

Grants
Management
Audit
Transportation
Department

Report 2021-04



Internal Audit Unit

2600 Fresno Street, Suite 2162 PH (559) 621-6880 FAX (59) 498-2544
Fresno, California 93721-3611
www.fresno.gov

Kriti Agrawal, CIA
Principal Internal Auditor

August 19, 2022

Honorable Mayor and Audit Committee Members
City of Fresno, California

In accordance with Administrative Order 1-10 and in conjunction with the FY 2020 Risk Assessment, the Internal Audit Unit undertook a performance audit of Grants Management by the Transportation Department for the audit period of July 1, 2016 to December 31, 2020. The Audit Results are presented on page 6. Management's responses to our audit recommendations are presented immediately following the recommendations, as well as at the end of the report.

Internal Audit may perform a follow-up audit twelve months after this report is issued to verify that each recommendation has been implemented or that the findings documented have been resolved in a manner that addresses the cause of the issue or risk identified.

We would like to thank the staff from the Transportation Department for their assistance and cooperation during the course of the audit.

Respectfully submitted,

Kriti Chadha Agrawal

KRITI AGRAWAL, CIA
Principal Internal Auditor, Internal Audit

CC: Georgeanne White, City Manager, Office of the Mayor & City Manager
Gregory Barfield, Assistant City Manager, Office of the Mayor & City Manager
Joe Vargas, Director of Transportation, Transportation Department
Brian Barr, Assistant Director, Transportation Department
Belinda McMillan Haener, Assistant Director, Transportation Department
Vanessa Bryant, Internal Auditor, Finance Department
Liliana Vidrio Flores, Internal Auditor, Finance Department

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Introduction

The City of Fresno relies on grant funding to support the Transit Division of the Transportation Department (Transit). As of 2020, Transit manages approximately \$200 million in grant award funding. Grant revenue is a primary funding source for expenses as shown in the table below:

Figure 1: Transit financials

Description	FY 21	FY 20	FY 19	FY 18	FY 17
Svc Revs	(2,327,967)	2,516,023	9,347,770	10,746,028	11,452,398
Grant Rev	47,925,455	79,086,015	36,967,015	20,325,254	35,304,944
Total Revenue	45,597,488	81,602,038	46,314,785	31,071,282	46,757,342
Costs for Svc	45,184,103	41,028,671	38,685,513	34,777,748	32,075,092
Admin	14,453,958	15,140,990	13,831,149	13,819,624	11,385,719
Total Expenses	59,638,061	56,169,661	52,516,662	48,597,372	43,460,811
Grant Rev as % of Total Rev	105%	97%	80%	65%	76%
Grant Rev as % of Total Exp	80%	141%	70%	42%	81%

Source: Transit Fund financial statements from Annual Comprehensive Financial Reports for the fiscal years listed in the table.

Over the past five fiscal years, grants have provided Transit with an average of 84.6% of its total annual revenues and covered an average of 82.9% of Transit's annual expenses. Given this large dependence on grants to fund its operations, strong management by Transit of its grants is critical. The Government Finance Officers Association's best practices for grant administration include:

- Develop appropriate cash management procedures for drawdown and receipt of funds as well as disbursement of funds.
- Maintain a process to ensure that costs charged to grants are allowable, necessary and reasonable, and properly allocable and that these determinations are consistently applied.
- Maintain a comprehensive list of reporting requirements and a reminder system for meeting the reporting deadlines.

Source: <https://www.gfoa.org/materials/grants-administration>

Grant information

Transit applies to receive grant funding from the following three sources for projects -

1. Local
2. State
3. Federal

The figure below reflects the various grant awarding agencies which provided funding to Transit:

Figure 2: Local, State, and Federal funding sources



Source: Based on Internal Audit's review of funding sources from the 2020 grant spreadsheet.

Transit receives two types of grants – restricted funding allocations where the funds are allocated to FAX by the grantor and require project approvals before funds are available for expense reimbursement, and those where an application is submitted as part of a competition. Both grant types are not to be confused with the unrestricted funding allocations received by FAX from TDA and Measure C. For example, Urbanized Area Formula Funding program (49 U.S.C. 5307) from the United States Department of Transportation (DOT) is a restricted funding allocation, under which funds are allocated annually to FAX from the FTA based on a formula apportionment. To receive the allocated funds, FAX must first submit a grant application detailing the planned projects, incur expenses for the approved projects, and request reimbursement. After the DOT approves the application, the City receives funds for the year appropriated plus five years.

Occasionally, a grant can have elements of both categories. Such is the case with the Grants for Buses and Bus Facilities Program (49 U.S.C. 5339). This grant provides funding to states and transit agencies through a statutory formula to replace, rehabilitate and purchase buses and related equipment and to construct bus-related facilities. In addition to the formula allocation, the Grants for Buses and Bus Facilities program

includes two discretionary components: the Bus and Bus Facilities Discretionary Program and the Low or No Emissions Bus Discretionary Program. The funding for grants issued under these discretionary components are obligated for four fiscal years. This obligation includes the fiscal year in which the amount is made available or appropriated plus three additional years.

The Grant Lifecycle

The grant lifecycle includes three phases: the pre-award phase, the award phase, and the post award phase.

Figure 3: The Grant Lifecycle



Source: Information from Grants.gov

A grant applicant in the pre-award phase would start by searching for grants that they are eligible for and match the mission of their organization. After they identify a grant, an applicant will analyze the specific eligibility and technical requirements and confirm that they would like to proceed with applying. Completing the application is the last step of this phase. For the award phase, once the application review process is complete, then a Notice of Award is sent to the entities selected for funding. Grants awarded by the FTA require a detailed grant agreement be drafted by the recipient, approved by regional FTA staff, approved by national FTA staff, and executed by the Director of Transportation before funds are available to drawdown for reimbursable expenses. The final phase is the post award phase, which includes reporting progress and expenditures per the grant agreement, being subject to audit by federal agencies, and submitting final financial and programmatic reports during the closeout process. The awarding agency must confirm the completion of all required grant work and applicable administrative tasks, which can take several months until the closeout process is complete. This audit focused on the post award phase.

Background

The City of Fresno has Administrative Order 1-1 (Grant Award Administration) which allows each department and division to pursue grant resource opportunities, maintain an active grant portfolio, and utilize grant funds to supplement and enhance the long-term goals and objective of the City. Each department and division are responsible for maintaining control and accountability for all grant funds, submitting reimbursement requests on a timely basis, and maintaining all financials records and supporting documents.

Grants funds are utilized for capital projects, operational projects, or a hybrid of both. The distribution of the types of grants currently being managed are listed below:

Figure 4: Types of grants

Row Labels	Sum of Total Grant Award
Capital	\$ 102,981,217.65
Capital & Operating (Hybrid)	\$ 84,989,333.00
Operating	\$ 12,752,156.70
Grand Total	\$ 200,722,707.35

Source: Fiscal Year 2020 Single Audit grant spreadsheet.

Transit receives most of their grants from the Federal Transit Administration (FTA) - \$147 million of the \$200 million of the total grants awarded as of 2020.

Figure 5: Funding sources and total grant awards

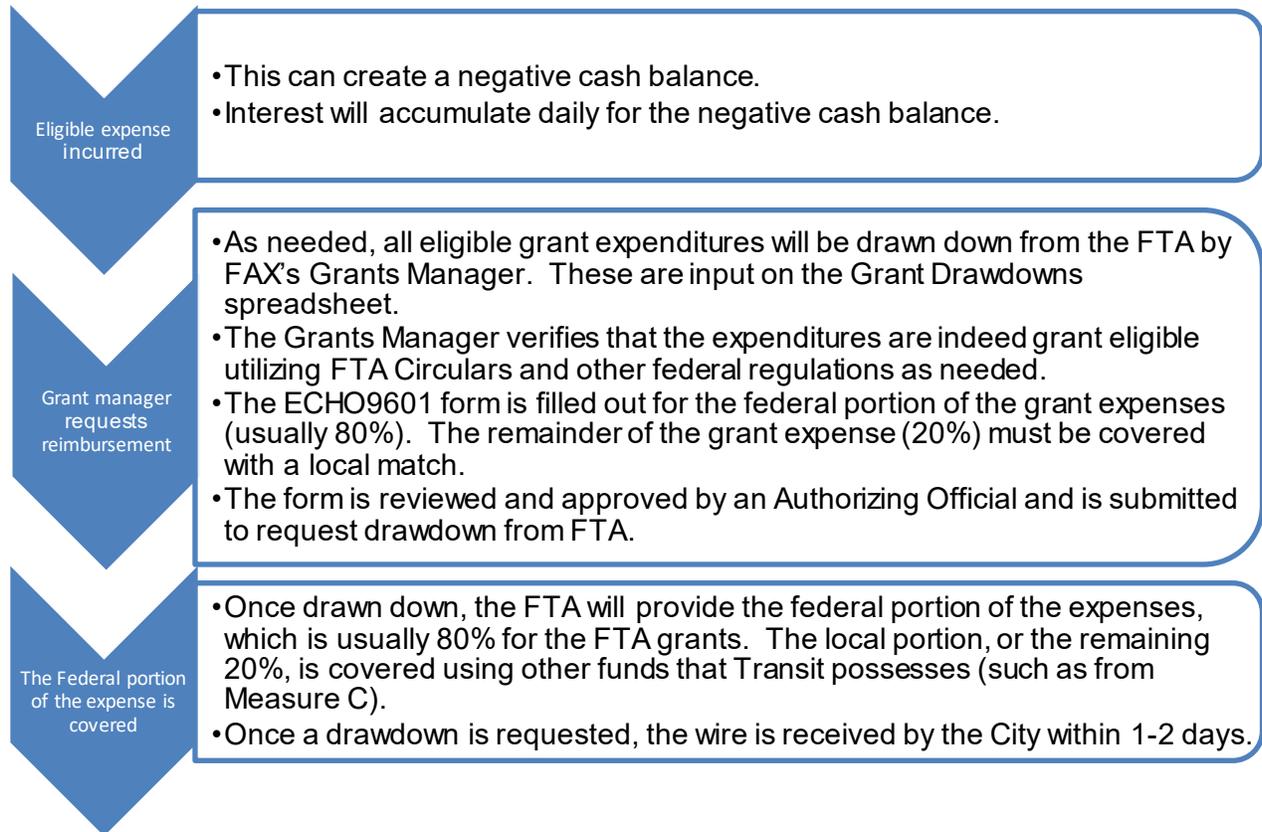
Funding Source	Number of grants	Total Grant Award
CalTrans	13	\$ 43,997,358.09
CalOES	3	\$ 5,407,141.26
Federal Transit Administration	35	\$ 147,888,798.00
Measure C	1	\$ 330,000.00
San Joaquin Valley Air Pollution Control District	1	\$ 3,099,410.00
Total	53	\$ 200,722,707.35

Source: Based on Internal Audit's review of the 2020 grant spreadsheet.

For their review, Internal Audit selected two capital grants one provided by US Department of Transportation (FTA) and the other by the CA State Department of Finance (CA Division of Mass Transportation), one operating grant provided by CA State Department of Transportation (CalTrans), and two hybrid grants from the FTA for a total of five grants. Further details on the selection methodology can be found in Appendix 1.

To obtain the funds granted by the FTA, Transit must submit eligible expenses through a drawdown process. Three out of the five grants selected followed the drawdown process illustrated in Figure 6.

Figure 6: Federal Expense and Drawdown Process

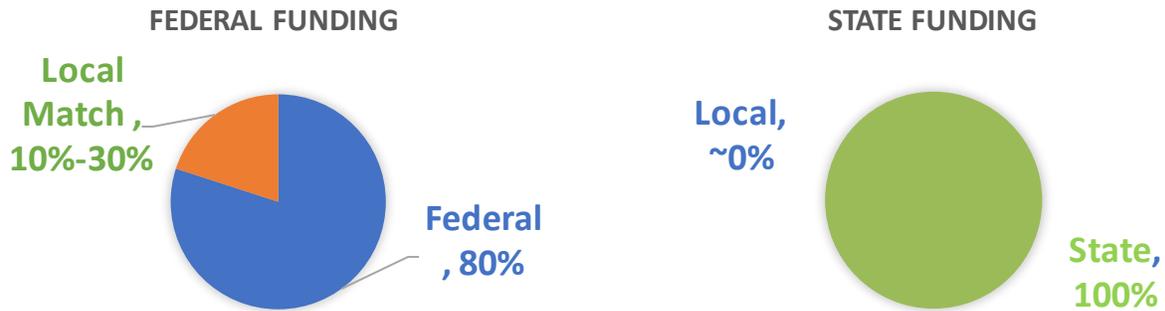


Source: Internal Audit, based on review of Transportation Department internal policies and conversations with the Treasury Unit within the Finance Department.

It must be noted that the Federal Grants have different requirements and processes in comparison to State Grants.

All grants that have been received from the Federal Government are required to have a 10 - 30% match from Transit. The grants received from the State typically do not have a match requirement; thus, Transit will receive 100% of the grant awarded.

Figure 7: Grants Award portion



Source: Internal Audit, based on a review of grant agreements.

AUDIT RESULTS

Finding 1: Transactions are not consistently labeled correctly

Transit utilizes Electronic Clearing House Operations (ECHO) to submit grant drawdown requests. Transit staff completes and submits an ECHO9601 form to draw down the federal portion (usually 80%) of the grant award. Internal Audit reviewed 15 ECHO forms and identified irregularities on 6 forms. The following issues were identified on the forms, with some forms having multiple irregularities:

1. Seven instances where the ECHO9601 form did not include the project information.
2. Three instances where the ECHO9601 form included incorrect project information.

Transit staff utilizes the form to book the journal entries for grant drawdowns, and inaccuracies in the form result in the journal entries being inaccurately prepared and posted. Internal Audit identified 14 inaccuracies on the selected ECHO forms that resulted in where the drawn-down revenue was posted into funds, orgs, and/or projects that were different from where the expense was incurred. Managing accurate and complete transactions is necessary to appropriately track grants. If drawdowns are not appropriately accounted for with the appropriate project, this could result in issues when determining the drawdown status. It may also result in erroneously drawing down on funds on multiple instances. If this were to occur the City may incur interest charges towards the fund. Per FTA Circular guidelines, it is important to include correct project information to ensure appropriate funds are available.

Recommendations:

- The ECHO9601 form should be thoroughly reviewed before submitted.

Management Response –

FAX agrees that errors and accidental omissions have happened on the ECHO forms themselves. Fortunately, there are alternative checks and balances in the grant drawdown process, so ECHO forms alone are not used to track drawdown status of the projects within a grant.

The individual grant spreadsheets are the preferred method of tracking drawdown status, as they are updated in real-time during the drawdown preparation process. Status reports are also available from the FTA's Transit Award Management System (TrAMS) and ECHO. In no circumstance are the ECHO forms alone used to determine drawdown status or funds availability.

It is also noteworthy that the "project information" that appears on the ECHO forms are internal FAX project numbers only – not FTA scopes or activities. These project numbers are not referenced by or known to the FTA, so their inclusion or exclusion on the ECHO forms is a departmental process only.

Finding 2: Transit does not consistently adhere to City procedures requiring maintaining formal documentation to support drawing down after the completion date

Per Administrative Order 1-1, the City requires all departments and divisions to manage and maintain their grant projects. This includes maintaining documentation and utilizing current grant agreements. If they are not maintained properly, there is the potential for mismanaged grant funds. Internal Audit identified grant 90-Z026 with the following expired projects –

1. FC00019
2. FC00053
3. FC00026

Transit continued submitting drawdowns on these projects several years after their expiration without documentation of an extension. Internal Audit determined that drawdowns for project FC00019 did not begin until after its end date, as detailed below in Figure 8.

Figure 8: Grants with expenses beyond the completion date

Grant Number	Project	Grant total	Contract completion date	Drawdown request date after contract completion	Total reimbursements received after end date
90-Z026	FC00019	\$125,000	9/30/2015	12/20/2016 4/12/2017 6/28/2017 9/26/2017 12/21/2017	\$105,000.00
90-Z026	FC00053	\$1,250,000	12/15/2017	9/10/2020	\$42,450.00
90-Z026	FC00026	\$125,000	11/30/2016	4/12/2017 6/28/2017 9/26/2017 12/21/2017 6/27/2018 9/24/2018 12/24/2020	\$182,295.65
		\$375,000	10/28/2016		

Source: Internal Audit, based on review of contract completion and extension dates of selected grants.

Although these grants were not formally extended, the FTA still approved expenses submitted after the contract completion date. Thus, it is clear that despite policies which require the receiving agency to submit expenses prior to the completion of grants, the FTA gave some form of permission to Transit to submit expenses for reimbursement after the grant's completion date. However, Transit was unable to provide documentation where the FTA either gave permission to submit expenses after the completion date or formally extended the grant's completion date. Transit should maintain documentation to show the extension of a contract completion date.

Recommendations:

- Transit should be timely in filing for extensions for grant projects and maintain documentation of the extension.

Management Response –

FAX agrees that applying for formal grant extensions is a best practice and strives to complete extension applications, as necessary. In many instances, FAX receives informal permission or instructions directly from our FTA post-award manager via e-mail to simply perform final drawdowns and closeout procedures, rather than go through the extension process (which increases the workload for FTA staff). In the future, FAX will request extension amendments early and save all relevant e-mail communications with FTA to demonstrate authorization and compliance.

PROPOSED IMPROVEMENTS

These items are not mandated by City or departmental internal policies. However, they are proposed changes for the efficiency of managing grants throughout the City. The Finance and/or the City Manager's Office are responsible for providing responses to the discoveries identified.

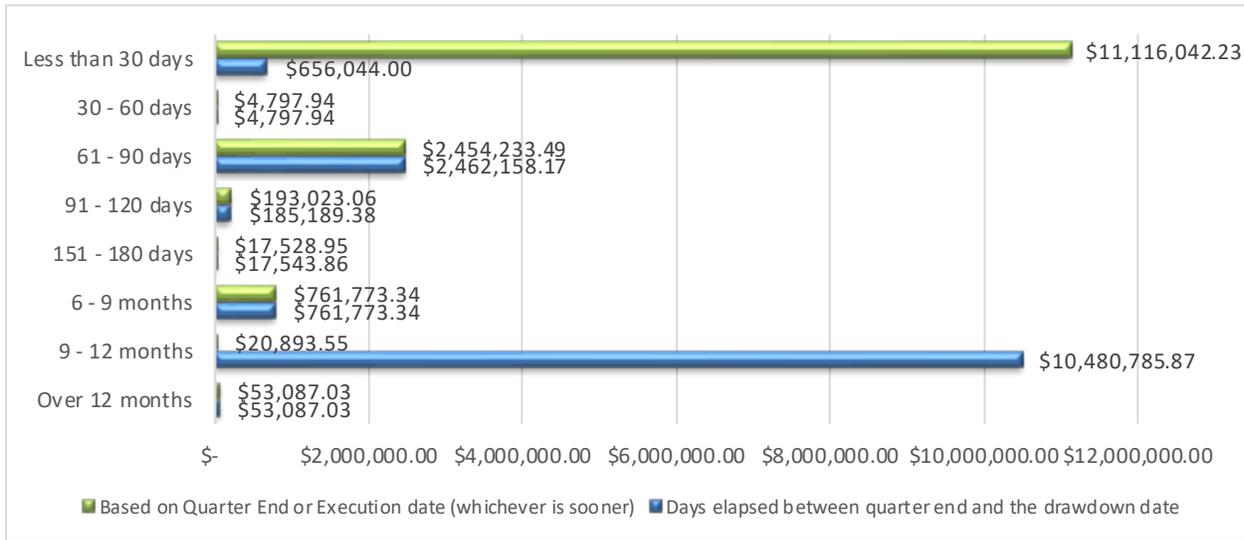
Discovery 1: Grant-receiving departments should work towards completing drawdowns and local match transfers on a quarterly basis or sooner based on the expense total.

A. 33% of instances reviewed by Internal Audit were not drawn down on a quarterly basis or sooner based on the agreement execution date.

The City of Fresno's Administrative Order 1-1 states: "Departments/divisions shall submit reimbursement requests to the granting agency on a timely basis (preferably within 90 days or less of incurring costs), according to the reimbursement frequency as required in the Grant Agreement". Transit's Grant Drawdown Procedure (Policy A6-3) states: "As needed (usually quarterly), all eligible grant expenditures will be drawn down from the FTA by FAX's Grants Manager".

Internal Audit conducted testing to review the length of time taken to complete drawdowns. From the grants selected for review, three out of five grants required drawdowns. The selection included 48 quarters that were reviewed. Within the 48 quarters, there were 52 drawdowns reviewed, which included some quarters that had a portion of their expenses paid at a separate time. For example, if an expense was processed at the very end of the month or quarter, then it might be requested in the subsequent month's/quarter's drawdown. Of the 52 drawdowns, 35 (67%) were submitted on a quarterly basis or sooner, while 17 (33%) were not submitted on a quarterly basis or sooner when reviewed against the execution date. However, when analyzed against the congressional date, 29 (56%) were submitted on a quarterly basis or sooner and 23 (44%) were not submitted on a quarterly basis or sooner. Drawdowns can be posted on an as needed basis and they are not limited to a quarterly, or even monthly, basis.

Figure 9: Days Elapsed*



*Source: Internal Audit, based on review of three grants over December 2016 to December 2020 for transactions totaling \$14,621,379.59. This chart shows the full expense and the number of days between the quarter end date and the drawn down date for the federal portion in blue. It shows the full expense and the number of days between the quarter end date or execution date (whichever is sooner) and the draw down date in green.

Internal Audit reviewed the Congressional approval dates compared to the first drawdown date within our scope period to ensure that Congressional approval was not a limiting factor.

Figure 10: Comparison of Congressional Approval Date & First Drawdown Date

Grant	Project	Final Congressional Approval Date	1st Drawdown Date	Length of days between Congressional Approval and the Drawdown Date
Grant 2016-106	FC00050	12/18/2015	4/12/2017	481
Grant 2016-106	FC00053		9/26/2017	648
Grant 2016-106	FC00036		1/29/2019	1138
Grant 90-Z026	FC00019	3/26/2013	12/20/2016	1365
Grant 90-Z026	FC00053		4/12/2017	1478
Grant 90-Z026	FC00026		12/20/2016	1365
Grant 2019-044	FC00019	2/15/2019	6/30/2020	501
Grant 2019-044	FC00036		9/25/2019	222
Grant 2019-044	PLAN		9/25/2019	222
Grant 2019-044	MAINT		9/25/2019	222
Grant 2019-044	TIRES		9/25/2019	222
Grant 2019-044	HR		9/25/2019	222
Grant 2019-044	ADMIN		9/25/2019	222

As the data in the audit sample shows, the earliest that Transit drew down funds after Congressional approval was 222 days. The longest duration between Congressional approval and Transit’s drawdown was 1,478 days.

Internal Audit also compared the first drawdown date versus the grant execution date. The results can be found in Figure 11 below:

Figure 11: Comparison of Congressional Approval Date, Grant Execution Date & First Drawdown Date

Grant	Project	Final Congressional Approval Date	Grant Execution Date	1st Drawdown Date	Length of days between Execution Date and the Drawdown Date
Grant 2016-106	FC00050	12/18/2015	9/23/2016	4/12/2017	201
Grant 2016-106	FC00053			9/26/2017	368
Grant 2016-106	FC00036			1/29/2019	858
Grant 90-Z026	FC00019	3/26/2013	5/27/2014	12/20/2016	938
Grant 90-Z026	FC00053			4/12/2017	1051
Grant 90-Z026	FC00026			12/20/2016	938
Grant 2019-044	FC00019	2/15/2019	8/29/2019	6/30/2020	306
Grant 2019-044	FC00036			9/25/2019	27
Grant 2019-044	PLAN			9/25/2019	27
Grant 2019-044	MAINT			9/25/2019	27
Grant 2019-044	TIRES			9/25/2019	27
Grant 2019-044	HR			9/25/2019	27
Grant 2019-044	ADMIN			9/25/2019	27

Source: Federal Transit Administration Apportionments Documents provided by the Transit Department

Transit was timelier in its drawdowns when compared to the grant execution date. The range of days between the grant execution date and the first drawdown spanned anywhere from 27 days to 1,051 days.

B. 47% of instances reviewed by Internal Audit did not have the local match transfer posted on a quarterly basis or sooner

The City’s Administrative Order 1-1 and the Transportation Department’s policy A6-3 have guidelines regarding drawdowns, but do not have specifications related to local match transfers. Internal Audit reviewed 48 quarters of expenses through December 31, 2020, of which there were four quarters totaling \$3,051.07 that did not have a match transfer posted to-date. There were six quarters where Internal Audit was unable to reconcile the match to the specific quarter with which it was associated. For the remaining 38 quarters, there were 20 (53%) where the match transfer occurred on a quarterly basis or sooner and 18 (47%) where they did not occur on a quarterly basis or sooner.

Per FTA circular 5010.1E regarding the non-federal or local match share, “the recipient certifies that it has or will have available the proportionate amount of the non-federal share to pay promptly the costs incurred or that become due to implement the Award, except to

the extent that the Federal Government determines in writing that the non-federal share may be deferred.”

C. Interest

As part of the City’s total cash and investment portfolio, the Finance Department’s Treasury Unit manages an investment pool composed of the City’s cash balances of each of the City’s funds, except for certain Trust and Agency Funds and other restricted accounts. Interest income from pooled investments is allocated to the individual funds based on each fund’s average daily cash balance at month end in relation to total pooled investments. The City’s policy is to charge interest to those funds that have a negative average daily cash balance at month end. Charged interest is usually not a grant eligible expense. As a result, any negative interest has to be paid with other non-grant operating funds, thus leaving less resources for operational expenses.

Internal Audit conducted testing to compare the total interest expense accumulated for a fund compared to an estimate if the fund balance was cleared out on either a quarterly or monthly basis.

Figure 12: Avoidable Interest Expense

	43555	43560	43504
Projected Negative Interest with Monthly Drawdowns	\$ 536.39	\$ 3,449.75	\$ 52,524.97
Projected Negative Interest with Quarterly Drawdowns	\$ 1,299.10	\$ 5,152.36	\$ 125,003.64
Actual Interest Charged	\$ 5,219.29	\$ 31,932.82	\$ 964,417.53

Source: Internal Audit, based on review of interest expenses. The estimates include five days of interest after each month or quarter end to allow for time for the drawdown and local portion to be posted.

As the table above shows, more frequent submissions of drawdowns and transfers for the local portion for grant expenditures can lessen negative interest.

Proposed Changes:

- The City should draft policies requiring that all grant drawdowns are done on a quarterly basis or sooner.
- Formalized match policy and procedures should be developed which reflect a timeliness component regarding when matches should occur.
- The policy should define dollar thresholds for monthly and/or quarterly drawdowns.

Management Response –

As the Responsible Department over Administrative Order 1-1: Grants Award Administration, the Finance Department (Finance) agrees that Administrative Order 1-1 should be revised to require grant drawdowns be done on a quarterly basis, that a dollar threshold be established under which monthly drawdowns would occur, and that a match policy be defined. No later than 90 days after the issuance of this audit report, Finance will deliver to the City Manager’s Office an updated version of Administrative Order 1-1 which will address these three proposed changes.

Discovery 2: Incomplete grant closing procedures

A. Funds are not terminated when grants are completed

Internal Audit requested Transit provide the status of the following funds that remained open in the City’s financial system even though the grant appeared to be closed:

Figure 13: Outdated Funds

Fund	Fund Group
43550	FY11 FTA 5307 Grant CA-90-Y843
43551	FY10-FY12 Federal CMAQ
43552	FY10 FTA 5308 Grant CA-58-0007
43561	FY12 FTA 5309 Grant CA-04-0280

Source: Internal Audit, based on review of the cash report from December 31, 2020.

Transit informed Internal Audit that the grants were closed in the first quarter of FY 2022, but the funds were not closed. Transit is scheduled to close the outdated funds during an end of the fiscal year clean-up process.

Proposed Changes:

- The City should actively manage grants which includes developing an annual process to review and closeout outdated and/or expired funds.
- Per CFR 200.344, grants should liquidate financial obligations no later than 120 calendar days after the end date of the period of performance as specified in the terms and conditions of the award. When grants are closed out, the fund should be terminated within two quarters.

Management Response –

As the Responsible Department over Administrative Order 1-1: Grants Award Administration, Finance agrees that Administrative Order 1-1 should be revised to require grant-receiving departments to develop an annual process to review and

closeout outdated and/or expired funds. No later than 90 days after the issuance of this audit report, Finance will deliver to the City Manager's Office an updated version of Administrative Order 1-1 which will address the proposed change for closeout of grant funds.

Discovery 3 – Finance Department: Administrative Order 1-1 has not been updated since 2013

Administrative Order 1-1 regarding Grant Award Administration has not been updated since 2013. For example, AO 1-1 mentions the Citywide Grant Administrator: however, this position is not currently active. Additionally, some of the processes listed on the AO 1-1 are no longer being followed, such as providing the notification of award to the Grant Administrator. The Finance Department prepared and submitted an updated AO 1.1 in March 2021. The draft is currently awaiting distribution by the City's Personnel Services Department for feedback from the City's Departmental Directors.

Proposed Changes:

- City management should develop a process to consistently review and update Administrative Order 1-1 to reflect the current processes in place for Grant Award Administration.
- City management should follow up with all parties involved with reviewing and approving the Administrative Order to ensure it is authorized and released in a timely manner.

Management Response –

As the Responsible Department over Administrative Order 1-1: Grants Award Administration, Finance agrees that Administrative Order 1-1 should be reviewed and revised on a regular basis. No later than 90 days after the issuance of this audit report, Finance will deliver to the City Manager's Office an updated version of Administrative Order 1-1.

Appendix 1: Sampling Methodology

City of



INTERNAL AUDIT

MEMORANDUM

TO: City Staff (Upon Request)
FROM: Internal Audit Unit
SUBJECT: Selection of Grant Sample

1. Introduction

This memorandum contains the selection process of the samples for the Transit Grants Audit. The objective of this audit is to determine if Transit has established adequate internal controls to effectively manage grants. Furthermore, the audit is intended to identify and verify compliance with conditions of selected grants and applicable laws and regulations.

2. Background

During an entrance conference and follow up meeting with Transit, Internal Audit asked if Transit could provide a list of all grants and their awarded amounts. Transit's Administrative Manager provided Internal Audit with a grants spreadsheet, which included all grants that are currently being managed.

3. Selection Process

Internal Audit gathered the information from all Single Audit grant spreadsheets submitted to the Finance Department from Fiscal Year 2017-2020. A separate spreadsheet was created and compiled with prevalent information to aid in selecting samples. Internal Audit came up with three options to make the selection:

Option 1 - Internal Audit would select 10% of total grant awards for each fiscal year. This methodology would narrow the selection to one grant per year.

Option 2 - Internal Audit compiled all fiscal year 2017 to 2020 grants and added conditional formatting to highlight all grants that were duplicated within our scope period. 10% of the non-duplicative grants would be selected for review.

Option 3 - Internal Audit created a list of all the grants listed in 2020 that also were included in the other fiscal years 2017 to 2019. Internal Audit numbered all the rows, for a total of 50, then used an excel tool to randomize the list of 50 and selected five grants from that randomized list. The grants selected for sampling were as follows:

Excel Row	Grant Identifier	Fund No.	Type of Grant	Granting Agency	Granting Department	Total Grant Award
10	CA-2016-106	43560	Capital	US Department of Transportation	Federal Transit Administration	\$4,823,127.00
21	CA-90-Z026-00	43555	Capital & Operating	US Department of Transportation	Federal Transit Administration	\$8,896,857.00
28	CA-2019-044-01	43504, 43567	Capital & Operating	US Department of Transportation	Federal Transit Administration	\$10,460,000.00
42	LCTOP Allocs	43564	Operating	CA State Department of Transportation	CalTrans	\$1,562,163.00
45	Prop1B_FAX	43542	Capital	CA State Department of Finance	CA Division of Mass Transportation	\$209,397.17

4. Final Selection

Internal Audit decided to select Option 3 to select the samples. By electing this option, Internal Audit is sampling 13% of active grants in 2020. The awarded amount of grants totals \$25,951,544.17 combined. The selected grants include activity from prior fiscal years.

Appendix 2: Sampling Methodology

City of



INTERNAL AUDIT

MEMORANDUM

TO: City Staff (Upon Request)
FROM: Internal Audit Unit
SUBJECT: Selection of Fund Sample

1. Introduction

This memorandum contains the selection process of the samples for the Transit Funds. The objective of this audit is to determine if Transit has established adequate internal controls to effectively manage grant funds. Furthermore, the audit is intended to identify and verify compliance with conditions of selected grants and applicable laws and regulations.

2. Background

Internal Audit reviewed data containing Grant Funds Figures that is compiled by the Finance Department (City of Fresno, Cash Summary Report). Internal Audit determined that four funds that do not have any transactions (drawdowns) and have not closed out the grants we have selected for testing (referenced in Appendix 1) would be selected.

3. Selection Process

Internal Audit gathered the information from Cash Summary Report for the funds needed. A separate spreadsheet was created and compiled with prevalent information to aid in selecting samples.

Process - Internal Audit created a list of all the funds included in 2020 that also were included in the other fiscal years 2017 to 2019. Internal Audit utilized excel tool to randomize the list of funds to make its selection. The funds selected for sampling were as follows:

Fund	Fund in Grant
43550	FY11 FTA 5307 Grant CA-90-Y843
43551	FY10-FY12 Federal CMAQ
43552	FY10 FTA 5308 Grant CA-58-0007
43561	FY12 FTA 5309 Grant CA-04-0280