



Coastal Impact Assistance Program (CIAP) Grant

Internal Audit

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CHAMBERS COUNTY AUDITOR

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Executive Summary:

The Chambers County Auditor's office has completed an internal audit of the Coastal Impact Assistance Program (CIAP) grant, as required by Local Government Code 115. This audit was conducted for the life of the grant, 2011 to 2017.

The overall objective of the audit was:

To assess and evaluate Economic Development's procedures for administering the Coastal Impact Assistance Program grant and execution of all grant requirements.

Specific audit objectives were to:

- Assess and evaluate the procedures for administering the grant.
- Determine if the proper documentation was filed timely for each project.
- Ensuring the expenditures for each project are allowable and fall within the approved budget.

The Chambers County Economic Development department was responsible for managing the grant and ensuring proper documentation was filed with the granting agency.

Background:

In 2007 the U.S. Congress allocated over \$109 million in Coastal Impact Assistance Program (CIAP) funds to the State of Texas through the U.S. Fish and Wildlife Service. CIAP is funded by the royalties from offshore oil and gas leases in federal water and supports a total of 93 State projects.

The intent of the program is to distribute funding to eligible producing states and coastal political subdivisions for the purpose of conservation, protection, or restoration of coastal areas. These areas include wetlands, mitigation of damage to fish, wildlife, or natural resources; planning assistance and the administrative costs of complying with these objectives. It also includes the implementation of a federally-approved marine, coastal, or comprehensive conservation management plan, and mitigation of the impact of outer Continental Shelf activities through funding of onshore infrastructure projects and public service needs.

The producing coastal states, their eligible coastal political subdivisions, and the public will benefit from this program.



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Chambers County was awarded a total of 10 projects that totaled \$2,345,035.04.

The projects included Aquatic Invasive Species Management, Smith Point Wastewater Treatment Facility Project, Game Warden Enforcement Equipment, Coastal Habitat Protection and Restoration and Conservation Education, Texas Coastal Stewards of Tomorrow, Turtle Bayou Protection Project, Trinity Bay/Double Bayou Habitat Restoration and Protection, Shoreline Stabilization at Levee Road, Waterfront Access at McCullum Park, and Grant Administration.

Each project was awarded for a specific purpose, issued a grant period and total budget amount. Extensions and/or increase/decreases to the grant period and budget were allowed if proper documentation was filed timely.

Audit Scope and Procedures:

The audit performed was to ensure all documents were filed timely, verify the scope of the project was met and the expenditures were related to the project as a whole.

The following documents were collected during the audit:

- Project award letters which included the grant amount, purpose of the project and grant period
- Annual Financial and Performance Reports
- Final Financial and Performance Reports
- Any extensions to the grant period or amendments to the budget
- Contracts with parties related to the project, i.e. Contract for Services, Sub-Grantee Agreements, Memorandum of Agreements
- ASAP Reports (program system used to process payments)
- Transaction ledgers of all revenue and expenses related to each individual project



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Observations and Findings:

During the audit, the following observations were noted:

1. Budget:

- a. Game Warden Equipment: This project had a total budget of \$194,191. However, this project ran over budget by \$227.50. The County was required to absorb the overage.
- b. Texas Coastal Stewards of Tomorrow Waterborne Education: This project had a total budget of \$125,000. This project also went over budget by \$10.50 which was incurred by the County.
 - i. Both amounts are immaterial to the project as a whole but it is important to point out how the funds were handled and maintained for the projects.
- c. Funds: At one point, certain projects had the entire project budget drawn down before any expenses were incurred for those related projects. The County was then required to wire back the incorrectly drawn funds. Since this grant is an expense reimbursement grant, the funds couldn't be drawn down until expenses were incurred. The total amount of funds returned was \$830,333. It is also important to point out that the grant funds may not be transferred between projects/activities/budget categories without prior approval from U.S. Fish and Wildlife Service.

2. Amendments and Extensions:

- a. A signed, SF-424 is required to add or delete a project, modify the scope of work, increase or decrease the Federal funds, and/or extend the award period. Six (6) of the ten (10) projects were given project extensions. The reasons for the extension varied from issues on getting necessary permits, change in management of parties involved with the project, the project being "put on hold while county personnel dealt with other priorities", and simply no activity occurring on the project.
 - i. Shoreline Stabilization at Levee Road: This project had an original grant deadline of June 1, 2015 but was extended to December 31, 2016. According to the required Performance Reports that are to be submitted yearly, "the project was put on hold while county personnel dealt with other priorities." The Galveston Bay Foundation was then hired to oversee the project but it was put on hold again due to the Foundation being wrapped up with other projects.



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- ii. Waterfront Access at McCollum Park: The project had an original grant deadline of June 1, 2015 but was extended to December 31, 2016. The project fell behind schedule due to no activity occurring on the project during the reporting year. The project continued to stay behind schedule due to the passing of the County Parks Director and changes in the scope of work to be performed.
3. Annual and Final Reports:
- a. Each project is required to have annual interim performance and financial reports as well as a final performance and financial report. The award letter for each project clearly states which reports are required, the reporting period, and due date. Performance reports must contain: 1) a comparison of actual accomplishments with the goal and objectives of the grant as detailed in the approved scope of work; 2) a description of any significant deviations, including why established goals, objectives, and deadlines were not met, if appropriate; and 3) any other pertinent information relevant to the grant. The final financial report is required within 90 calendar days of the end date of the grant. This is required to comply with the Interim Guidance for Financial Status and Performance reporting dated May 15, 2009.
 - i. Game Warden Enforcement Equipment: This project had an original grant end date of April 15, 2013, with reports due July 15, 2013. An extension was requested and accepted to extend the grant to October 15, 2013. No extension letter was received during the audit.
 - ii. Grant Administration Support: The annual financial report for January 1, 2014 – December 31, 2014 incorrectly shows \$17,255.23 of expenses incurred when it should have shown \$23,203.63. The following years report for 2015 does not show any financial changes for the project however, expenses were paid during the year. The Grant Administration Support with Smartt Grants ended December 31, 2016. Therefore, the responsibility to submit proper documentation after this date for on-going projects fell on the County.
 - iii. Shoreline Stabilization at Levee Road: The final performance report states that “all grant funds were utilized” which contradicts the final financial statement that shows \$8,828.78 of unobligated funds. This remaining balance of funds came from the difference between what was paid to Galveston Bay Foundation, a local environmental non-profit who was



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hired to oversee the construction process of the project, and the projected budget for their project management services.

- iv. Waterfront Access at McCollum Park: The annual financial report for the year July 1, 2014 – June 30, 2015 shows no money was spent for the year. However, an expense of \$800 was paid during that period. The annual financial report for the period of July 1, 2015 – June 30, 2016 shows no money was spent on the project which contradicts the performance report for that period. The performance report states that there were new native trees planted throughout the park and an underground drip irrigation system was installed to protect the new trees. Transaction reports show \$61,448 in expenses for this work described in the performance report. Therefore, the performance and financial report for the period do not agree with one another.

4. Timing Differences:

- a. Each project has a grant period which clearly states when the project should be complete. If this date is not reasonable for the amount of work to be performed, an extension is allowed. Each financial report has a reporting period timeframe which should show the expenses and revenues that were associated with that project for that period. A few projects had expenses paid after the end of the grant period or receiving revenues before the expenses were paid.
 - i. Coastal Habitat Protection and Restoration and Conservation Education: The final financial report is through the end of the grant which was June 30, 2014. It indicates on the report that the cash receipts and disbursements were already spent and reimbursed by this date. However, the last payment and reimbursement made on this project wasn't until September 2014, two months later.
 - ii. Game Warden Enforcement Equipment: The basis of accounting for this award is a cash reimbursement meaning the funds should not be drawn down until expenses are incurred. However, funds were drawn in 2012 but no expenses were paid until 2013.
 - iii. Turtle Bayou Protection: Funds were drawn down nearly three months before expenses were incurred.
 - iv. Trinity Bay/ Double Bayou Habitat Restoration and Protection: The total amount of grant funds were drawn down before expenses were incurred. The County was required to wire the funds back to U.S. Fish and Wildlife Services.



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- v. Grant Administration Support: The funds for this project were also inadvertently drawn down in the full amount and the County was required to wire the unused funds back to U.S. Fish and Wildlife Services.
- vi. Shoreline Stabilization at Levee Road: The entire awarded amount for this project was drawn down at the beginning of the project before any expenses were paid. The County was required to wire the funds back to U.S. Fish and Wildlife Services. The final financial report also shows the reporting period ending December 31, 2016 but some expenses weren't paid until January and February 2017.
- vii. Waterfront Access at McCollum Park: This project also had all funds drawn down that was required to be wired back to U.S. Fish and Wildlife Services. The grant ended December 31, 2016 but this project had one expense paid in January 2017, past the grant period.

5. Allowable Expenses:

- a. The appropriate County personnel is required to review invoices and ensure all costs are allowable for the specific project. They are also required to follow Chambers County Purchasing Policy. The Policy states that purchases between \$1,000- \$4,999 should have at least two quotes and be approved by the Elected Official and County Auditor. Purchases between \$5,000- \$49,999 must have three quotes and placed on Commissioner's Court for approval. After all purchases, the department head/official will send: a signed original purchase order, an original invoice, a delivery ticket and/or any other supporting documentation to the Auditor's office to review before the claim is paid. Purchases of one or more items under a contract that require an expenditure exceeding \$50,000 will be made on the competitive proposal only.
 - i. Levee Road and McCollum Park: There were multiple expenses that were required to have more than one quote which was not provided during the audit. Expenses requiring three quotes were not provided as well. These purchases were discussed in Commissioner's Court and recommendations were given by the County Auditor. However, approval to move forward was decided by the Court. The competitive bidding process was followed for purchases exceeding \$50,000.



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6. Backup Documentation:

- a. The Purchasing Policy states that along with the purchase order, invoices and delivery tickets are to be submitted for the claim to be processed. The grant deadline was coming to a close and once invoices were submitted for the Levee Road and McCollum park projects, the Auditor's office requested delivery tickets to ensure the work was performed and goods and services were accounted for before the grant deadline. While reviewing the field dirt delivery tickets, it was evident that only two Parks Department employees signed the delivery tickets. It was also apparent the original invoice submitted for Levee Road was backdated into 2016 when the work wasn't complete until 2017. These invoices were rejected by the Auditor's office.
 - i. Waterfront Access at McCollum Park: The load tickets for this project were all dated December 27th and December 28th, 2016. When reviewing the employee's timesheet who signed off on every load ticket, it was evident the employee was not at work these two stated dates. He was on vacation during that work week.
 - ii. Waterfront Access at McCollum Park and Shoreline Stabilization at Levee Road: It is important to note that the delivery tickets for both projects were in sequential order, which started with delivery ticket #0001. All tickets were delivered by the same truck driver and same truck number.
 1. Waterfront Access at McCollum Park: Delivery ticket #0001-0052.
 - a. December 27, 2016 – 24 loads
 - b. December 28, 2016 – 28 loads
 2. Shoreline Stabilization at Levee Road: Delivery ticket #0053-0147.
 - a. January 17, 2017 – 23 loads
 - b. January 18, 2017 – 29 loads
 - c. January 19, 2017 – 21 loads
 - d. January 20, 2017 – 22 loads

Conclusion:

Overall, the grant funded many projects for the benefit of organizations within the County and was handled and monitored prudently, with exceptions. The Economic and Development department was cooperative when information was requested. However, not all documents requested were provided. There were a few issues from errors on financial reports, improper



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implementation of the Purchasing Policy, and expenses going over project budgets. All of which could potentially result in de-obligation of grant funds.

The internal audit included examining grant documents and transactions and required exercising judgment. As the internal audit was not a detailed examination of all applicant files/claims, therefore there is a risk that errors were not detected during the internal audit. The official therefore retains the responsibility for the accuracy and completeness of the financial information.

Our internal audit was performed with objectivity and due professional care.

It is our opinion that the information provided in this report represents inefficiencies, purchasing violations with management override, inadequate reporting, inconsistencies with responsibilities, poor scheduling of resources, and potential falsification of documents worthy of further investigation.