



CITY OF WILMINGTON

City Council Grants \$5K or More Follow-up Internal Audit Review

September 22, 2020

City Auditor's Office

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Highlights

Why We Did This Audit

The Internal Audit Department (IA) performed a scheduled follow-up audit of City Council Grants \$5K and greater. The audit was in accordance with the 2020 Internal Audit Plan.

Methodology

The objectives were met thru reviewing supporting documents, reading legislative archives, reviewing council and committee meetings and inquiry of the City Council's Chief of Staff.

Audit Review Committee:

Ronald Pinkett, Chair

Ciro Adams
Marchelle Basnight
Angelique Dennis
Bud Freel
Tanya Washington

Objective and Scope

As part of our audit plan, Internal Audit (IA) conducted a Performance Audit Follow-up of the City Council's Grants Greater than \$5K. The audit objective was to determine if the grantee was complying with the applicable requirements of the City of Wilmington, Delaware code sections 2-368 Allocation of grants, Sec. 2-369-Approval of grant awards and Sec.2-340 Prohibitions relating to conflicts of interest and political activities; to determine if controls over grant funds are in place and functioning appropriately; to determine if grant funds were used for the purpose in which the grant was intended; and to determine if the use of grant funds were accurately recorded and documented by the City. The scope of the audit included a review of grants from July 1, 2018 to December 31, 2019. IA believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards ("GAGAS"). These 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.

Background

City Council has access to funds labeled as Community Support funds. The Community Support Funds are divided into four categories 1) College Scholarship fund, 2) Council Member Discretionary Fund, 3) Council Strategic Grant Fund of \$5,000 or more and 4) Council Strategic Grant Fund less than \$5,000. For purposes of this performance audit the focus was on the Council Strategic Grant Fund of \$5,000 or more. City Code has addressed the allocation of grant awards, but on October 5, 2017 City Council passed Ordinance 17-035; an ordinance to amend Chapter 2 of the City Code regarding the allocation, approval and notification of Grant Awards to enact provisions to enhance the transparency and accountability of the process of awarding grant funds to support causes of community benefit and importance, and to heighten the level of public discussion for grant awards of \$5,000 or more. The Ordinance amended Chapter 2 of the City Code regarding the award of grant funding to clarify the threshold for reporting requirements for City Grants. In addition, the Ordinance added a new section in Chapter 2 requiring approval by resolution by City Council of any grants of \$5,000 or more awarded by the Office of the Mayor, City Council or the Office of the City Treasurer, as well as provisions requiring written notification to the City Council Finance Committee of any grants under \$5,000 awarded by those entities. After the passage of Ordinance 17-035, City Council also drafted the Wilmington City Council Community Support Fund Policy & Guidelines dated November 16, 2017. The policy and guidelines are made available on City Council's website for review.

Key Statistics

Best Practices in Grant Management

<i>Best Practice</i>	<i>City Practice</i>
Project Selection	
<i>Establish Program Objectives</i>	<i>Yes</i>
<i>Award Grants Competitively</i>	<i>Mixed</i>
Project Oversight	
<i>Develop Clear Contract Terms</i>	<i>Mixed</i>
<i>Monitor Performance</i>	<i>Mixed</i>
<i>Evaluate and Report Results</i>	<i>Mixed</i>

**Mixed – Policy in place, but not currently being followed*

Council establishes program objectives by requiring any organization seeking grant funds to provide a service that meets Council’s Strategic Plan. Following the 2016 primary and general election, members of the 107th Session of City Council gathered and commenced the Wilmington City Council Strategic Planning Process; with the first Strategic Planning Process report in hand, Council adopted the plan as a dynamic resource to help guide policy, advocacy and governance objectives through the remainder of the 107th Session of City Council.

For FY2019 Council used an application process that was available on Council’s website to allow organizations to apply for grant funds competitively. The applications were then reviewed by a Grant Review Panel that provided City Council’s President a list of recommendations. However, in FY2020, the applications were not used, and the grant review panel also not used.

For the three categories listed under Project Oversight, the City was marked as mixed. City Council has good defined Policy and Guidelines that along with City Code provide for each of these categories to be marked as “Yes”, but because the annual report highlighting the benefits and accomplishments of supported programs was not published for FY2019 and because the application process was not utilized in FY2020, the City was marked “Mixed”. Moving forward City council should comply with all defined requirements in the Community Support Fund Policy and Guidelines.

What we found

Key Findings

Following are key issues that resulted in a process/area to be risk rated a three or four. See **Attachment A** for the detail of these and all comments identified during the review.

Risk Ranking:		(See Attachment B for full rating definitions)			
Process / Area	Process / Area Owner	1 Strong Controls	2 Controlled Effectively	3 Controlled - Improvement Required	4 Significant Improvement Required
Compliance	Marchelle Basnight				✓
Conflict of Interest	Marchelle Basnight				✓
Policy and Procedures	Marchelle Basnight			✓	

Compliance

1. Noncompliance exists with Community Support Fund Policy and Guidelines (CSFP&G), due to annual reports not being published on City Council's (CC) website as required.

Conflict of Interest

2. A violation of the City Council Member Budget Appropriation Form was noted during a review of the Delaware Theatre Company (DTC) board listing and letter of request. CC President certifies on the Budget Appropriation Form, "I, nor any member of my immediate family, is in anyway affiliated with the recipient in a paid or volunteer capacity". Based on our review of DTC's board listing and letter of request it was determined that CC President is a board member of the organization.

Policy and Procedures

3. Inconsistent controls exist surrounding how the grant awarding process is being followed. In FY19, a defined grant application and timeline was established with dates provided for each part of the process. However, for FY20 a defined process and timeline were not established, and applications were not used.
4. Control weaknesses were identified surrounding how CC ensured adherence to the requirements listed in the Community Support Fund Policy and Guidelines.

Additional Observation

Resolution 19-040 was presented to City Council for vote to award 16 organizations funding of \$5,000 or more totaling \$85,000 for FY2020 and defeated. Council president later provided each organization listed on Resolution 19-040 a check for \$4,900 to support their cause. Because the amount of the check to support each organization was less \$5,000 it did not require Council's vote of approval. Subsequently two of these organizations were rewarded \$1,000 each in support from Councilman at Large, Samuel Guy. The additional amount awarded from Councilman Guy's discretionary fund put both organizations above the \$5,000 threshold in total funding for FY2020, which required that Councilman Guy's awards be approved through resolution by Council. Proper procedure was followed when Councilman Guy presented Resolution 20-009 to award a grant of \$1,000 to Christina Cultural Arts Center to the Finance and Economic Development Committee on January 8, 2020, which was then passed by Council on February 6, 2020; and Resolution 20-014 to award a grant of \$1,000 to Culture Restoration Project was presented to the Finance and Economic Development Committee on February 3, 2020, which was then passed by Council on February 20, 2020.

Additional Observation

Although grants presented for \$5,000 or more in FY2020 were not approved by Council, Internal Audit expected to be able to verify the documents required by the Community Support Fund Policy and Guidelines, but there were only a few available documents in TCM. If resolution 19-040 would have passed, then all requirements would have had to be met prior to funding being issued. It would be assumed that all due diligence would have been completed prior to the resolution being presented for vote.

Additional Observation

In FY19 a Grant Review Panel was used to review applications and submit recommendations to the CC President; however, the Grant Review Panel was not used in FY20. Internal Audit believes that the Grant Review Panel can be an asset to City Council when deciding how to administer funding from the Community Support Fund. If City Council continues to use a Grant Review Panel, we recommend that the members be documented and that the decisions made by the panel be documented to verify which organizations are recommended to the CC President.

Additional Observation

It was noticed during review of documentation that Council staff spent a considerable amount of time communicating with Finance staff trying to verify if the grantee was in good standing financially with the City. Internal audit recommends that Council develop a document to include with the application packet that is required to get signed off by the Finance Department as verification that the grantee has no outstanding debt owed to the City. This will be put more responsibility on the grantee rather than requiring more burden on Council staff.

Management Responses to Audit Recommendations

Summary of Management Responses

Recommendation #1: Management should complete the annual report that is described in the CSFP&G at the end of each fiscal year and make the report available to the public on the CC's website. Posting the annual report will help CC's efforts toward greater transparency and public perception concerning Community Support Funds.

Management response & action plan: The Community Support Fund Policy and Guidelines (CSFP&G) has been updated to remove providing an annual report to make available on the Council's website. City Council has a report on the Council's website that list all grant funds, the purpose, and how those funds are linked with the Council's Strategic Plan, which that document will now be listed in the revised CSFP&G. For transparency, this document has been on the Council's website for the last 3 fiscal years.

Completion Date: Completed

Recommendation #2: Management should ensure adherence to its own policies and guidelines in addition to City Code regarding Conflicts of Interest.

Management response & action plan: Management does adhere to its own policies and guidelines. This item was consulted with the Law Department.

Completion Date: Completed

Recommendation #3: On an annual basis, management should update page 10 of the CSFP&G with new dates for the Council Strategic Grant Application Process & Timeline for grant awards of \$5,000 or more. The application process allows for CC to receive required documents from potential grantees and emphasizes a competitive process for organizations interested in receiving funding from CC's Community Support Fund.

Management response & action plan: There was a defined grant application process and timeline established for FY2019. There was also the flexibility to have the ability if needed to award grant funds after timeline, as there are various needs that come up within the community unexpectedly.

For FY2020, Council opted not to do a grant timeline process as it had done in FY2019, as it was the intended consensus of Council during the budget process to come up with a collective purpose of using the grant fund that would provide more meaningful impact to the community rather than providing many small grants. However, during the FY2020 budget, Council did not come to a consensus.

For FY2020, for any entity that received grant funds of \$5,000 or more, there was an application processed.

City Council is not a grant making entity.

For FY2021, Council has removed from its budget, grant funds of \$5,000 or more, with the exception of 1 grant for \$15,000.

Completion Date: Completed

Recommendation #4: Management should reinforce the importance of utilizing the CC Grant Checklist for awards of \$5K or more, to ensure compliance with requirements. In addition, a secondary review of the checklist should occur to ensure compliance exist.

Management response & action plan: The applicants that submitted grant applications via the grant application process were received by the timeframe established in the grant timeframe that were reviewed by the Panel. As noted in item #3, there is also the flexibility to have grant funds awarded throughout the entire year, as there are various needs that come up within the community unexpectedly.

The Finance Department verified that all of the granting entities were current with City obligations and is in good standing, which includes business license, which is documented for each entity by a document provided from the Finance Department. Thanks to the Finance Department for working with many of these entities who are small non-profits and working with them to get their State and City business license, as well as some of the entities Finance incorporated in their audits.

The one entity that did not submit a letter requesting funds, the entity did complete an application that has extensive information regarding the grant. In addition, this was a last-minute entity that the Council decided during the budget process to provide grant funds to.

Management will continue to use CC Grant Checklist.

Completion Date: Completed

Audit Team

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Tamara Thompson, Audit Manager