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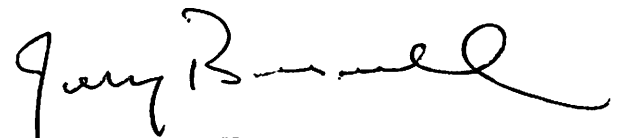
CLERK OF THE SUPERIOR COURT
COUNTY OF TRINITY
BY: STACI WARNER, DEPUTY CLERK

**TRINITY COUNTY GRAND JURY
2010-2011**

**FINANCE AND ADMINISTRATION COMMITTEE
FAR2010-2011-002**

Grants Department Imperils County Finances

Approved 05/03/2011



Jerry Brasuell

Foreperson

**2010-2011 Trinity County Grand Jury
Finance and Administration Committee
Grants Department Imperils County Finances**

Summary

At the November 2, 2010 Board of Supervisors meeting, the Board was advised by the County Administrative Officer (CAO) the Grants Department (Department) had closed on October 25, 2010 due to a reported deficit of approximately \$700,000.00. During the Board meeting a Supervisor suggested that the Grand Jury undertake an investigation into the reported deficit and the other issues identified in the CAO's Staff Report 2010-2011-02 /4.07 (Staff Report).

The closing of the Department is not due to any one identifiable cause, there are many including the undetermined deficit, the Department structure, and the conflict of interest issue referenced in the Staff Report.

According to documentation supplied by the acting CAO, from 1996 to early 2011 the Department contributed \$22.6 million to the local economy through grant awards. Grants are an integral part of many of the County department budgets and often supplement local business revenues. For example, a particular grant might be a business loan for expansion or a marketing campaign to advertise a business. Grants also benefit qualified individuals who apply for individual grants, e.g. housing rehabilitation, microenterprise, and feasibility studies.

The permanent closure of the Department would be devastating to the County and the communities. The County is the "umbrella agency" needed to pursue grant funding.

Background

The Department had evolved into a self funded department, supported solely through grant administrative fees. In the past, however, some grants were contracted out to a vendor to manage, such as the Housing Rehabilitation section of the Community Development Block Grants (CDBG), resulting in the loss of administrative fees.

The Department handles various types of grants, ranging from a few thousand dollars to millions of dollars depending on the program and project particulars.

Many grants are reimbursed after the work is performed. This causes negative cash carry-overs from year to year, which vary in total amount depending on the number of grants being processed.

Method of Investigation

The Grand Jury conducted numerous interviews from December 2010 through March of 2011. The Grand Jury also researched how other counties administer grant funding.

An interview with the County Auditor was conducted concerning the reported deficit of approximately \$700,000.00. The deficit in the Department is addressed under Grand Jury Report number FAR2010/2011-003.

Discussion

According to the Staff Report, "Under the current configuration, the department is administering \$6,420,000 in open/active grants across five programs". Since the closure of the Department, the County has hired temporary help to service those existing grants. The Staff Report further stated, "These grant values also cross multiple fiscal years. Grant activities are becoming more competitive state-wide, and staff believes that a level of experience and acumen not currently available with existing staff is needed in order to remain competitive. The County missed over \$2.5 million in funding opportunities in recent months due in significant part to a lack of preparedness and a lack of competitive grant infrastructure". It should also be noted that the County was recently awarded a grant for \$2 million dollars, bringing the open/active grant amount to \$10.6 million.

Structure

Structure or operating guidelines are an important component of any department, and found lacking in this Department. This lack of structure contributed to the limited focus of the Department, primarily the CDBG Housing Rehabilitation grants. These grants are extremely time consuming and largely contributed to the yearly cash carry-over. Frequently the administrative fees did not cover all costs required to administer these types of grants.

It was reported to the Grand Jury that incidences had occurred where an employee assessed the viability of the project, gave approval for the grant to proceed, but for various reasons the proposed project did not proceed. The staff's payroll time is not recoverable from any administrative fees but payroll costs still result. Further, grants have been pursued for which the County could not qualify, resulting in more payroll costs without supporting administrative fees.

Due to the lack of experienced staff, organization, strategic planning, enforcement of policies, along with the necessary funding, opportunities were not maximized to acquire, process, and administer grants.

Policies and Procedures

There are no policies and procedures specific to the Department and its operations. This lack of structure contributed to the deficit, the loss of information needed to track time and cash flow, and the lack of aging information to track overdue accounts. Without policies and procedures in place, there was no definition for "conflict of interest", resulting in an unanticipated action by the State of California which adversely affected the County's General Fund.

Staffing

The reduction in staff size over time resulted in a substantial decrease in the number of grants that could be processed. Additionally this resulted in reduced revenue streams critical to the Department's funding. Moreover, the Department did not have an employee dedicated to securing, writing and researching grant opportunities applicable to Trinity County.

Funding

In previous years the Department's employee wages and operating expenses were paid from County General Funds. When the Department became self funded, solely supported by grant administrative fees, it could not cover all the costs associated with necessary staffing levels.

The reduction in staffing has produced a further undesired effect. It has placed employees in positions for which they were not qualified and it has increased their work load so that the work could not be handled in a timely manner. This has contributed to a loss of grant awards and the resulting revenue.

There have been occasions when payroll costs have been expended only to have the grant denied. This cost is therefore not recoverable from administrative fees, further contributing to deficits in the Department, necessitating the use of County General Funds.

Software

Department employees have stated that if grants management software had been in place, it is likely that the deficit would not have grown to where it stands today. The use of this software may have identified areas of concern before they become a problem.

Findings/Recommendations

Finding 1:

Trinity County Grants Department lacked cohesive structure.

Recommendation 1:

The creation of a structured department is imperative to the economic health of the communities and to supplement funds for the County Budget. The department must expand its breadth to include researching, locating, writing proposals, and obtaining grants applicable to Trinity County and its needs.

The distribution of information to other departments or the business community when appropriate, the proper tracking of expenses, and the aging of cash carry-overs, are important features that need to be part of the Department's new structure.

Finding 2:

CDBG grants, which include the Housing Rehabilitation and Microenterprise Programs, are labor and time intensive.

Recommendation 2:

Increase staffing levels to accommodate these necessary requirements or consider contracting portions of CDBG grants to local agencies.

Finding 3:

The grant revenues brought into Trinity County's economy in the past 15 years total \$ 22.6 million, contributing to the overall economic health of the communities and County government.

Recommendation 3:

Restructure the Department. Consider expansion of the department to include economic development activities. This expansion, with the appropriate staffing, would better utilize personnel, the potential funding sources, and would be more beneficial to the community overall. Creation of a strong department is critical to the economic health of the County.

Finding 4:

Administrative fees from grants do not cover all of the cost of running a grants department.

Recommendation 4:

Amend grant agreements to increase program contributions where applicable, increase the amount of grant activity, and budget general funds to cover the expenses of grant activities not covered by, or recoverable from, administrative fees.

Finding 5:

Time and effort have been spent pursuing grants for which the County could not qualify, because it could not meet the requirements designed for larger counties.

Recommendation 5:

Before expending substantial time on a grant opportunity, research should be conducted to ensure that the County or entities applying for the grant can meet the criteria, such as population density, demographics, matching funding, income levels, and other requirements necessary to receive the grant. A checklist or assessment tool should be obtained or devised for this purpose.

Finding 6:

Deficits have occurred when, for any number of reasons, an employee's time is spent pursuing a grant that is ultimately not awarded.

Recommendation 6:

County General Funds should be budgeted to cover unrecoverable expenses.

Finding 7:

Grants Department policies and procedures are nonexistent, including no definition of "conflict of interest", an issue referenced in the CAO's Staff Report.

Recommendation 7:

A Policies and Procedures Manual should be immediately developed and implemented. It should include a strongly worded definition of "conflict of interest". We suggest the use of wording currently used in County contracts. A good example can be found in the County contract with Superior California Economic Development District for the Microenterprise portion of the CDBG grants. Additionally, the manual should define employee roles, checks and balances related to the accounting of funds, and the relationship with the CAO's office. Implement a formalized system of oversight and enforcement of policies and procedures. It should be noted that the department's Policies and Procedures Manual is not intended to replace the County Employee's Handbook, but to be specific to the operational structure of the Department.

Finding 8:

Lack of grants management software contributed to an unidentifiable deficit.

Recommendation 8:

Investigate the availability of grants management software, and acquire to support grant activities. This may be the answer to quickly reopening the department while other needed changes are being pursued.

Finding 9:

Lack of a qualified grants researcher/writer position has led to missed grant opportunities.

Recommendation 9:

Create a position for a grants researcher/writer. Hire or contract to fill this position with an individual who has a proven record of procurement of grants.

Responses Required

In accordance with the California Penal Code 933.05, a response is required as indicated below:

<u>Respondent</u>	<u>Findings/Recommendations</u>	<u>Due Date</u>
Board of Supervisors	1, 2, 3, 4, 5, 6, 7, 8, 9	90 days
County Administrative Officer	1, 2, 3, 4, 5, 6, 7, 8, 9	60 days

The governing bodies indicated above should be aware that comment or response of the governing body must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.



TRINITY COUNTY

Office of the County Administrator

WENDY G. TYLER

Deputy County Administrative Officer

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093-1613

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RECEIVED

JUL 25 2011

TRINITY COUNTY
SUPERIOR COURT

*Reviewed
8/2/11*

TO: The Honorable James Woodward,
Judge of the Superior Court

FROM: *WGT* Wendy G. Tyler, Deputy County Administrative Officer

SUBJECT: Response to Recommendations of 2010-11
Grand Jury Finance and Administration Committee Final Report
RE: Grants Department Imperils County Finances
No.: FAR2010-2011-002

DATE: June 27, 2011

The Grand Jury Finance and Administration Committee has requested a written response to their final report entitled Grants Department Imperils County Finances. In my capacity as Deputy County Administrative Officer my response is as follows:

Finding #1: Trinity County Grants Department lacked cohesive structure.

Response: I agree with this finding.

Recommendation #1: The creation of a structured department is imperative to the economic health of the communities and to supplement funds for the County Budget. The department must expand its breadth to include researching, locating, writing proposals, and obtaining grants applicable to Trinity County and its needs.

The distribution of information to other departments or the business community when appropriate, the proper tracking of expenses, and the aging of cash carry-overs, are important features that need to be part of the Department's new structure.

Response: This recommendation requires further analysis. Any restructuring of the grants department would be at the discretion of the Board of Supervisors. It is my intention to present a report to the Board during fiscal year 2011-12 concerning this matter.

Finding #2: CDBG grants, which include the Housing Rehabilitation and Microenterprise Programs, are labor and time intensive.

Response: I agree with this finding.

Recommendation #2: Increase staffing levels to accommodate these necessary requirements or consider contracting portions of CDBG grants to local agencies.

Response: This recommendation requires further analysis. Staffing levels would be a component of any restructuring of the department. As stated above, this analysis will take place during fiscal year 2011-12.

Finding #3: The grant revenues brought into Trinity County's economy in the past 15 years total \$22.6 million, contributing to the overall economic health of the communities and County government.

Response: I agree in part with this finding. .

Recommendation #3: Restructure the Department. Consider expansion of the department to include economic development activities. This expansion, with the appropriate staffing, would better utilize personnel, the potential funding sources, and would be more beneficial to the community overall. Creation of a strong department is critical to the economic health of the County.

Response: This recommendation requires further analysis. Any restructuring and/or expansion of the grants department would be at the discretion of the Board of Supervisors. It is my intention to present a report to the Board during fiscal year 2011-12 concerning this matter.

Finding #4: Administrative fees from grants do not cover all of the cost of running a grants department.

Response: I agree in part with this finding. Administrative and Activity Delivery portions of grant awards could cover the department provided it was staffed according to the funds available. Again, staffing levels will be part of the report presented to the Board in fiscal year 2011-12.

Recommendation #4: Amend grant agreements to increase program contributions where applicable, increase the amount of grant activity, and budget general funds to cover the expenses of grant activities not covered by, or recoverable from, administrative fees.

Response: This recommendation requires further analysis. The Administrative and Activity Delivery percentages are set by the granting agencies. This is not something that is negotiable within the grant agreements. As to the use of general fund dollars to cover grant department expenses, this would be at the discretion of the Board. Given the current fiscal constraints facing the County it would be difficult to recommend use of general fund monies for this purpose.

Finding #5: Time and effort have been spent pursuing grants for which the County could not qualify, because it could not meet the requirements designed for larger counties.

Response: I agree with this finding.

Recommendation #5: Before expending substantial time on a grant opportunity, research should be conducted to ensure that the County or entities applying for the grant can meet the criteria, such as population density, demographics, matching funding, income levels, and other requirements necessary to receive the grant. A checklist or assessment tool should be obtained or devised for this purpose.

Response: This recommendation is already in place. Existing staff working on grant applications work diligently to prepare the most competitive applications possible. Each grant opportunity has differing criteria and tools are in place to assess the criteria.

Finding #6: Deficits have occurred when, for any number of reasons, an employee's time is spent pursuing a grant that is ultimately not awarded.

Response: I agree with this finding.

Recommendation #6: County General Funds should be budgeted to cover unrecoverable expenses.

Response: This recommendation requires further analysis. Any expenditure of general fund dollars would be at the discretion of the Board of Supervisors. It is my intention to present a report to the Board during fiscal year 2011-12 concerning this matter.

Finding #7: Grants Department policies and procedures are nonexistent, including no definition of "conflict of interest", an issue referenced in the CAO's Staff Report.

Response: I disagree in part with this finding. Each grant has a set of policies and procedures that must be followed. These are called program guidelines. Additionally, the Conflict of Interest Code of the Trinity County Administration Department (Including County Counsel, Personnel, Grants And Housing Loan Rehabilitation, Risk And Loss Prevention, General Services, Information Technology And Veteran's Services Officer, adopted by the Board of Supervisors on October 19, 2010, in sections 10 and 11 clearly define conflict of interest. That being said, a comprehensive policy and procedures manual for all the varying functions within the Grant department is needed.

Recommendation #7: A Policies and Procedures Manual should be immediately developed and implemented. It should include a strongly worded definition of "conflict of interest". We suggest the use of wording currently used in County contracts. A good example can be found in the County contract with Superior California Economic Development District for the Microenterprise portion of the CDBG grants. Additionally, the manual should define employee roles, checks and balances related to the accounting of funds, and the relationship with the CAO's office. Implement a formalized system of oversight and enforcement of policies and procedures. It should be noted that the department's Policies and Procedures Manual is not

intended to replace the county Employee's Handbook, but to be specific to the operational structure of the Department.

Response: This recommendation would be implemented should the Grants Department be reorganized.

Finding #8: Lack of grants management software contributed to an unidentifiable deficit.

Response: I disagree in part with this finding. Without a clear understanding of what caused the deficit, you cannot assume that grants management software would have prevented the deficit.

Recommendation #8: Investigate the availability of grants management software, and acquire to support grant activities. This may be the answer to quickly reopening the department while other needed changes are being pursued.

Response: This recommendation requires further analysis. It is my intention to present a report to the Board during fiscal year 2011-12 concerning this matter.

Finding #9: Lack of a qualified grants researcher/writer position has led to missed grant opportunities.

Response: I disagree with this finding. The grants department has had many highly qualified personnel. There are many reasons a grant application may not be funded, the least of which is the more competitive nature of the grants world.

Recommendation #9: Create a position for a grants researcher/writer. Hire or contract to fill this position with an individual who has a proven record of procurement of grants.

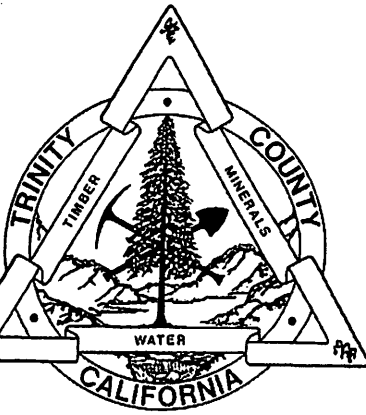
Response: This recommendation requires further analysis. Any restructuring of the grants department would be at the discretion of the Board of Supervisors. It is my intention to present a report to the Board during fiscal year 2011-12 concerning this matter.

:wt

RECEIVED

AUG 23 2011

TRINITY COUNTY
SUPERIOR COURT



TRINITY COUNTY

Board of Supervisors

P.O. BOX 1613, WEAVERVILLE, CALIFORNIA 96093

PHONE (530) 623-1217 FAX (530) 623-8365

*Reviewed
JMM
8/24/2011*

TO: The Honorable James Woodward,
Judge of the Superior Court

FROM: Judy Morris, Chairman *Judy Morris*

SUBJECT: Response to Recommendations of 2010-11
Grand Jury Finance and Administration Committee Final Report
RE: Grants Department Imperils County Finances
No.: FAR2010-2011-002

DATE: August 2, 2011

Finding # 1: Trinity County Grants Department lacks cohesive structure.

Response: The Board agrees with this finding.

Recommendation # 1: The creation of a structured department is imperative to the economic health of the communities and to supplement funds for the County budget. The department must expand its breadth to include researching, locating, writing proposals and obtaining grants applicable to Trinity County and its needs.

The distribution of information to other departments or the business community when appropriate, the proper tracking of expenses and the aging of cash carry-overs, are important features that need to be part of the department's new structure.

Response: The recommendation will require further analysis. The observations and suggestions made by the Grand Jury are appreciated, however, at this time; the Board has not thoroughly reviewed or discussed the options that might exist for the Grants department. We anticipate holding those discussions in 2011-12 and will include your recommendations in our discussions.

Finding # 2: CDBG grants, which include the Housing Rehabilitation and Microenterprise programs are labor and time intensive.

Response: The Board agrees with the finding.

JUDY PFLUEGER
DISTRICT 1

JUDY MORRIS
DISTRICT 2

ROGER JAEGL
DISTRICT 3

DEBRA CHAPMAN
DISTRICT 4

WENDY OTTO
DISTRICT 5

Recommendation # 2: Increase staffing levels to accommodate these necessary requirements or consider contracting portions of CDBG grants to local agencies.

Response: The recommendation will require further analysis. The observations and suggestions made by the Grand Jury are appreciated, however, at this time; the Board has not thoroughly reviewed or discussed what the options are that might exist for the Grants department. We anticipate holding those discussions in 2011-12, and will include your recommendations during those discussions.

Finding # 3: The grant revenues brought into Trinity County's economy in the past 15 years total 22.6 million, contributing to the overall economic health of the communities and county government.

Response: The Board agrees with the finding

Recommendation # 3: Restructure the department. Consider expansion of the department to include economic development activities. This expansion, with the appropriate staffing, would better utilize personnel, the potential funding sources and would be more beneficial to the community overall. Creation of a strong department is critical to the economic health of the County.

Response: The recommendation will require further analysis. The observations and suggestions made by the Grand Jury are appreciated, however, at this time; the Board has not thoroughly reviewed or discussed what the options are that might exist for the Grants department. We anticipate holding those discussions in 2011-12 and will include your recommendations in our discussions.

Finding # 4: Administrative fees from the grants do not cover the cost of running a grants department.

Response: The Board disagrees with part of this finding. The administrative and activity delivery portions of grants awards could cover the departments costs provided staffing levels and overhead costs did not exceed the funds available.

Recommendation # 4: Amend grant agreements to increase program contributions where applicable, increase the amount of grant activity and budget general funds to cover expenses of grant activities not covered by or recoverable from administrative fees.

Response: The recommendation would require further analysis. The County does not have the right to amend the grant agreements, as the allowable amounts of administrative and activity delivery percentages that the department may use are set by the granting agencies. Regarding the use of general funds to cover grant department expenses, this is something that the Board has not reviewed or discussed at this time. We anticipate that this discussion will take place during the budget hearings in September 2011.

Finding # 5: Time and effort have been spent pursuing grants for which the County could not qualify because it could not meet the requirements designed for larger counties.

Response: The Board agrees with the finding.

Recommendation # 5: Before expending substantial time on a grant opportunity, research should be conducted to ensure that the County or entities applying for the grant can meet the criteria, such as population density, demographics, matching funding, income levels and the other requirements necessary to receive the grant. A checklist or assessment tool should be obtained or devised for this purpose.

Response: The recommendation has been implemented. Each grant opportunity has different criteria and tools are in place to assess the County's ability to meet the criteria needed for the grant.

Finding # 6: Deficits have occurred when, for any number of reasons, an employee's time is spent pursuing a grant that is ultimately not awarded.

Response: The Board agrees with this finding.

Recommendation # 6: County general funds should be budgeted to cover unrecoverable expenses.

Response: This recommendation will require further analysis. Researching and pursuing grant opportunities are part of the responsibility of the grant department, therefore, there will be times when efforts are put forth in an attempt to obtain a grant but the attempt will not be successful. However allocating general funds to cover grant department expenses is something that the Board has not reviewed or discussed at this time. We anticipate that this discussion will take place during the budget hearings in September 2011.

Finding # 7: Grants department policies and procedures are nonexistent, including no definition of "conflict of interest", an issue referenced in the CAO's staff report.

Response: The Board disagrees with part of this finding. To implement a "grants department policy and procedure" manual could jeopardize the funding that the County receives, as each grant comes with its own set of policies and procedures that are designed by the granting agency. When the County agrees to receive fund awards, the expectation of the granting agency is that those policies & procedures must be followed.

Regarding the conflict of interest definition and concern, the "Trinity County Conflict of Interest" code, as adopted by the Board of Supervisors on October 19, 2010 clearly defines conflict of interest. This definition could certainly be added to any comprehensive departmental policy and procedures manual that is developed in the future.

Recommendation # 7: A policies and procedures manual should be immediately developed and implemented. It should include a strongly worded definition of "conflict of interest". We suggest the wording currently used in County contracts. A good example can be found in the County contract with Superior California Economic Development District for the microenterprise portion of the CDBG grants. Additionally the manual should define employee roles, checks & balances related to the accounting of funds and the relationship with the CAO's office. Implement a formalized system of oversight and enforcement of policies and procedures. It should be noted

the department's policies and procedures manual is not intended to replace the County's employee handbook, but to be specific to the operational structure of the department.

Response: The recommendation requires further analysis. The Board agrees that the recommendation for a comprehensive policy and procedure manual for all of the varying functions within the grant department (including adhering to policies and procedures designed by granting agencies) be developed and is appropriate. However, at this time; the Board has not thoroughly reviewed or discussed what the options are that might exist for the Grants department. We anticipate holding those discussions in 2011-12 and will include your recommendations in our discussions.

Finding # 8: Lack of grants management software contributed to an unidentifiable deficit.

Response: The Board disagrees with the finding. There is no substantiating evidence that having grant management software would have prevented the deficit.

Recommendation # 8: Investigate the availability of grants management software and acquire to support grant activities. This may be the answer to quickly reopening the department while other needed changes are being pursued.

Response: This recommendation requires further analysis. The observations and suggestions made by the Grand Jury are appreciated, however, at this time; the Board has not thoroughly reviewed or discussed what the options are that might exist for the Grants department. We anticipate holding those discussions in 2011-12 and will include your recommendations in our discussions.

Finding # 9: Lack of a qualified grants researcher/writer position has led to missed grant opportunities.

Response: The Board disagrees with part of the finding. There are many reasons that a grant opportunity might be missed or a grant application might not be funded, not the least of which is the very vastness and competitive nature of the grants world.

Recommendation # 9: Create a position for grants researcher/writer. Hire or contract to fill this position with an individual who has a proven record of procurement of grants.

Response: This recommendation requires further analysis. The observations and suggestions made by the Grand Jury are appreciated, however, at this time; the Board has not thoroughly reviewed or discussed what the options are that might exist for the Grants department. We anticipate holding those discussions in 2011-12 and will include your recommendations in our discussions.