INTRODUCTION AND SCOPE

In accordance with a request from the Administration, we have reviewed the budgeting, accounting and reporting procedures for the three grants processed through the Circuit Court of Howard County. Our review was initiated to determine what procedures are in place in the County to account for these grants and how the Circuit Court, the Department of Finance, and the Office of Budget interact in the grant process.

BACKGROUND

The Circuit Court has received a Child Support Enforcement Grant through the State of Maryland since 1995 which provides for the adjudication of child support matters in Howard County. This grant requires a 34% match of County funds to operate the program. In 1998, the County began receiving funds from the Family Law Grant that provides additional resources for the support and management of family law cases in Howard County. The grant is provided by the Maryland judiciary and requires no matching funds. The third grant, Mediation and Conflict Resolution Office (MACRO), began in FY 2004 and is available to design and implement a mediation program for dependency cases in the Circuit Court for Howard County and requires no matching funds. This grant is 100% State funded.

CURRENT PROCEDURES

We have reviewed the above three Circuit Court grants starting with determining the revenues and expenditures of the programs going back to fiscal year 1999 for the Child Support Enforcement Grant and 1998 for the Family Law Grant (earliest available records). The grant process flows through several County agencies so it is important to decide what controls should be in place, what controls are in place, and to rectify any differences.

FINDINGS AND RECOMMENDATIONS

Circuit Court for Howard County

The Circuit Court for Howard County is the authority considered the "Grant Administrator" for these grants. Although all grants and budgets are authorized through the Office of Law,

Office of Budget, and Department of Finance, and approved by the County Executive, the initial preparation and approval is the responsibility of the Circuit Court and, specifically, the Court Administrator.

Child Support Enforcement – The Court Administrator informs the State each year as to the amount of grant funding he will need from them and states that he has always received that amount. The terms of the grant require that 34% of the grant must be County matching funds. Approximately eight months later he will receive a signed copy of the grant which is a reimbursement grant of Federal pass-thru funds. Request for reimbursement of expenditures which are not payroll related is sent directly to the State by the Court Administrator in order to be reimbursed. Payroll related reimbursements are billed quarterly by the Department of Finance based on information received from the Payroll Department. In FY 04, payroll related expenditures were 94% of the amount received. No report is required to be filed with the State for this grant. We performed an in-depth review of the funding and related expenditures for this grant and found that more has been spent for this program than has been received every year since 1999 which was the earliest year for which records were available. In addition, it was determined that the County matching funds had not been transferred from the General Fund where it was originally budgeted to the Grants Fund for fiscal years 2001, 2002 and 2003. The net effect for fiscal years 1999 through 2004 is that **expenditures** exceeded **revenues** by $163,901 (attachment 4). This amount was absorbed by the 051 Grants Fund. If the matching funds had been transferred from the General Fund to the Grants Fund in fiscal years 2001, 2002, and 2003, the net effect for fiscal years 1999 through 2004 would have been **revenues** exceeding **expenditures** by $61,392, i.e., there would have been a surplus of revenues over expenditures. We therefore recommend that:

1. In order to repay the 051 Grants Fund for prior year expenditures which should have been funded by the General Fund, an additional net amount of $102,509 ($163,901 deficit less the $61,392 overage) be transferred from the General Fund to the Grants Fund.

Administration's Response:

The Administration concurs with this recommendation and has repaid the 051 Grants Fund for all outstanding prior year grant expenses by transferring funds from the General Fund.

Family Law Grant – The amount of State funding for this grant is determined by the State on an annual basis. Funds are received automatically four times a year and no request for reimbursement of expenditures is required. In FY 04, payroll related expenditures were, for the first time, more than the amount received. This grant requires that a report recapping the year's activities be filed with the State once a year but this does not contain financial information. As we began our review, the State auditors were at the Circuit Court requesting a detailed review of revenues and expenditures for this grant. A review of the funding and related expenditures for this grant program by our office and the Budget Office revealed that $204,561 more in State funding had been received than had been spent since the program inception in 1998 (attachment 5). The Budget Office informed us that an agreement has been reached with the State of Maryland judiciary auditors whereby this amount will be spent by the County from the 051 Grants Fund before any new revenue is received from the State. The Grant Administrator informed us that revenue reports were not made available to him. In order for the Grant Administrator to determine that grant expenditures not exceed the grant budget or that the full grant award is received we recommend that:

2. ***Grant revenues and expenditures should be monitored at least monthly by their related grants and reconciled by the Court Administrator annually.***

Administration's Response:

The Administration agrees that revenues and expenditures should be monitored. The Family Law Grant will be administered by the Family Law Case Coordinator, the Alternated Dispute Resolution Grant will be administered by the Permanency Planning Liaison and the Child Support Master Grant (CSEA-050) will be administered by the Judicial Secretary. These staff members will monitor their grants and reconcile grants monthly and annually.

3. ***The Court Administrator should be notified by Finance when grant revenues are received as to the specific grant and amount. This would allow him to verify all related grant funds received and is necessary for the reconciliation process.***

Administration's Response:

The Administration agrees with this recommendation. The newly developed Grants Management Policy and Procedure requires Finance to notify departments when grant revenues are received and agencies receiving grants are required to reconcile their expenditures and revenues.

Mediation and Conflict Resolution – This program received a State grant of $26,000 in FY 2004, however, it was not included in the approved budget. These funds were not spent as of year-end and are available. Because the Howard County Code (Charter Section 602) stipulates that the budget must include all anticipated revenue, we recommend that:

4. *All, anticipated grant revenue be fully budgeted to be in compliance with County law.*

Administration's Response:

The Administration agrees with this recommendation. All anticipated grant revenue will be fully budgeted to be in compliance with County Law.

The following observations and recommendations apply equally to all of the grants:
The Court Administrator stated that he knows how much is spent for the three grants but does not know exactly how much revenue has been received for the grants, however, he believes he consistently spends less than the grant amounts. Based on our review, more than the grant amount was spent on the Child Support Enforcement Grant and less than the revenue received on the Family Law Grant (see related recommendations #2 and #3).

No overhead is charged to the grants. Because overhead is incurred in the administration of these grants we recommend that:

5. *An appropriate amount of overhead be charged against the grants.*

This charge should be determined by the Budget Office.

Administration's Response:

The Child Support Enforcement Grant does allow overhead to be charged for reimbursement and the Budget Office will work with the Circuit Court Administrator to ensure that the overhead is applied to the grant for reimbursement in FY06. The other two grants are State grants and these do not permit overhead to be charged back.

Department of Finance

The Department of Finance enters grant funding into the County's financial system based on the approved budget document. In the case of the Circuit Court, we found that the approved General Fund budget amounts for matching funds were not entered into the County's financial system for fiscal years 2001, 2002, and 2003, and these amounts were not subsequently transferred from the General Fund to the Grants Fund. Reimbursement checks are received by Finance, credited to the proper account, and deposited. Non-payroll related expenditures are paid by the Department of Finance as requested by the Court Administrator. Payroll expenditures are billed quarterly to the State by Finance based on information received from the Payroll Department. Most of the grant expenditures are payroll related.

Budget Office

The Office of Budget receives the estimated program costs and grant revenues from the Court Administrator and, in the case of the Child Support Enforcement Grant, determines the amount of County funding necessary to provide the County matching funds. Although matching funds were budgeted, no review was made to determine if they were transferred to the Grants Fund. New forms and procedures (see below) put in place in FY 05 should guard against this reoccurring.

Additional New Procedures

Since problems have been found with the funding of certain County grants, the Department of Finance and the Office of Budget have developed several new forms. The Department of Finance has requested that all departments with grant funding complete a "Grant Project Survey" form (attachment 1) which requests detailed information on each grant and the funding requirements including any required County match. In addition, a "Single Audit Worksheet" form (attachment 2) requests information to be used by the external auditors during their audit work on federal programs. The Office of Budget has prepared a new detailed information form (attachment 3) that will be submitted with each grant included in the budget. This form requests information such as the source of the numbers included for the grant, the payment method, and

the amount of matching funds. These forms will provide the County with additional data on all grants and in a format that will be consistent in all departments. The information should be summarized and compared to the amounts included (especially County funding requirements) in both the budget documents and the financial records.

In addition, a Grant Administrator position is being created in the Department of Finance. This Grants Accountant will assist departments in completing their quarterly grant reconciliation's, research discrepancies, monitor grant reimbursement requests, prepare County matching fund transfers and prepare schedules required for the Single Audit. The County has also purchased the Financial Tracking System (FTS), which will provide the software to track detail activity of all County grants. It has been purchased for County-wide use in a web-based version and the anticipated date for implementation is October, 2004. In addition, a policy is currently being established by the Grant Management committee to provide uniform guidelines for authorizing, budgeting, monitoring, and accounting of grants received by Howard County Government.

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