

*The County of Chester
Office of the Controller
Internal Audit Department*



*Management Letter
Open Space Grant Program
As of December 31, 2007*

Valentino F. DiGiorgio, III

Valentino F. DiGiorgio, III, Controller

To: William Gladden, Director of Open Space Preservation
Ronald Bailey, Planning Director
Pat Bokovitz, Director of Community Development
John Mikowychok, Director, Parks and Recreation

Introduction

On April 1, 2008 Internal Audit completed a review of the County of Chester’s Open Space Grant Program. Sharon Kaye Jones, CIA was the auditor-in-charge and was assisted by a member of the Finance department staff. This review was conducted at the Controller’s request based on the outcome of an audit risk re-assessment that was performed in the summer of 2006. The purpose of this review was to quantify and identify all recipients of open space grants awarded by the County of Chester from 1989 through 2007 and to ensure that the County is properly recording and accounting for expenditures with regard thereto. The scope of this review included the following Commissioner approved awards:

- Municipal Park Grants
- Spray/Drip Irrigation Grants
- Conservancy Grants
- Agricultural Easements (State Programs and County *Challenge* Grants)
- Park Acquisitions
- Vision Partnership Awards (Tier I and Tier II)
- Open Space Recreation And Environmental Resource Grants
- Community Revitalization Grants (Streetscapes and Sewer and Water).

Grant Program Overview

In 1989, the Commissioners of Chester County created and funded a comprehensive effort to preserve open space. Specifically, programs are designed to conserve productive non-irrigated agricultural soils in various open space areas, provide adequate local and county park and recreation opportunities, preserve significant natural areas, and encourage revitalization of developed areas.

As of December 31, 2007, \$185 million had been distributed by the County Commissioners to fund Open Space programs and initiatives. The approximate allocation of funds spent at the end of 2007 is summarized below:

▪ Administrative costs (1989-1999)	\$ 1,000,000
▪ Municipal Park and Spray Irrigation Grants	46,000,000
▪ Conservancy Grants	29,000,000
▪ Agricultural Easements	65,000,000
▪ Park Acquisitions	17,000,000
▪ Park Acquisitions	17,000,000
▪ Vision Partnership	5,000,000
▪ Community Revitalization	<u>22,000,000</u>
Total	\$ 185,000,000

Background Information

Prior to the onset of this review, a member of the Finance department staff, Financial Analyst Cynthia Ludwig, worked with members of the Open Space Preservation, Planning, Parks, and Community Development Departments, to compile spreadsheets which listed all Open Space Grant commitments, an aggregate allocation of \$185M, by type, date, and amount. Internal Audit used these spreadsheets to perform the steps necessary to achieve the objectives of this review.

Procedural Overview

Internal Audit selected a representative sample of grant and acquisition transactions from the summarized list of commitments prepared by the Finance department. Awarded monies were verified to Commissioner (Grantor) approval found in contracts, grant agreements, easement deeds or resolutions. Payments were matched against the terms of these signed documents. Actual payouts were verified to a copy of a check or signed voucher submitted to the Office of the Controller.

Executive Summary

Open Space records maintained by the Departments of Open Space Preservation, Planning, Parks and Community Development adequately support the summarized list of grant commitments provided Internal Audit by the Finance Department. Only a few non-material calculation, payment, and/or recording errors were noted during this review. (4 out of 203 transactions tested) These errors generally occurred during the early years of the Commissioner's Open Space initiative, specifically in 1990, 1993, 1996 and 1998. In addition, Internal Audit noted one instance in 2004 in which a \$6,000 cash award was processed as an in-kind grant commitment.

Recommendations

Internal Audit recommends that the Departments of Open Space Preservation, Planning, Parks, and Community Development continue to maintain complete and well organized files related to Open Space commitments. In some cases, historic files dating back to prior administrations were not as detailed or comprehensive as they are now. All files should contain a copy of every material document related to the transaction. Such documentation should also include copies of invoices provided by municipalities to substantiate their actual costs related to the approved project for reimbursement purposes.

Internal Audit further recommends that record retention guidelines specific to Open Space files and contracts be established and formally documented in a policy. It has been brought to Internal Audit's attention that departments involved in Open Space transactions are unclear as to "where" and "how long" these records should be kept. Until such time as the Commissioners adopt and approve a policy addressing such matters, the Office of the Controller proposes that these records be maintained indefinitely.

Internal Audit has also suggested to the Director of Open Space Preservation that when applicable, program coordinators obtain a written statement from a grantee acknowledging that they are forfeiting their right to unused grant funds. Mr. Gladden has already proposed a solution which would have the program coordinators add a line to the *final reimbursement form* which would include this acknowledgement and formally document the amount and the grantee's signature.

Lastly, the Assistant Director of Planning has suggested and Internal Audit concurs that it may be prudent to review Open Space records on a regular basis. As of December 31, 2007, the County of Chester had committed \$185M to this initiative in total and it is anticipated that another \$20M will be awarded in 2008.

We would like to thank the management and staff of Open Space Preservation, Planning, Parks, Community Development as well as Financial Analyst, Cynthia Ludwig for their cooperation and assistance during the course of this audit. Please feel free to contact me at (610)344-5913 should you have any questions or concerns.

cc: Carol Aichele, Commissioner
Terrence Farrell, Commissioner
Kathi Cozzone, Commissioner
Mark Rupsis, Chief Administrative Officer
Evelyn Walker, Chief Management Officer
Denny Bolton, Director of Financial Services
David Ward, Assistant Planning Director
Ray E. White, Jr. Deputy Controller
Vicki Brown, Senior Financial Analyst
Cynthia Ludwig, Financial Analyst