



Wicomico County, Maryland
OFFICE OF THE INTERNAL AUDITOR

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Levin Hitchens, CIA
Internal Auditor

August 29, 2022

Internal Auditor's Report

The County Council and Acting County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Resolution 81-2021, the Office of the Internal Auditor (IA) has conducted an audit of grants in Wicomico County. A report is submitted herewith. The purpose of the audit was to determine the adequacy of procedures and controls along with the level of compliance with those procedures and controls for maintaining grants received by the county as well as grants passed through to third-party entities.

IA conducted the audit with due professional care, and IA planned and performed the audit to evaluate the current practices and management of grants in the County.

IA extends appreciation to Management and Staff for their timely assistance, cooperation, and candid assessment during the audit process.

Respectfully submitted,

Levin Hitchens

Levin Hitchens, CIA
Internal Auditor

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Audit Report

Background

Wicomico County utilizes grants from various sources, mostly state and federal sources to help fund programs and services each year. The County receives grants as an end-recipient as well as grants to which the County passes through to third-party entities (through the Local Management Board). Management and reporting for grants is performed at the department-level by the department that was awarded the grant. For most departments, the employee that is responsible for department finance functions also tracks and prepares reports for the grants. Currently, the finance department has staff to receive grant agreements for assigning project codes to grants in the County's ERP system, Munis. Finance also has staff allocated to track expenditures for grants through Munis for the purpose of the County's financial statements.

During the budgeting process, the budget submission includes "anticipated grant funding" that estimates grants the County intends to apply for. The passage of the budget is the approval for the County to accept these grants when they are awarded. In other cases, grant opportunities arise that were unknown during the time of the budget formation. The Executive brings these unanticipated grants to Council throughout the year for approval via resolution.

Audit Objective

The objectives of the audit were to:

1. Gain an understanding of grants utilized by Wicomico County
2. Evaluate accuracy of budgeted grants to grants awarded
3. Evaluate County expenditures
4. Analyze reimbursement success from grantors

Scope of the Audit

The audit period examined was FY2021 & FY2022. The scope was open ended. Observations and interviews with departmental staff from several departments and outside agencies were conducted.

Grant Management

The majority of grants in the budget are grants in which the County is the end-recipient. These types of grants are directly for County initiatives and services. Most require periodic reporting or reimbursement requests to the grantor. The state and federal governments are the largest grantors for the County. The recipient department is responsible for applying and submitting reports to the grantor. Reporting format and frequency vary based on the expectations of the grantor. IA reviewed grants from five departments and found recordkeeping varies based on the system adopted by the department. Overall, grant management in the County is decentralized with the finance department keeping track of some attributes of the grants, the law department reviewing grant guidelines, and the Executive and Council handling the final approval of grants.

Typically, grant funds are provided to the County on a reimbursement basis. The Local Management Board (LMB) is an exception to this rule. The State advances the funds and the LMB provides reports to the State. After the grant period, the State's Compliance Auditor visits the County, verifies the contents of the report and provides a reconciliation schedule for refunding if the grant funds were not completely expended. IA met with the Compliance Auditor and reviewed their reconciliation schedule that was prepared for the County.

The LMB is also awarded grants that are passed onto third parties as sub-recipients. IA reviewed the process followed for the Homelessness Grant. The grant was awarded following a request for proposal by the purchasing department.

The sub-recipient then provides documentation and reimbursement requests to the County on a monthly basis. The County performs and documents site visits for sub-recipients on a quarterly basis. IA reviewed the monitoring review forms and reimbursement requests for the Homelessness Grant.

Conclusion

Based on testing and interviews performed for the Grant Expenditures Audit, IA is of the opinion that the program's design is at an adequate¹ level. Below, IA offers findings and suggestions to the overall program.

Schedule of Findings and Recommendations/Management Response

1. Reimbursement Request Frequency

Some programs tested are requesting reimbursement, in IA's opinion, too infrequently. Many grantors allow grantees to request reimbursement on a quarterly basis. Some grantors even allow requests at a higher frequency. Extending reimbursement requests out too long creates unnecessary risk to the County to miss the maximum reimbursement due to factors such as employee turnover, grant expiration, or callback. Locking in the reimbursement requests earlier also has the benefit of assuring the funds are secure in the County's coffers to be available for local initiatives. While IA is not aware of any reimbursement denials, timely requests help assure the best chance of seamless reimbursements going forward.

2. Grants Administration

IA would recommend the County explore the viability of adding a Grants Administrator position or adding administration responsibilities to an existing position. Current practices leave the application and maintenance solely to the departments. The result of this decentralization causes an uneven approach to grant management throughout the County. An administrator would potentially allow the County to maximize compliance, share best practices for grant management, and be a resource to assist departments with obtaining new grant funding for initiatives. Departments would still be heavily involved in their grants as subject matter experts but would have a central resource for guidance, much like the County's payroll, human resources, and purchasing functions.

3. Munis Project Master Module

Munis, the County's Enterprise Resource Planning software, has a module referred to as "Project Master." The module has various useful fields and folders that can provide an abundance of information to anyone who has access to it. Currently, the County is using the module in a limited fashion, mostly providing a project number for accounting purposes. Some grants have descriptions, start/end dates, and contacts. A screenshot of the module is attached to this report for reference.

The module potentially provides an organized central system that would deliver consistency with grants management. One advantage of a consistent system (versus highly individualized filing methods that vary by department) would be the ability for a colleague to take over management duties if the need arises. Another advantage of a centralized system is the ability for management to obtain the status of all grants instantly. More

¹ According to the IPPF Practice Guide issued March 2009: "Adequate system of internal control means that findings are subject to reservations. A number of findings, some of which are significant, have been raised. Where action is in progress to address these findings and other issues known to management, these actions may be at too early a stage to allow a satisfactory audit opinion to be given."

utilization of this module would be even more useful if the County had an administrator as mentioned in the second recommendation of this section.

4. Grants Manual

The County utilizes manuals for policies and procedures for various activities across the organization to help create a uniform environment for departments. IA suggests the County consider creating and adopting policies and procedures for grant procurement.

Auditor's Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank management and staff from the various departments for their timely cooperation and assistance during the audit.

Project Master Module Screenshot in Munis

Project

Project	<input type="text"/>	<input checked="" type="checkbox"/> Project ledger use only	Department	<input type="text"/>
Project Type	<input type="text"/>		Status	<input type="text"/>
Title	<input type="text"/>		Project available budget	<input type="text"/>
Short title	<input type="text"/>		Percent Complete	<input type="text"/>
Major project	<input type="text"/>		Estimate to Complete	<input type="text"/>
State ID #	<input type="text"/>		Create fixed asset	<input type="checkbox"/>
Federal CFDA	<input type="text"/>		Project fiscal range	<input type="text"/> to <input type="text"/>
Drawdown freq	<input type="text"/>		Projected date range	<input type="text"/> to <input type="text"/>
Description	<input type="text"/>		Actual date range	<input type="text"/> to <input type="text"/>
Justification	<input type="text"/>		Extension date	<input type="text"/>
			Obligation date	<input type="text"/>
			Last date to encumber	<input type="text"/>

String Requirements

Expense	<input type="text"/>	Funding Source	<input type="text"/>
Required level	<input type="text"/>		
Budget level	<input type="text"/>		

Overhead Rates

Admin Overhead Rate	<input type="text"/> %
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GL Funding | Revenue Allocation | AP Retainage

Funding Source	Description	Amount

Grant	Seq	Grantor Name	Exp cat	Priority	Award amt	Reimb %	Reimb max	IND %	Total Billed to Date



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John D. Psota
Acting County Executive

Pamela B. Oland
Director of Finance

September 13, 2022

Levin Hitchens, CIA
Internal Auditor
Wicomico County

Mr. Hitchens,

The Department of Finance has received your Draft Report in regards to county grants released on August 29, 2022. We would like to express our appreciation for your diligence over the county's obligations incurred once grant money is accepted.

We concur with the schedule of findings and recommendations. Specifically:

1. **Reimbursement Request Frequency.** The Department of Finance agrees that reimbursement requests should be done on a more frequent basis, and will work with other departments to correct this situation.
2. **Grants Administrator.** The Department of Finance will take this recommendation under advisement and will look for ways to effectively use our resources to better assist outside departments in grant management.
3. **Munis Project Master Module.** We agree that Munis can be better utilized, and will consider creating opportunities to train users in this module.
4. **Grants Manual.** The Department of Finance agrees that a written policies and procedures manual would be a great resource for the county, and will work with other departments and the office of the County Executive in proposing one.

We thank you again for bringing these issues forward so we may continue to strengthen the internal controls over county finances and grant requirements.

Sincerely,

A handwritten signature in blue ink that reads "Pamela B. Oland". The signature is written in a cursive, flowing style.

Pamela B. Oland
Director of Finance