

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Policy Session Worksheet

Presentation Date: May 10, 2016 **Approximate Start Time:** 2pm **Approximate Length:** 30 mins

Presentation Title: Board of County Commissioners and County Internal Controls – Request for Approval of the Grants Management Manual

Department: Finance

Presenters: Matt Westbrook

Other Invitees: Laurel Butman, Marc Gonzales, Christa Wolfe

WHAT ACTION ARE YOU REQUESTING FROM THE BOARD?

Approval and adoption by motion of the Clackamas County Grants Management Manual

EXECUTIVE SUMMARY (why and why now):

Internal controls are the heart of an organization's commitment to accountability and integrity in financial management. This presentation will outline the internal control processes essential to the County's commitment to its citizens and grant funding agencies, and request the approval of a Grants Management Manual as the "next step" in the continuing development of County internal controls. Highlights from the manual related to the role of Commissioners in the internal control process will be provided. The Grant Application Lifecycle process, adopted as part of the Manual, will outline the key financial and managerial information departments will now be required to provide to the BCC and County Administration related to approval of department applications for external grant funding.

FINANCIAL IMPLICATIONS (current year and ongoing):

Is this item in your current budget? Yes

What is the cost? Staff time

What is the funding source? Allocated

Better management of external funding through increased accountability, minimization of risk, and better controls over funds will result in preservation of the County's reputation as a worthy recipient of grant funding.

STRATEGIC PLAN ALIGNMENT:

- How does this item align with your Department's Strategic Business Plan goals? Adoption of the Manual allows County Finance to fulfill a key portion of its Performance Clackamas goals, specifically its strategic goals related to building public trust through good government and departmental improved knowledge of financial performance.
- How does this item align with the County's Performance Clackamas goals? This Manual aligns with the County's Performance Clackamas goal of building trust through good government. This Manual provides protection for external grant funding, which can help fund Board of County Commissioner goals.

LEGAL/POLICY REQUIREMENTS:

December 26, 2014 Federal Uniform Guidance compliance; DOJ site visit findings related to departmental grants

PUBLIC/GOVERNMENTAL PARTICIPATION:

A number of County departments collaborated in the construction of this Manual. County Treasury has reviewed sections related to cash handling. County Administration and County Internal Auditor have vetted the Manual. The Executive Management Team has reviewed the Manual. County-wide training on the Manual has already begun.

OPTIONS:

1. **Approve and adopt as presented.** *Pros:* Immediate implementation of enhanced internal control policies and procedures. *Cons:* none
2. **Approve and adopt with modifications.**
3. **Do not approve or adopt.** *Pros:* extra time to vet the manual. *Cons:* The County will continue to be out of compliance with federal requirements and DOJ site visit required remedial action.

RECOMMENDATION:

1. Adopt the Grants Management Manual as official County policy, governing all grants received by and issued from Clackamas County.

ATTACHMENTS:

1. Grant Application Lifecycle Form
2. Grant Management Manual available online at <http://www.clackamas.us/finance/documents/grantsmanual.pdf>
3. Powerpoint Presentation

SUBMITTED BY:

Division Director/Head Approval - CBW
Department Director/Head Approval - MG
County Administrator Approval - DK

For information on this issue or copies of attachments, please contact Matt Westbrook @ 503-742-5417.



BOARD OF COUNTY COMMISSIONERS AND COUNTY INTERNAL CONTROLS

REQUEST FOR APPROVAL OF THE GRANTS MANAGEMENT MANUAL



COMMITTEE OF SPONSORING ORGANIZATIONS (COSO) INTERNAL CONTROL BEST PRACTICES

- Board of County Commissioners Responsibilities:

#1 – Setting the Tone of the CONTROL ENVIRONMENT

BCC Commitment to Integrity and Ethics

Demonstrates Independence from Management and Exercises Oversight of Internal Controls

Established Structures, Reporting Lines and Authorities in Pursuit of Objectives

Demonstrated Commitment to Attract, Develop and Retain Competent Individuals

Holds Individuals Accountable for Internal Control Responsibilities

COMMITTEE OF SPONSORING ORGANIZATIONS (COSO) INTERNAL CONTROL BEST PRACTICES

- Board of County Commissioners & Management Responsibilities:

#2 – Assessing Risk

Setting objectives which are clear and specific enough to identify and assess risks

Performing risk identifications and assessments relative to County objectives and analyzing risks so that they can be properly managed

Specifically considering fraud as a potential risk

Identifying and assessing changes (staff turnover and experience, economic conditions, new regulations, etc.) that could affect the system of internal controls

COMMITTEE OF SPONSORING ORGANIZATIONS (COSO)

INTERNAL CONTROL BEST PRACTICES

- Board of County Commissioners & Management Responsibilities:

#3 – Control Activities

Selecting and developing control activities that help to mitigate risks relative to the achievement of objectives, bringing risks to “acceptable” levels

*Selecting and developing control activities **specifically relating to technology***

*Deploying control activities through adopting and **implementing policies** that establish what is expected, and **procedures that put policies into action***

COMMITTEE OF SPONSORING ORGANIZATIONS (COSO) *INTERNAL CONTROL BEST PRACTICES*

- Board of County Commissioners, Management & Staff Responsibilities:

#4 – Communication and Information

Obtaining and/or generating relevant, quality information that supports internal controls

Supporting internal communication, including responsibilities for internal controls

Communicating with external parties about matters affecting internal control functioning

COMMITTEE OF SPONSORING ORGANIZATIONS (COSO) *INTERNAL CONTROL BEST PRACTICES*

- Management & Staff Responsibilities:

#5 – Monitoring Activities

Selecting, developing and performing ongoing or separate internal control evaluations

Evaluating and communicating internal control deficiencies in a timely manner to parties responsible for taking corrective action, including senior management and the BCC

CLACKAMAS COUNTY INTERNAL CONTROL EVALUATION

- Recent Internal Control Mechanisms Implemented
 - Internal Auditor – Brian Nava
 - Senior Accountant, Compliance Specialist – Matt Westbrook
- COSO Recommendations—Specifically Around Grant Management—Still Outstanding
 - *CONTROL ACTIVITIES:*
 - *Selecting and developing control activities **specifically relating to technology***
 - *Deploying control activities through adopting and **implementing policies** that establish what is expected, and **procedures that put policies into action***
 - *COMMUNICATION AND INFORMATION:*
 - ***Obtaining and/or generating relevant, quality information that supports internal controls***
 - ***Supporting internal communication, including responsibilities for internal controls***

INTERNAL CONTROL REMEDIES

- Present Action, Step #1:
 - Adopt the **Grant Management Manual** as presented
- Forthcoming Action, Step #2
 - Accept the Policy Level Proposal for **Grants Management Software & Grants Manager**

GRANTS MANUAL ITEMS OF INTEREST TO COMMISSIONERS

- Developed in a Collaborative Process
 - A number of department fiscal representatives met with Finance bi-monthly over four months to:
 - Develop the grant processes—from conception to closeout—that are outlined in the Manual
 - Help think through potential difficulties in implementation
 - Edit chapters of the draft Manual
 - Discuss possible training opportunities related to implementation of the new procedures and policies
 - County Treasury has reviewed sections related to cash handling
 - County Administration, the Executive Management Team, and the County Internal Auditor have vetted the Manual
 - County-wide training on the Manual has already begun

GRANTS MANUAL ITEMS OF INTEREST TO COMMISSIONERS, CONT'D

- Grant Application Lifecycle Process
 - Streamlines the process for getting grant application approval from department, division and BCC/Administration.
 - Everyone will now see the same information related to potential new projects: risk/benefits considered by the department, how the potential grant aligns with Performance Clackamas goals, consideration of organizational capacity and staffing needs, how departments will collaborate on the potential grant, potential community partners, and how the potential new program will be sustained (or not), among other items of interest.
 - Departments will have thought through a potential award in comprehensive detail, and all affected departments will be working off of the same information.
 - Commissioners will receive this completed form when they are asked to approve applications for grant awards over \$150k or as required.

GRANTS MANUAL ITEMS OF INTEREST TO COMMISSIONERS, CONT'D

- Manual necessitated by the Federal Government's Uniform Guidance of December, 2014 and a site visit from the U.S. Department of Justice in September, 2015
- Aligns with Performance Clackamas Goals
 - Building public trust through good governance
 - Limiting risk and implementing controls for the more than \$100 million in annual County grant funds—funds that help accomplish Board goals

GRANTS MANUAL ITEMS OF INTEREST TO COMMISSIONERS, CONT'D

- Training in Indirect Cost Recovery
 - Departments have been uneven in requesting indirect costs on incoming grants to the County.
 - New federal regulations allow for more generous indirect cost recovery options for the County.
 - The Manual trains departments on what is available to them and how to go about making indirect cost claim requests in their grant budgets.
 - Indirect cost recovery will allow departments to consistently reclaim costs related to administering our federal awards, easing tight departmental budgets.

GRANTS MANUAL ITEMS OF INTEREST TO COMMISSIONERS, CONT'D

- The Manual clarifies County Department responsibilities related to Grant Management.
- Outlines the process by which Finance will now manage all **federal** grants, to include reporting, posting, deposits, drawdowns, etc.
 - Finance already performs some or all of these functions for a few departments. Others departments will shift these responsibilities to Finance over time. Public Health is first up.
 - Exceptions: Health Centers will continue to manage its own federal grants; other exceptions may be negotiated in the future.
- This shift will strengthen internal controls and eliminate a number of common audit and site visit findings.

RECOMMENDATION

“Adopt the Grants Management Manual as official County policy, governing all grants received by and issued from Clackamas County.”