for the status of the close out and reporting documents. This spreadsheet along with the required reports and documents will be maintained in the same electronic folder where the financial accounting tracking sheets are kept.

The reporting and close out document preparation will also be added to the MPRB assigned project managers yearly work plan.

Target remediation date: March 31, 2021
Responsible party: Juli Wiseman, Finance Director

ISSUE #2

Procedures for grant administration and oversight processes are not documented (MOD)

Observation

Grant Project Accountants do not have written procedures for their duties related to the administration and oversight of grants. Grant Project Accountants work with Grant Project Managers to ensure that the Park Board spends grant funds in accordance with the clauses in the grant agreements. As part of the grant administration and oversight process, they perform various tasks including, but not limited to:

- Working with Project Managers to ensure proper tracking and accounting of grant activity
- Obtaining supporting documentation for expenses incurred using grant funds to verify compliance with clauses in grant agreements
- Submitting reimbursement requests to grantor agencies
- Working with Accounts Receivable to ensure reimbursements are applied to the right funding codes
- Ensuring complete, adequate and timely reports are sent to grantor agencies as required by grant agreements.

However, Park Board Grant Project Accountants do not formally document the steps involved in the grants administration and oversight process. Procedures are critical documents for an organization. They are vital to

operations, business continuity, consistency, training new employees, controlling risk, regulatory compliance, etc. Therefore, it is best practice to document procedures and review and update (if necessary) them on at least an annual basis.

Grant Project Accountants have many years of experience performing their daily duties and are familiar with the process. They feel comfortable performing their duties without a procedure document. Therefore, the need to formally document procedures has not been considered a priority.

Not formally documenting procedures increases the risk of non-compliance with laws and regulations as well as with internal policies. It also increases the risk that the controls in place related to a process are not adequately designed and operating effectively. In addition, it increases the risk to business continuity and operations in the event of staff turnover, as new staff may not be able to replicate the standard procedures.

Recommendation

Internal Audit recommends Park Board Project Accountants document their grant administration and oversight procedures in writing and review/update (if necessary) the procedure document(s) on at least an annual basis.

Management Action Plan

The MPRB Capital Project Accountant and Accountant will document their respective grant administration and oversight procedures. These procedure documents will be maintained on the MPRB Finance Department's intranet web page and will be reviewed on an annual basis.

Target remediation date: September 30, 2021

Responsible party: Juli Wiseman, Finance Director

ISSUE #3

System limitations make it difficult to confirm whether grant activity data from the Minneapolis Park and Recreation Board (MPRB) is complete and accurate (LOW)

Observation

The financial system (*COMET – Finance*) used to track grant activity enables tracking of grant revenue and expense activity by fund and project number. However, COMET does not allow management to report complete information on grants without significant manual processes. A project may have many funding sources and a single funding source may go to various projects. In addition, the system cannot distinguish between grants and contracts, making it difficult to report on grant activity without pulling data from various sources.

Financial systems used to track grant activity should support the management and administration of the grants throughout their lifecycle, including accurate and complete reporting of grant activity. Ideally, the systems should be automated with little to no manual processes involved. This leads to accountability, transparency and overall improved efficiency, as well as a strong control environment.

The financial system in use is not configured to handle the complexity of grants and adequately capture all information centrally to be easily queried. As a result, staff has developed workarounds and manual processes to track grant information.

A lack of system capability to track grant activity centrally may result in incomplete reporting, reduced transparency, inconsistent processes, and inefficient allocation of resources. Reliance on heavily manual grant administration processes introduces the possibility of both unnecessary errors and non-integrated data while requiring additional time and resources to perform tasks.

Recommendation

Internal Audit recommends management works towards long-term solutions with the City of Minneapolis Information Technology (IT) department to remediate this issue. In the meantime, staff and management should continue working together to ensure that manual processes and tracking provide accurate and complete data, by performing periodic reconciliations and maintaining frequent communication between Grant Project Accountants and Grant Project Managers.

Management Action Plan

Management action plans are not required for low risk-rated issues.