

INTERNAL AUDIT OFFICE  
CHARLES COUNTY GOVERNMENT

# AUDIT REPORT



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## Covid Relief Grant Audit

DEPARTMENT/DIVISION:  
Department of Community Services

REPORT NUMBER:  
2023-CS-004

REPORT DATE:  
11/07/2023



## AUDIT OF DEPARTMENT OF COMMUNITY SERVICES: COVID RELIEF RELATED GRANTS

**Report Number:**

2023-CS-004

**Report Date:**

11/7/2023

Director of Community Services, Internal Audit Oversight Committee, County Administrator & Deputy County Administrator:

In accordance with the Internal Audit Charter, SOP# CP.CAD.04.001, the Internal Audit Office (IAO) performed an audit of the Department of Community Service: Covid Relief Related Grants from 9/11/2023 through 10/20/2023. This audit was conducted as part of the IAO’s risk-based Annual Audit Plan approved by the Internal Audit Oversight Committee for FY24. Internal Audits are designed to provide assurance, add value, and improve operations.

The audit’s objectives were to: 1. Evaluate compliance of internal procedures; 2. Verify compliance with contract requirements; and 3. Evaluate fiscal effectiveness of grants. The scope of this audit focused on active and closed grants originating from covid relief funding. The results of the audit, findings and recommendations for improvement are detailed in this report.

We would like to thank the members of management for their teamwork and cooperation during the audit. Management was provided with an opportunity to respond to this report and their response is included.

Sincerely,

Johnnie Coleman, Senior Internal Auditor

### CONCLUSIONS

The IAO’s conclusion, based on the evidence obtained, is that the Department of Community Services: Covid Relief Related Grants is effective and can be improved. This assessment is based on the strengths and weaknesses identified for the operational objectives below.

General Business Process Objective Reviewed	Assessment <sup>i</sup>
A. Internal compliance with County grant procedures	Generally Effective
B. External compliance with grantor requirements	Effective
C. Fiscal effectiveness of grants	Effective

# DISCUSSION, FINDINGS AND RECOMMENDATIONS

## I. Internal Compliance County Grant Procedures

### 1. Discussion

Overall, as it relates to internal compliance, The IAO found that DCS is effective and can benefit from minor improvements. The Department of Community Services (DCS) contains the Aging and Human Services, the Housing Authority, and the Local Management Board. They directly administer or manage a subrecipient relationship of approximately 50 grants a year, each requiring meticulous attention to detail and adherence to established internal procedures.

A comprehensive framework, which includes a grant policy, procedural guidelines, and forms, as well as defined roles and responsibilities, is in place for the County at large. However, establishing department-specific procedures is important for effective grant management and serves to establish a vital control environment.

**Finding: The audit noted a gap where departmental specific procedures are absent. Instead, the DCS currently relies on the overarching grant procedures designed for the entire County.**

#### **Recommendation I.1.A: Department Specific Procedures**

The IAO recommends that DCS formulate its own comprehensive department specific written procedures that might include, but not be limited to, subgrantee application processes, department approval processes, required documentation practices, file management systems, deadlines for submission, document review processes, and roles and responsibilities within the DCS as it relates to grants.

#### **Recommendation I.1.B: Conflicts of Interest Identification and Disclosure**

The IAO also recommends adding or embedding an internal procedure to identify and disclose conflicts of interest for County staff and subgrantees. The Auditor noted that some grants contain a conflict-of-interest clause or require a conflict-of-interest statement. Conflicts of interest can arise in the selection of a subgrantee, selection of a contractor, and at any stage in the oversight and distribution of funds. Adding controls to address this will keep conflicts of interest at the forefront of staff and provide assurance.

### 2. Discussion

The audit tested compliance with various internal forms that the County, at large, has in place for processing approval and signatures for grant applications, awards contracts, subrecipient risk assessment, and subrecipient agreements. These forms implement

controls such as a review, approval, and risk assessment. During the audit we noted instances where forms were not provided, likely due to staff turnover between grants.

**Finding: While DCS was effective in having documents processed for signature and approval, there were some variances in evidence of regular completion of these internal forms.** For example, Risk Assessment Forms were only provided for 2 of the 6 subgrantees; Application Forms were not provided for 3 of the 8 grants reviewed, Award Forms were not provided for 4 of the grants received, and there were 10 instances where no evidence of a Sub-Agreement Form was provided.

#### **Recommendation I.2.A: Grant Checklist**

To ensure the effective implementation of written procedures for grant management, the IAO recommends developing a detailed checklist. This checklist should serve as a practical tool to guide department staff through required steps, ensuring consistency and adherence to established processes. The checklist could align to the departmental procedures noted above. A check list tool will serve as a guide for staff members promoting uniformity, minimizing the risk of noncompliance, and will prove invaluable during internal and external audits.

## **II. External Compliance with Grantor Requirements**

### **Discussion**

Overall, as it relates to external compliance, The IAO found that the DCS is effective and has no findings. The Auditor found that DCS completed and provided the required programmatic and financial reports to the grantors as required. For applicable grants, subgrantee programmatic reporting was collected and verified by County staff. The Auditor notes that while no grants were found to be formally closed, this is due to grants being currently active or due to DCS being advised by the grantor that they are behind on final close outs.

**Observation: Managing the substantial volume of grants within the DCS division involves navigating a complex administrative landscape due to diverse grantor requirements, specific documentation, varying compliance standards, and the additional complexity managing oversight of subgrantees. Coordinating grants efficiently while ensuring accurate tracking, reporting, and oversight of subgrantees demands a well-structured approach to grant management.**

#### **Recommendations II.1.A: Centralized Grant Management Software**

Evaluate grant management software to aid DCS in streamlining grant management processes from the grant receiver and grant provider perspective. Grant software

offers a centralized data repository, storing grant-related documents, deadlines, and compliance requirements. Grant software can track application and reporting deadlines, automate compliance alerts, and organize financial management. The Auditor recognizes that out-of-the-box solutions have limitations, require testing, involve training, and fit in the greater context of County processes. These limitations should be weighed against benefits. See GovGrants.com as one possibility.

### **III. Fiscal Effectiveness of Grants**

#### **Discussion**

Overall, as it relates to fiscal effectiveness, DCS is effective, and the IAO currently has no findings or recommendations. For grants sampled, the Auditor found that DCS was efficient in spending down grants within the award period. The Auditor notes that several grants sampled were just awarded in July 2023 and have a year to be fully spent. For a sample of grants, the Auditor verified funds received.

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## **MANAGEMENT RESPONSE**

*Management is provided with the opportunity to respond to recommendations and their responses are summarized below. It is important to note that auditors don't implement recommendations as their role is investigative and advisory, lacking the managerial authority to enforce change. Management, on the other hand, holds the responsibility for implementation due to their authority over resources, decision-making, and strategic direction toward goals and objectives, making them accountable for addressing identified issues. As such, management may also have a valid rationale for existing processes or alternatives to audit recommendations.*

***Management Response Provided By: Director, Community Services***

#### **Management's Responses:**

##### **Recommendation I.1.A: Department Specific Procedures**

Each grant entails its own set of procedures outlined by the funder. These directives encompass deliverables, deadlines, file management, and administrative activities. The Department of Community Services opts to follow these guidelines directly rather than creating redundant internal policies. However, DCS management has begun development

and implementation of a standardized “face sheet” for each grant project. This tool will include a checklist to facilitate consistent grant management processes and required documentation across department divisions.

**Recommendation I.1.B: Conflicts of Interest Identification and Disclosure**

Decision makers within the Department of Community Services complete an annual financial disclosure form and can consult with the County Attorney's Office on a case-by-case basis. As no conflicts of interest were found, management contends that methods currently in place are sufficient.

**Recommendation I.2.A: Grant Checklist**

The Department of Community Services intends to explore and incorporate this recommendation. **See Response to Recommendation I.1.A.**

**Recommendations II.1.A: Centralized Grant Management Software**

Management acknowledges the recommendation for centralized grant management software but highlights practical challenges making this recommendation infeasible. Most funding channels operate through state agencies, each mandating its own software or portal for grant submission and tracking. Implementing additional local software would burden staff with redundant data entry and be cost-prohibitive.

## **BACKGROUND, SCOPE, AND METHODOLOGY**

### **Background**

The Department of Community Services (DCS) is made up of three divisions: Aging and Human Services Division, The Housing Authority, and the Local Management Board. Aging and Human Services offers a wide range of programs and services to promote independence and improve the quality of life for older people. The Housing Authority administers a variety of services and programs for low to moderate income families and those seeking housing assistance. The Local Management Board plans, manages, and evaluates services for families and children through contracts with public and private human service agencies. In FY23 and FY24 grants total 77/78% of DCS's budget. DCS sources roughly 50 grants annually, mainly from Federal and State entities. Some of this funding was a result of covid relief initiatives.

Inherent risk to the work of DCS include compliance risk, contract management risk, documentation risks, policy and procedure risk, as well as fraud risks. Based on the November 2022 risk assessment, the Internal Audit Oversight Committee agreed, as part of the FY 2023 Audit Plan, that it was prudent to conduct an internal audit of DCS grants obtained from covid relief funds.

DCS grants are subject to grantor monitoring and federal grants over \$750,000 are subject to the Single Audit requirements specified in Title 2 of the Code of Federal Regulations (CFR), Part 200, also known as Uniform Guidance. Three of the sampled grants in this audit were included in the County's Single Audit for July 2021 - June 2022 with no findings or recommendations. As these are multi-year grants, they will be included in the next Single Audit Report. Two of the grants sampled in this audit, Emergency Rental Assistance Program 1 and 2 (ERAP), underwent state onsite monitoring with the Maryland Department of Housing and Community Development. The monitoring period was October 29, 2022, through March 27, 2023. The primary goal was to identify programmatic and financial strengths as well as weaknesses in operations of Charles County and its subgrantees to formulate constructive recommendations for program compliance. The results were positive with no deficiencies or findings identified.

Additionally, the County's subgrantees receiving more than \$750,000 are required to conduct their own independent Single Audit. In September 2023, the County obtained the Single Audit Report of Southern Maryland Tri-County Community Action Committee (a subgrantee of the County). It revealed several findings related to their use of ERAP 1 Funds. The report was finalized in August 2023 and covered FY22 (July 2021-June 2022). Findings include: two duplicate payments of \$7,700 and \$31,800. This was not a finding for Charles County Government and DCS worked to recover the two payments and the matter was closed satisfactorily.

## Scope

The scope of the current audits includes grants ending after September 2022 and all active grants that were newly created from covid relief initiatives. A small portion of the grants are related to covid relief initiatives. Ten grants totaling \$12,017,464 fit the criteria. The sample selected for the audit is eight grants totaling \$11,948,908. Grants sampled include each DCS Division:

<b>Aging and Human Services Division</b>			
	Award Amount	Start	End
Maryland Dept. of Aging ARPA TITLE IIIB	\$167,888.00	4/1/2021	9/30/2024
Maryland Dept. of Aging ARPA TITLE IIIC1	\$109,416.00	4/1/2021	9/30/2024
Maryland Dept. of Aging ARPA TITLE IIIC2	\$164,091.00	4/1/2021	9/30/2024
<b>Local Management Board Division</b>			
CONNECTIVE DEVICES PROGR ARPA	\$102,375.00	3/1/2023	12/31/2023
<b>Housing Authority Division</b>			
Maryland Dept. of Housing & Community Development CV-1-5	\$200,000.00	7/1/2020	12/31/2022
Maryland Dept. of Housing & Community Development CV 2-5	\$1,250,000.00	2/16/2021	8/31/2023
Dept. of Housing & Community Development - Emergency Rental Assistance Program 1 (ERAP 1)	\$5,897,393.00	2/1/2021	9/30/2022
Dept. of Housing & Community Development - Emergency Rental Assistance Program 1 (ERAP 1)	\$4,057,745.00	7/1/2021	9/30/2025

The audit objectives were identified based on the general business processes of DCS as it relates to grant management:

1. Verify internal compliance and external compliance of contracts requirements.
2. Evaluate fiscal effectiveness of grants.
3. Evaluate internal controls in place to safeguard against risk.

## Methodology

The audit approach focused on testing the key controls objectives that address the business process of DCS as it relates to grant management. The IAO audit procedures included evidence-analysis techniques based on interviewing personnel and reviewing documentation such as grant agreements, subrecipient agreements, financial reporting, programmatic reporting, expenditure documentation, and internal procedural forms. The scope of review for key controls objectives are described in the table below:



<b>Business Process / Control Objective</b>	<b>Audit Scope of Review (For sampled grants, the Auditor:)</b>
<b>Internal compliance with County grant procedures</b>	
Subgrants are awarded to organizations through a fair and transparent process	<ul style="list-style-type: none"> <li>• Confirmed if an application process was conducted when appropriate.</li> <li>• Determined if a clear process for selection was established (if applicable)</li> </ul>
Evaluate risks associated with subrecipients	<ul style="list-style-type: none"> <li>• Verified if a County Risk Assessment form was completed for subrecipients</li> </ul>
The purpose and terms of each award are formalized in grant agreements	<ul style="list-style-type: none"> <li>• For grants received by County: verified if an Application Form &amp; Award Form were completed.</li> <li>• For grants received by County: confirm that a signed copy of the grant agreement was on file.</li> <li>• For subgrants: confirmed if a Sub-Agreement Processing Form was completed.</li> <li>• For subgrants: ensured that a signed copy of sub-agreement was on file.</li> <li>• For subgrants: confirmed that DCS requested that subgrantee complete a FFATA Form for federal awards and submitted to Fiscal and Admin services (Non were applicable)</li> </ul>
<b>External compliance with grantor requirements</b>	
Grantees / Subgrantees must provide accurate narrative progress reports demonstrating their accomplishments before payments are issued	<ul style="list-style-type: none"> <li>• Confirmed if the County completed required narrative or programmatic reports for grantor.</li> <li>• For subgrants: confirmed that narrative or programmatic reports were provided to the County</li> </ul>
Grants are properly closed	<ul style="list-style-type: none"> <li>• Verified if a grant closure letter was on file</li> </ul>
<b>Fiscal effectiveness of grants</b>	
Grantees and subgrantees must provide financial reports and supporting documentation to confirm their spending is allowable	<ul style="list-style-type: none"> <li>• Confirmed County reimbursement requests to the grantor were documented.</li> <li>• Confirmed documentation for all expenditures was on file.</li> <li>• For subgrants: confirmed payments were issued to subrecipients that align with sub-agreement.</li> <li>• For subgrants: ensured documentation of subgrantee expenditures were filed with County.</li> <li>• For subgrants: confirmed verification of expenditure documentation by subgrantee was conducted</li> </ul>
Ensure grants are spent on spend down effectively	<ul style="list-style-type: none"> <li>• Determined percentage of funds spent per grant and remaining contract period.</li> <li>• Verified funds were received from grantor</li> </ul>

### **Internal Controls**

Controls can be defined as any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Implementation of recommendations noted in this report will strengthen controls. During the audit, the auditor noted several effective key controls:

- Reimbursement requests from grantor and payments to subgrantees are completed in conjunction with Fiscal and Administrative services providing separation of duties.

- An approval/signatory process is in place for grant application, grant award agreements, and subrecipient agreements to include legal review.
- The County conducts verification of subgrantee documentation to ensure accountability.
- All grants are subject to grantor monitoring and reports are reviewed and approved by the grantor.

The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing. 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. We believe that the evidence obtained does provide a reasonable basis for our findings and conclusions based on our audit objectives. Internal audits are designed to add value and improve operations.

**Report Distribution:**

Dina Barclay, Director, Department of Community Services

**Audit Team:**

Johnnie Coleman, CIA  
Senior Internal Auditor

Michael Pheulpin, M.S.  
Junior Internal Auditor

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<sup>i</sup> Definitions:

**Effective:** The design and effectiveness of the internal control environment address key risks. The business unit complies with external laws and regulations, and internal policies, procedures, and guidelines. Business processes are managed effectively resulting in reliable achievement of expected outcomes.

**Generally Effective:** The design and effectiveness of the internal control environment generally address key risks; however, findings indicate that some minor areas of weakness in the control environment need to be addressed. Isolated instances of non-compliance with external laws and regulations, and internal policies, procedures and guidelines may exist. Business processes may lack effectiveness or not be managed effectively in all areas resulting in reduced achievement of expected outcomes.

**Ineffective:** The design and effectiveness of the internal control environment does not address key risks or does not exist. Non-compliance or historical patterns of non-compliance with key regulatory requirements and internal policies, procedures and guidelines exist which expose the audited entity to financial, reputational, and operational risks. Business processes are not managed effectively and expected outcomes are not achieved.

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## FOLLOW UP REPORT: Covid Relief Related Grants

DEPARTMENT/DIVISION:  
Department of Community Services

REPORT NUMBER:  
2023-CS-004

REPORT DATE:  
3/21/2024

## **Background**

The Internal Audit Office (IAO) collaborated with the Department of Community Services (DCS) to audit grants related to COVID-19 relief funds between September and October 2023. As a result, the IAO provided DCS management with a report with findings and recommendations. As part of the Charles County internal audit process, management responded with written feedback, outlining actions they would undertake to address pertinent findings and recommendations.

## **Objective**

The IOA conducts a post audit follow-up with management to verify implementation of actions stated in management responses to the audit findings. This process is integral to the internal audit lifecycle, ensuring effective risk management, process improvement, and compliance with relevant standards within Charles County Government. It underscores the commitment of Charles County Government to address shortcomings and continuously improving its operations.

## **Procedure**

On March 21, 2024, the IAO engaged DCS Director, Dina Barclay, to provide a status update on the corrective measures outlined by management in response to the audit report.

## **Conclusion**

The IAO made the following observations: SEE TABLE BELOW.

## Findings, Recommendations, Management Response, and Update

Finding	Internal Audit Recommendations	Management Comments (Abbreviated)	Internal Auditor Report on Corrective Actions Taken By Management
<p><b>Finding #1:</b> The audit noted a gap where departmental specific procedures are absent. Instead, the DCS currently relies on the overarching grant procedures designed for the entire County.</p>	<p><b>Recommendation:</b> Formulate comprehensive department specific written procedures that might include, but not be limited to, subgrantee application processes, department approval processes, required documentation practices, file management systems, deadlines for submission, document review processes, and roles and responsibilities within the DCS as it relates to grants.</p> <p><b>Recommendation:</b> Add or embed an internal procedure to identify and disclose conflicts of interest for County staff and subgrantees. Conflicts of interest can arise in the selection of a subgrantee, selection of a contractor, and at any stage in the oversight and distribution of funds. Adding controls to address this will keep conflicts of interest at the forefront of staff and provide assurance.</p>	<p>Each grant entails its own set of procedures outlined by the funder. These directives encompass deliverables, deadlines, file management, and administrative activities. The Department of Community Services opts to follow these guidelines directly rather than creating redundant internal policies. However, DCS will explore creating a “face sheet” for each grant project to facilitate consistent grant management processes and required documentation across department divisions.</p> <p>Decision makers within the Department of Community Services complete an annual financial disclosure form and can consult with the County Attorney's Office on a case-by-case basis. As no conflicts of interest were found, management contends that methods currently in place are sufficient.</p>	<p>DCS management began development and implementation of a standardized “face sheet” for each grant project. This tool will include a checklist to facilitate consistent grant management processes and required documentation across department divisions.</p> <p>N/A - Management determined the risk was related to this recommendation was already managed effectively.</p>

Finding	Internal Audit Recommendations	Management Comments (Abbreviated)	Internal Auditor Report on Corrective Actions Taken By Management
<p><b>Finding #2:</b> While DCS was effective in having internal procedural documents processed for signature and approval, there were some variances in evidence of regular completion of these internal forms.</p>	<p><b>Recommendation:</b> Develop a detailed checklist to serve as a practical tool in guiding department staff through required steps, ensuring consistency and adherence to established processes. The checklist could align to the departmental procedures noted above. A check list tool will serve as a guide for staff members promoting uniformity, minimizing the risk of noncompliance, and will prove invaluable during internal and external audits.</p>	<p>DCS will explore creating a “face sheet” for each grant project to facilitate consistent grant management processes and required documentation across department divisions.</p>	<p>DCS management began development and implementation of a standardized “face sheet” for each grant project. This tool will include a checklist to facilitate consistent grant management processes and required documentation across department divisions.</p>

Continued ...

Observation	Internal Audit Recommendation	Management Comments (Abbreviated)	Internal Auditor Report on Corrective Actions Taken By Management
<p><b>Observation #1:</b> Managing the substantial volume of grants within the DCS division involves navigating a complex administrative landscape due to diverse grantor requirements, specific documentation, varying compliance standards, and the additional complexity managing oversight of subgrantees. Coordinating grants efficiently while ensuring accurate tracking, reporting, and oversight of subgrantees demands a well-structured approach to grant management.</p>	<p><b>Recommendation:</b> Evaluate grant management software to aid DCS in streamlining grant management processes from the grant receiver and grant provider perspective. Grant software offers a centralized data repository, storing grant-related documents, deadlines, and compliance requirements. Grant software can track application and reporting deadlines, automate compliance alerts, and organize financial management. The Auditor recognizes that out-of-the-box solutions have limitations, require testing, involve training, and fit in the greater context of County processes. These limitations should be weighed against benefits. See GovGrants.com as one possibility.</p>	<p>Management acknowledges the recommendation for centralized grant management software but highlights practical challenges making this recommendation infeasible. Most funding channels operate through state agencies, each mandating its own software or portal for grant submission and tracking. Implementing additional local software would burden staff with redundant data entry and be cost-prohibitive.</p>	<p>N/A - Management determined this was not feasible.</p>