Culver CITY

INTEROFFICE MEMORANDUM

DATE: 01/19/2006

TO: The Honorable City Council

FROM: Jerry B. Fulwood, Chief Administrative Officer

SUBJECT: Update on Progress with Grants Collection/Administration

One area currently under review is the City's grants management and collection programs. Over the past several months, the CAO's Office has been working together with all City Departments to evaluate the current situation and to implement policies that will improve future operations. Following is a summary of the results of these efforts.

As of June 30, 2005, thirty-one (31) open and closed grants were associated with a grant receivables totaling $2.48 million (*Capital Grant Fund No. 423* $2.32 million and *Operating Grant Fund No. 414* $164,800).

In investigating grants receivable, staff reviewed citywide oversight and responsibilities for managing and administering grants, as well as identifying and applying for grants. During the course of the review, staff identified the following deficiencies in the oversight/administration of grant funds:

1. **Untimely Drawdown Requests for Funds**
   Extended delays in reimbursements were caused by departments failing to submit requests in a timely manner. While the terms of some grant agreements may not permit immediate replenishment of grant expenditures advanced by the City, most of the grant agreements permit funds on a monthly basis. Previous grant procedures have not required monthly assessment of negative cash balances or of reimbursements in a timely manner basis. Thus, departments have not initiated request for grant funds as quickly as permitted under the agreement.

2. **Inactive Negative Grant Funds**
   In identifying grants with negative balances, four (4) grants, totaling $157,399 are associated with closed out capital projects that were completed in the mid to late 90s. The negative cash balances maintained for the extended period indicates expenditures for which reimbursement may be problematic in receiving from the grantor.

Staff have developed and implemented the following policies, procedures, and practices to address the identified deficiencies.

1. **Revised Administrative Policy and Procedures**
   Staff has revised the City's *Administrative Procedures for Grant Submission and Administration* to provide uniform procedures for monitoring grant drawdowns and closeout activities, and grant identification, solicitation, and application processes.

2. **Grants Taskforce**
   The Office of the CAO has developed a *Grants Taskforce,* composed of Departmental grant liaisons to meet periodically to coordinate and monitor citywide grant activities.

3. **Advisement to Departments to Drawdown**
   In identifying business units with negative grant receivables, staff has advised departments to immediately invoice for reimbursement.

4. **Investigating Inactive Grants**
   Staff has begun to investigate inactive grants that have carried negative balances for an extended period of time. Staff is taking the appropriate steps to either immediately realize the outstanding revenue, or write–off the receivable as uncollectible, if it is determined that certain expenditures are not eligible for reimbursement by the grantor.

Since providing the appropriate oversight to the City's grant receivables, grant receivables have been reduced to $1.84 million, a decrease of $640,000. Further, departments have invoiced grantors a total of $1.3 million dollars of the outstanding receivable. Due to the nature of reimbursable grants, negative cash balances will persist for grants for a period of 2-3 months before money is received from the grantor. Staff will monitor receivables to ensure that the City's negative grant receivables will continue to decrease.

Through implementation of the above practices and continued oversight of the overall grants procedures Citywide, we are confident that every dollar of the remaining $0.54 million in grants receivable will be either (1) invoiced and collected or (2) accounted for and appropriately booked in the City's financial system.