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# OFFICE OF THE CITY AUDITOR

City and County of Honolulu  
State of Hawai'i

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## Audit of the Leeward Coast Community Benefits Program

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A Report to the  
Mayor  
and the  
City Council of  
Honolulu

Report No. 11-02  
December 2010

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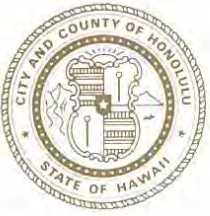
Submitted by

**THE CITY AUDITOR**  
CITY AND COUNTY  
OF HONOLULU  
STATE OF HAWAII

Report No. 11-02  
December 2010







EDWIN S.W. YOUNG  
CITY AUDITOR

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December 30, 2010

The Honorable Nestor Garcia, Chair  
and Members  
Honolulu City Council  
530 South King Street, Room 202  
Honolulu, Hawai'i 96813

Dear Chair Garcia and Councilmembers:

Our office has completed its review of the Leeward Coast Community Benefits Program (LCCBP). The objective of this audit was to evaluate the overall effectiveness of the LCCBP in providing enhanced benefits to the Leeward Coast communities. This audit is the first in a series of reviews of non-profits included in the Office of the City Auditor Annual Work Plans.

In June 2006, the city mayor unveiled the *Leeward Coast Community Benefits Program* which was intended to offset the impact of the city's Waimanalo Gulch landfill on the nearby communities. The program consists of annual appropriations which compensate the residents in the Kapolei to Makaha areas of O'ahu who bear the effects of having the island's only landfill located in their geographic area.

Administration of the LCCBP program includes three principal parties: the Department of Community Services (DCS), the Department of Parks and Recreation (DPR), and Community-Based Advisory Groups (CBAC). LCCBP funding through FY2009 totaled \$7 million. This amount included \$3 million for grants administered by the Department of Community Services, \$2.5 million for park capital improvement projects along the Leeward Coast under the auspices of the Department of Parks and Recreation, and \$1.5 million for park operating expenses.

Each year, about \$1 million is appropriated from the general fund for LCCBP grants. Best practices in grant management recommend that government agencies responsible for managing grants should close out expired grant accounts, including de-obligating unspent funds. We identified \$454,621 in LCCBP grant funds that appear unlikely to be used by the grantees whose contracts had expired. The funds have not been de-obligated because the Department of Community Services does not have a formal policy for lapsing unspent LCCBP funds. We recommend that DCS establish a policy to close out expired grant funds one year after a contract expires so that \$454,621 in unspent LCCBP grant funds can be de-obligated and returned to the general fund.

The program relies on annual appropriations from the general fund, which is subject to the availability of funds, budget negotiations, and administration priorities. Because the program uses general funds, there is no link between the program and the landfill operations, nor is there a guarantee that the program, or the public policy that established the program, will be sustained. In contrast, many municipalities around the country have established programs that provide continuous, uninterrupted funding to compensate communities for operating landfills, recycling facilities, or waste-to-energy plants. The city council can ensure the program's continuance by exploring alternatives such as establishing a formal host community benefit program, charging tipping fees, and establishing a special fund for the program.

In FY2006-07, the inaugural year of the program, grants totaled \$1 million and were awarded to 21 community-based non-profits. In FY2007-08, an additional \$1 million in grants were awarded to 25 non-profit community-based organizations. In FY2008-09, a total of \$1 million in grants were awarded to 31 non-profit, community-based organizations. We found the Community Services department needed to follow best practices for grant management to ensure that the funds fulfilled their intended purpose. Non-compliance with the best practices resulted in several deficiencies.

We found that many contracts lack performance measures and work plans. Some grantees did not deliver goods or services specified by the contracts, did not file required reports, and used grant funds to cover operational costs, administrative costs, and fundraising activities. Some grantees may have used grant funds to pay liability insurance premiums although it was required to maintain coverage at no cost to the city. Some grantees received subsequent grants, even though their past contract was not closed. In addition, the administration's change to an 80-20 distribution ratio further reduced grantee accountability and transparency and the risk for fraud, waste and abuse increased.

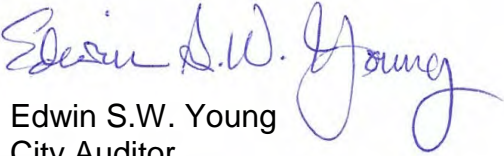
The Department of Design and Construction completed four park capital improvement projects from FY2006-07 through FY2008-09. Community Benefits Advisory Committee members report they are generally satisfied with the department's projects. The Department of Parks and Recreation's management of LCCBP funds could improve by avoiding questionable purchases and ensuring pCard purchases are properly authorized.

The Managing Director and administrators for the Departments of Community Services, Budget and Fiscal Services, Parks and Recreation, and Environmental Services generally agreed with the audit recommendations and are taking actions to implement a number of the recommendations based on the draft report. We note that the Managing Director and his staff expressed some concerns regarding the tipping fee surcharge recommendation. Overall, the management comments are responsive to our audit report and audit recommendations.

We wish to express our appreciation for the cooperation and assistance provided us by the staffs of the Office of the Managing Director and the Departments of Community Services, Parks and Recreation, Budget and Fiscal Services, Design and Construction, and Environmental Services. We also thank the Community Benefits Advisory Groups and the non-profit entities that cooperated in this audit.

If you have any questions regarding the report, please call Troy Shimasaki, the auditor-in-charge, or me at 768-3130. Thank you for your assistance and response.

Sincerely,



Edwin S.W. Young  
City Auditor

c: Peter Carlisle, Mayor  
Mike Hansen, Acting Director, Department of Budget and Fiscal Services  
Sam Moku, Director, Department of Community Services  
Gary Cabato, Director, Department of Parks and Recreation  
Tim Steinberger, Director, Department of Environmental Services  
Collins Lam, Director, Department of Design and Construction  
Community Based Advisory Groups  
Susan Hall, Deputy City Auditor  
Troy Shimasaki, Senior Auditor

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**Acronyms Used:**

BFS	Department of Budget and Fiscal Services
CBAC	Community Benefits Advisory Committee
CBAG	Community Based Advisory Groups
CIP	Capital Improvement Project
DCS	Department of Community Services
DDC	Department of Design and Construction
DPR	Department of Parks and Recreation
ENV	Department of Environmental Services
GAO	U.S. Government Accountability Office
LCCBP	Leeward Coast Community Benefits Program
OAC	Oversight Advisory Committee
PVP	Property Value Protection Program
RFP	Request for Proposals

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# Chapter 1

## Introduction and Background

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### Introduction

The objective of this audit was to evaluate the overall effectiveness of the *Leeward Coast Community Benefits Program (LCCBP)* in providing enhanced benefits to the Leeward Coast communities. To evaluate this program, we assessed the Department of Community Services' management of LCCBP grant funds, the Department of Parks and Recreation's management of LCCBP park capital improvement and operating funds, and the use of the LCCBP funds. This audit is the first in a series of reviews of non-profits included in the Office of the City Auditor Annual Work Plans.

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### Background

In June 2006, the city mayor unveiled the *Leeward Coast Community Benefits Program* which was intended to offset the impact of the city's Waimanalo Gulch landfill (see photo below) on the nearby communities. The program consists of annual appropriations which compensate the residents in the Kapolei to Makaha areas of O'ahu who bear the effects of having the island's only landfill located in their geographic area. See Exhibit A1.1 in Appendix 1 for map of O'ahu.

#### Exhibit 1.1 Waimanalo Gulch Landfill



*Bulldozers work along the rim of the Waimanalo Gulch Landfill. From FY2006-07 to FY2008-09, the city appropriated \$7 million to the Leeward Coast Community Benefits Program to compensate Leeward Coast residents for the continued operation of the landfill.*

Source: Office of the City Auditor

Administration of the LCCBP program includes three principal parties: the Department of Community Services (DCS), the Department of Parks and Recreation (DPR), and Community-Based Advisory Groups (CBAG). As Exhibit 1.2 explains, between FY2006-07 and FY2008-09, the city allocated \$7 million to the LCCBP.

**Exhibit 1.2  
Leeward Coast Community Benefits Program Funding  
FY2006-07 to FY2008-09**

<i>Funding Type</i>	<i>FY2006-07</i>	<i>FY2007-08</i>	<i>FY2008-09</i>	<i>Total</i>
Community Grants (DCS)	\$1,000,000	\$1,000,000	\$1,000,000	\$3,000,000
Park CIP Projects (DPR)	\$1,000,000	\$500,000	\$1,000,000	\$2,500,000
Park Operating Funds (DPR)	\$0	\$1,000,000	\$500,000	\$1,500,000
<b>Total</b>	<b>\$2,000,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>	<b>\$7,000,000</b>

Source: Departments of Parks & Recreation and Community Services

***Department of  
Community Services***

This department has a major role in drafting and issuing community grant requests for proposal, qualifying potential grantees, administering contracts, ensuring contract compliance, and terminating contracts. The Office of Special Projects in the community services department annually administers almost \$1 million in community grants for a total of nearly \$3 million between FY2006-07 and FY2008-09. The table below shows the number of grants by fiscal year and amounts. Appendix 2 details the grantees and the amounts received.

**Exhibit 1.3**  
**Number of Grantees and Grants (by Fiscal Year)**

<i>Fiscal Year</i>	<i>Number of Organizations Receiving Funds</i>	<i>Total Grant Funding</i>
2006-07	21	\$990,000
2007-08	25	\$990,000
2008-09	31 <sup>1</sup>	\$990,000
<b>Total</b>	<b>77</b>	<b>\$2,970,000<sup>2</sup></b>

<sup>1</sup> 32 grants were awarded, but one grantee did not receive funds. The \$10,000 grant was given to an existing grantee.

<sup>2</sup> \$10,000 is set aside each year for media costs related to the request for proposals advertising and award announcements. Total set aside was \$30,000 for the period FY2006-07 to FY2008-09.

Source: Department of Budget and Fiscal Services

The DCS Office of Special Projects serves as the department's liaison to the community for initiatives such as human services, community revitalization, and community-based economic development for disadvantaged youth, adults, families, and communities. Exhibit 1.4 lists examples of these programs.



**Exhibit 1.4  
Programs Managed by the DCS Office of Special Projects**

<i>Program</i>	<i>Description</i>
Grants Unit	This program pursues federal, state, and other grant opportunities to expand the city's capacity to enhance existing programs and services for disadvantaged communities.
Community Revitalization	This program assists community-based and private non-profit organizations in the development of commercially viable, self-sustaining community development issues and job creation. Funding is derived from various federal programs, including Section 108 Loan Guarantee Program, Brownfield Economic Development Initiative, and the Rural Development Program.
Youth Service Center	This program helps at-risk youth and young adults to attain their own personal, educational, and employment goals. Services and activities include intake and management classes, occupational skills training, leadership development, and employment services.

Source: Executive Program and Budget, City and County of Honolulu, FY2009-10

***Department of Parks and Recreation***

The Department of Parks and Recreation is responsible for park capital improvement projects (CIP) and manages operating funds for park improvements. During FY2006-07 to FY2008-09, capital improvement project funds totaled \$2.5 million and were used to improve city beach and community parks along the Leeward Coast. An additional \$1.5 million in operating funds was used to upgrade city parks and enhance park programs. The \$4 million total in CIP and operating funds were used to:

- Paint and repair comfort stations, picnic tables, and buildings;
- Repair and re-stripe parking lots, beach roads, and curbs;
- Landscape, paint and repair lifeguard towers;
- Repair sprinklers and other park program enhancements;
- Expand summer fun programs; and
- Purchase park maintenance equipment and motor vehicles.

### **Community-Based Advisory Groups**

The mayor established two community-based advisory groups to facilitate decision-making and oversight of the landfill. The role of the two advisory boards consisted of identifying LCCBP projects and priorities; planning clean up and facelift projects for beach parks in Maili, Nanakuli, and Keaau; and handling complaints and concerns regarding the landfill. We did not audit the boards.

- The *Community Benefits Advisory Committee*<sup>1</sup> (CBAC) fields and evaluates requests for funding from nonprofit organizations serving the Kapolei-to-Makaha area and provides inputs to the two administering agencies, the Department of Community Services and the Department of Parks and Recreation. Although the committee makes recommendations, the mayor has final approval over grant recipients and funding allocations.
- The *Oversight Advisory Committee*<sup>2</sup> (OAC) works with the landfill contractor, Waste Management, Inc., and the city to address complaints or concerns regarding landfill operations. The *Oversight Advisory Committee* is not involved in decisions related to LCCBP community grants or park improvement funds.

See Appendix 1 for more details.

### **Audit Objectives, Scope, and Methodology**

The objective of this audit was to evaluate the overall effectiveness of the LCCBP in providing enhanced benefits to the Leeward Coast communities. Under this objective, we assessed the Department of Community Services' management of LCCBP grant funds; evaluated the Department of Parks and Recreation's management of LCCBP park capital improvement and operating funds, and analyzed the use of the grant funds by non-profit organizations. This audit is the first in a series of non-profit reviews included in the Office of the City Auditor Annual Work Plans for FY2009-10 and FY2010-11.

<sup>1</sup> The ten-member *Community Benefits Advisory Committee* consists of eight permanent members representing various communities on the Leeward Coast, an alternative member, and an ex-officio member.

<sup>2</sup> The 11-member *Oversight Advisory Committee* consists of eight permanent members representing various communities on the Leeward Coast, two alternative members, and one ex-officio member.

As part of our audit work, we examined the Department of Community Services' management of LCCBP community grant funds from FY2006-07 to FY2008-09. We reviewed the request for proposals (RFP) and funds distribution processes. For the audit, we judgmentally selected a sample of 20 out of 77 community grant contracts issued between FY2006-07 to FY2008-09 for detailed review and evaluation. We interviewed the LCCBP administrator and other department officials. We also surveyed past grant recipients to obtain program feedback. We examined best practices for administering community grants. We consulted with the Department of Budget and Fiscal Services regarding fund distribution and reimbursement and reviewed contract files. We also conducted selected site visits to interview grant awardees. In addition, we conducted a survey of former grant recipients and members of the Community Benefits Advisory Committee to obtain feedback about the program.

At the Department of Parks and Recreation, we reviewed the management of LCCBP park capital improvement and operating funds. We reviewed status reports from the Department of Parks and Recreation and the Department of Design and Construction related to the CIP projects funded by the LCCBP. We analyzed departmental purchasing records using LCCBP funds for park operations and tested for compliance with city policies and procedures. We conducted site visits to various Leeward Coast parks. We interviewed the parks and recreation administrator responsible for the LCCBP and other department staff. We conducted an inventory of purchases allocated to city parks along the Leeward Coast to assess the control and security of purchases made with LCCBP operating funds.

We also interviewed staff from the Department of Environmental Services to obtain background information about the landfill and its future operations on the Leeward Coast. Finally, we reviewed best practices in administering host community benefit programs and examined host community benefits programs implemented by other jurisdictions.

Our review was performed from September 2009 through December 2010.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Audit Results

We identified \$454,621 in unspent grant funds that should be returned to the general fund. If the program is to continue, the City Council should consider alternatives that will ensure and sustain the program's viability. These alternatives include establishing a tipping fee surcharge and creating a special fund.

We found that improvements are needed in the program to ensure residents receive the maximum benefits from the program. Inadequate oversight and contract management by the Department of Community Services resulted in grantees diverting funds to cover operational costs instead of programs and services that benefited the community. Inadequate policies, procedures, guidelines, and training reduced accountability and transparency among the grantees, and increased the risk for fraud, waste and abuse to occur.

The Department of Parks and Recreation properly accounted for purchases using LCCBP funds, resulting in projects that benefited the community and were generally well received. However, this department also needs to better track expenditures to avoid questionable expenditures and ensure that purchases are properly authorized.

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# Chapter 2

## \$454,621 in Unspent Grant Funds Should Be Returned to the General Fund

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Each year, about \$1 million is appropriated from the general fund for LCCBP grants. Best practices in grant management recommend that government agencies responsible for managing grants should close out expired grant accounts, including de-obligating unspent funds. We identified \$454,621 in LCCBP grant funds that appear unlikely to be used by the grantees whose contracts had expired. The funds have not been de-obligated because the Department of Community Services does not have a formal policy for lapsing unspent LCCBP funds. We recommend that DCS establish a policy to close out expired grant funds one year after a contract expires so that \$454,621 in unspent LCCBP grant funds can be de-obligated and returned to the general fund.

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### Best Practices

According to the United States Government Accountability Office (GAO), as well as reports issued by federal inspectors general and eight federal agencies, grant management challenges such as grant closeouts and undisbursed balances are a long-standing problem. In August 2008, the GAO issued a report titled, *Grants Management: Attention Needed to Address Undisbursed Balances in Expired Grant Accounts*. In this study, GAO found that during calendar year 2006, about \$1 billion in undisbursed funding remained in expired grant accounts in the largest civilian grants payment system. According to GAO, closeout procedures should be used to ensure unused funds are de-obligated.

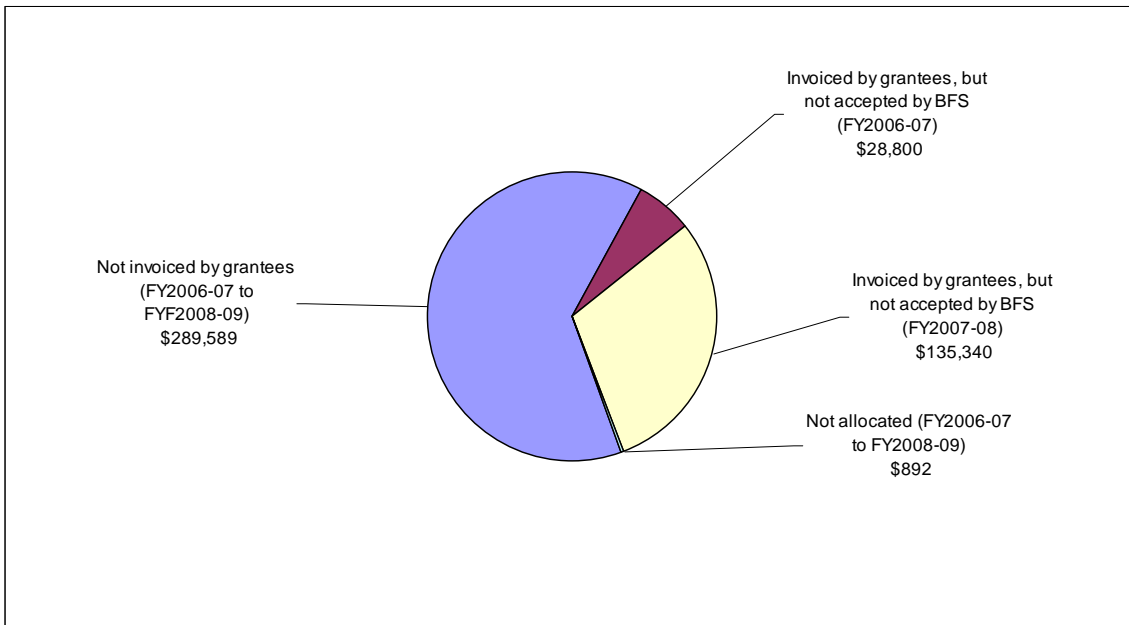
To address this issue, the County of San Diego, California established a policy for community grants issued under its Neighborhood Reinvestment Program. The policy states that amounts unallocated at the end of the fiscal year may not be carried forward to the following year and that appropriations not spent according to the grant agreement will be returned to the county or reallocated to other projects.



## Source of Unspent Funds

For the three-year period FY2006-07 to FY2008-09, the city allocated \$3 million in funding to support community grants which service Leeward Coast communities. Of this amount, the Department of Budget and Fiscal Services' data show the city disbursed \$2.47 million to grant recipients and spent \$10,837 on advertising between FY2006-07 and FY2008-09; a total of \$2.48 million (82.8 percent) of the \$3 million allocated. Of the undisbursed funds, we identified \$454,621 that could immediately be returned to the general fund. This amount excludes FY2008-09 funds that are unspent, but remain available in the event the grantees and the city are able to resolve the outstanding invoices. If the differences are not resolved, an additional \$42,027 could be lapsed back to the general fund in June 2011, which could increase the lapsed amount to \$496,648. Exhibit 2.1 illustrates the reasons the funds were unspent.

**Exhibit 2.1**  
**Proposed \$454,621 in Leeward Coast Community Benefits Program Funds to Lapse**



Source: Office of the City Auditor based on Department of Budget and Fiscal Services' data

Primarily, we believe the funds should be lapsed due to the time that has passed since the expiration of the contracts and the grant period, as illustrated by the following discussion of specific categories of undisbursed funds:

- *\$289,589 not requested by grantees.* BFS records indicate that funds totaling \$289,589 were not disbursed because the grant recipients did not request payment or reimbursement for grant award funds. Because grant funds are usually disbursed in phases, grant recipients typically receive a percentage of the entire grant amount due at the beginning of the contract. In order to receive subsequent amounts due to them under their contract, they need to comply with specific reporting requirements. For example, in the first year of the grant program (FY2006-07), grant funds were disbursed on a 25-65-10 ratio. This means that 25 percent of the total grant award was advanced to the grantee, 65 percent was reimbursed to the grantee upon submission of quarterly invoices and reports throughout the cycle, and a final 10 percent payment was reimbursed upon the city's approval of the grantee's final report submission.

The following year (FY2007-08) the grant disbursement ratio was changed to an 80-20 ratio. After an 80 percent advance, the grantee collected the final 20 percent upon the city's approval of the grantee's final report and accounting of all funds expended. Because all of the related contracts have been expired for more than one year, grantees have demonstrated their inability to comply with requirements to collect the full amount. We believe that this amount is unlikely to be disbursed.

In our opinion, the grantees are unlikely to apply for these undisbursed funds for several reasons:

- In the first year of the LCCBP grant program (FY2006-07), grant funds were disbursed on a 25-65-10 ratio as noted above. According to a Department of Community Services administrator, some grantees were not aware of the 25-65-10 distribution process and believed that all grant funds were to be provided up front. The disbursement formula was problematic for some grantees, particularly smaller non-profits that lacked working capital and relied on the grant funds to support their program.

- In response to the problems experienced by grantees in the first year, the grant disbursement ratio was changed to an 80-20 ratio in FY2007-08. More specifically, a sum equal to 80 percent of the total grant award was advanced to the grantee, and a final 20 percent payment was reimbursed upon the city's approval of the grantee's final report submission and accounting of all funds expended. While this revised grant disbursement policy expedited funding to grantees, it had unintended consequences that resulted in an increase in the amount of funds not spent and a decrease in accountability.

As a result of the 80-20 funding policy, the grant program's undisbursed balance for non-invoiced funds has been increasing. According to the Department of Budget and Fiscal Services data, in FY2006-07, the amount not invoiced by grantees was \$15,227. In FY2007-08 the amount not invoiced by grantees increased to \$145,000. In FY2008-09, an additional \$129,362 was not invoiced.

- \$164,140 reserved for unresolved claims: For the three-year period of FY2006-07 to FY2008-09, funds totaling \$206,167 were identified by the Department of Budget and Fiscal Services as *invoiced, but not resolved*. For these funds, grantees may have submitted invoices or requests for payment, but the documentation was insufficient to justify payment, e.g. the invoice was invalid; work was done outside the contract period; or the reimbursement was not authorized in the contract. The annual breakdown of unresolved claim amounts by fiscal year are shown in Exhibit 2.2.

**Exhibit 2.2**  
**Unresolved Claim Amounts**

<i>Fiscal Year</i>	<i>Amount Unresolved</i>
2006-07	\$ 28,800
2007-08	\$135,340
2008-09	\$ 42,027 <sup>1</sup>
Total	\$206,167

<sup>1</sup> This amount is reserved for unresolved claims. Grantees may submit claims until June 2011.

Source: Department of Budget and Fiscal Services

Our analysis of the BFS files indicates the claims are unlikely to be paid because the contracts have expired and the grantees have not submitted the documents required to settle the claims. For FY2006-07 and FY2007-08, the grants expired two to three years ago and the claims totaling \$164,140 are unlikely to be resolved.

For example, in FY2007-08 we identified a grantee that was awarded \$55,000 to provide outreach and case management services for at-risk individuals residing on the Leeward Coast. Based on the 80-20 formula, the city advanced \$44,000 to the grantee. As part of its request for the remaining \$11,000, the grantee's final report submittal included a list of contract hires and their commensurate salaries to account for the use of the entire \$55,000 grant. BFS advised a Department of Community Services administrator that the documentation supplied by the grantee was insufficient, and requested payroll spreadsheets or reports verifying that the individuals were actually employed and paid the amounts claimed. Although the grantee reported the documentation was re-submitted, those documents failed to provide sufficient validation to warrant payments. In our opinion, the grantee is unlikely to collect on this amount because the required documentation, such as quarterly reports and employment verification, were not available during our audit and are unlikely to be produced. As of September

2010, this claim remained in the *invoiced, but not resolved* category.

- *\$892 in unallocated funds remain:* In addition to grant funds not requested and unresolved reimbursements, a total of \$892 was not spent by grantees that closed out their grant contracts. These funds remain in the program and should be lapsed to the general fund.

We recognize the city has a liability for unresolved encumbrances incurred by the LCCBP grant program and that administrators might be hesitant to de-obligate funds. However, we believe that 12 months is sufficient time for the grantee and the city to finalize contract obligations after the grant contracts have expired.

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## DCS Needs a Policy for Lapsed Grant Funds

The Department of Community Services does not have formal closeout or lapsing policies for unspent LCCBP funds. As a result, the \$454,621 in unspent funds remains within city coffers but benefits neither the Leeward Coast community – because the grant periods have expired – nor the general population, because they have not been lapsed into the general fund for other purposes.

As stated in our discussion of best practices, the GAO recommends that closeout procedures should be used to ensure that unused funds are de-obligated. We also noted that San Diego established such a policy with one of its grant programs. To ensure more effective management of grant funds, we believe that the Department of Community Services should establish a policy that lapses any unspent LCCBP funds back to the general fund 12 months after the contract expires or 12 months after the end of the fiscal year in which the contract expires. While the department may exercise discretion in selected cases, we believe that 12 months is sufficient as a standard time for the grantee and city to work out a plan and submit final documents.

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## Recommendations

1. The Department of Community Services should establish formal policies, procedures, and guidelines for lapsing any unspent LCCBP grant funds back to the general fund 12 months after the end of the contract period.

2. The Department of Community Services should return the \$454,621 in unspent and unresolved grant funds from FY2006-07 and FY2007-08 back to the general fund.
3. The Department of Community Services should return the additional \$42,027 in unspent FY2008-09 funds back to the general fund in June 2011 if the outstanding, unresolved invoices are not settled.



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# Chapter 3

## The LCCBP Program Needs an Alternative Funding Structure

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Although the LCCBP was established to offset the impact of the Waimanalo Gulch landfill on specific communities, the program relies on annual appropriations from the city's general fund, which is subject to the availability of funds, budget negotiations, and administration priorities. Because the program uses general funds, there is no link between the program and the landfill operations, nor is there a guarantee that the program, or the public policy that established the program, will be sustained. In contrast, many municipalities around the country have established programs that provide continuous, uninterrupted funding to compensate communities for operating landfills, recycling facilities, or waste-to-energy plants. The City Council can ensure the program's continuance by exploring alternatives such as establishing a formal host community benefit program, charging tipping fees, and establishing a special fund for the program.

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### About Host Community Benefit Agreements

Also referred to as *equity adjustments*, host community benefit agreements are intended to balance out the sacrifices borne by the host communities. These contracts are negotiated between communities and public/ private sector owners of solid waste management facilities. Facility owners often negotiate these contracts with communities to compensate for real or perceived negative impacts that the facility might have on property values, the environment, health, and quality of life.

### *Waste-to-volume payments vs. in-kind gifts*

One of the most common payment arrangements offered in many host community benefit agreements are *waste-to-volume payments*, which are based on the volume of waste received at a facility. These payments typically fall between \$1 to \$2 per ton and may be renegotiated or increased over time. This form of compensation is directly related to the volume of activity (or waste) at the landfill, and thus its impact on the surrounding communities. We believe this funding scheme would allow the city to sustain the public policy that established the LCCBP. See Appendix 5 for the various forms of host community benefit programs.

Because LCCBP is funded through the city’s general revenues, lacks a formal agreement, and does not have a formula establishing program funding, the current Leeward Coast Community Benefits Program would fall under the category of *in-kind* gifts. The table below lists the most common types of host community benefits compensation.

**Exhibit 3.1 Common Host Community Benefits Programs**

<i>Type of Compensation</i>	<i>Percent of Communities</i>
Zero (no compensation program)	52 %
Per-ton of Waste	31%
In-kind gifts	16%
Free Collection, Disposal, Recycling	11%
Percent of Revenue	4%
Preferential Hiring, Reimbursement	3%

Source: *Host Community Compensation and Municipal Solid Waste Landfills*, U.S. Environmental Protection Agency, June 2002

***Tipping fees***

Several communities have established host community benefit programs where compensation is based on a tipping fee per ton of waste, as shown in Exhibit 3.2.

**Exhibit 3.2**  
**Sample of Host Community Benefits Program Revenues**

<i>Jurisdiction</i>	<i>Methodology</i>	<i>Year Reported</i>	<i>Tonnage</i>	<i>Community Payout</i>
Burlington County, NJ	\$2.16 per ton of solid waste	1996	372,000	\$803,520
Bergen County Utility Authority, NJ	\$5.00 per ton of solid waste	1996	80,000	\$400,000
Chartiers Township, PA	\$1.73 per ton of solid waste	1996	365,410	\$633,441
Colerain Township, OH	\$ .25 per ton of solid waste	2003	1,900,000	\$475,000
State of Rhode Island	\$1.00 per ton of solid waste or \$750,000, whichever is greater	Current	-----	-----
Plano, IL	\$1.50 per ton of solid waste for avg. of 1-499 tons per day; \$1.85 per ton...500-999 tons; \$2.15 per ton...1000-1500 tons; \$2.75 per ton...if over 1500 tons.	Proposed	-----	-----
Kekaha, Kauai, HI	Initial allocation of \$650,000 in CIP funds; \$80,000 CIP funds annually	2008	-----	-----

Source: Office of the City Auditor

Assuming an additional \$1 per ton assessment, the LCCBP tipping fee would be nominal for most users. Currently, the tipping fees related to the Waimanalo Gulch Landfill are:

- \$81.00 per ton<sup>1</sup> for deposits made directly at the landfill.
- \$110.60 per ton<sup>2</sup> for deposits made at one of the three transfer stations on Oahu.

<sup>1</sup> Recyclers receive a 20 percent discount on the commercial tip fee for residue disposals. City refuse trucks, qualified non-profits, and households are exempt from tipping fees.

<sup>2</sup>A 12 percent recycling surcharge and a \$0.35 per ton state surcharge are added to all disposal charges listed above.

### ***Establishing a special fund***

Based on data provided by the Department of Environmental Services (ENV), our analysis indicates that if the city assessed a \$1 per-ton fee on all waste deposited at the Waimanalo Gulch landfill between FY2006-07 to FY2008-09, potential revenues for the LCCBP would range from \$214,460 to \$289,810 annually.

In addition to implementing a tipping fee surcharge to fund the LCCBP, we also recommend establishing a special fund to receive the surcharge revenues. One of the challenges with the current funding structure is that any unspent monies from the LCCBP must be lapsed back into the general fund since that is the original funding source. For example, the Department of Parks and Recreation reports that of the \$1.5 million in LCCBP park operating funds allocated in FY2007-08 and FY2008-09, the department was unable to spend \$130,843 (9 percent) and lapsed that amount back to the general fund. The Department of Community Services also lapsed \$19,163 in unexpended grant funds allocated for advertising.

Added to the \$454,621 in LCCBP grant monies that we recommend should lapse, the LCCBP is poised to return well over half a million dollars in unspent funds. The lapsed amount represents a lost opportunity for the LCCBP and the community it serves. If the monies were deposited into a special fund, any unspent monies would return to the special fund and become available for future LCCBP allocations.

In our view, establishing a tipping fee surcharge and depositing surcharge revenues into a special fund would provide optimal benefits to the community and the city. Although linking the program funding to the landfill's operations may reduce the level of funding, the tipping fee surcharge would benefit the Leeward Coast community by ensuring continued funding for the future and reducing the uncertainty caused by annual budget constraints and administration priorities. Establishing a special fund would ensure that any unspent monies would return to the special fund and become available for future community use, rather than lapsing back to the general fund. Furthermore, tying funding to the volume of trash establishes a connection between the community impacts and the landfill—if trash volume increases the impact to the community increases, and funding for the LCCBP increases. If trash volume decreases, the impact to the community subsides and revenues adjust accordingly.

For the city administration, assessing the tipping fee surcharge would reduce annual general fund appropriations to the LCCBP

by \$1 million to \$2 million. In addition, the creation of the special fund will allow the program to be self-sufficient, provide a continuous funding stream, allow for long term planning, offer flexibility for prioritizing projects, and provide funding for departmental resources and staff needed to properly administer the program.

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## Recommendations

4. If the City Council decides to continue the Leeward Coast Community Benefits Program, it should consider funding the program through a tipping fee surcharge.
5. The City Council should amend Sec. 9-4.2, Revised Ordinances of Honolulu, *Disposal charges for businesses and federal, state and city agencies*, by adding a tipping fee surcharge to fund the LCCBP.
6. The City Council should consider establishing a special fund to receive any tipping fee surcharge revenues or other funding, and disburse monies from the fund to support community programs and applicable administrative expenses.

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# Chapter 4

## Community Services' Grant Management Practices Need Improvement

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The Leeward Coast Community Benefits Program is intended to offset the impact of the landfill in their geographic area by funding programs beneficial to the residents in the Kapolei to Makaha area. In FY2006-07, the inaugural year of the program, grants totaled \$1 million and were awarded to 21 community-based non-profits. In FY2007-08, an additional \$1 million in grants were awarded to 25 non-profit community-based organizations. In FY2008-09, a total of \$1 million in grants were awarded to 31 non-profit, community-based organizations. We found the community services department needed to follow best practices for grant management to ensure that the funds fulfilled their intended purpose. Non-compliance with the best practices resulted in several deficiencies.

We found that many contracts lack performance measures and work plans. Some grantees did not deliver goods or services specified by the contracts, did not file required reports, and used grant funds to cover operational costs, administrative costs, and fundraising activities. Some grantees may have used grant funds to pay liability insurance premiums although it was required to maintain coverage at no cost to the city. Grantee accountability and transparency was reduced and the risk for fraud, waste and abuse increased. For example, some grantees received subsequent grants, even though their past contract was not closed. In addition, the administration's change to an 80-20 distribution ratio further reduced accountability and made the program more susceptible to fraud, waste, and abuse.

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### Grant Management Best Practices

As listed in Appendix 3, grant management best practices require the city to prepare policies and procedures before issuing grants; to set clear expectations; to establish work plans; and to hold grantees and their sub-recipients accountable for properly using grant funds to achieve contractual goals and objectives. Grant management best practices require the city to provide grant management training to its staff and the grantees so that they understand the numerous regulations, policies, and procedures governing the grant funds. The training is particularly needed by small or new entities unfamiliar with managing and accounting



for grant funds. Contracts should also establish performance measures before the grants are awarded so the department can monitor the grantees' progress and assess their achievement of program goals.

Once the grant is awarded, the city should properly manage the grants to ensure the funds are used for the intended purposes and will achieve the planned results. Effective grant management includes monitoring the financial status of the grants, timely receipt of grantee records and reports, information systems that facilitate monitoring the grant funds, and on-site reviews. Inadequate oversight can result in misuse or waste of the grant funds. Finally, best practices include assessing the grant program results against the goals and objectives of the program, inspecting the projects after completion, and reporting the results to the community, decision makers, and taxpayers.

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## Deficiencies Found

We selected a sample of 20 community grant contracts and performed detailed reviews of six grants from the original list of 77 community grant contracts issued between FY2006-07 to FY2008-09. The contracts were judgmentally selected based on the types of services provided: (1) social services for the poor, the aged and youth; (2) health services for those with physical, emotional, and /or mental disabilities; (3) educational, manpower and/or training services; and (4) services that met definitive cultural, social, or economic needs not met by private organizations. See Appendix 4 for review results.

We found the community services department has yet to implement sufficient controls to fulfill its oversight responsibilities over the LCCBP. Deficiencies hampered the transparency and accountability for these grant funds. Deficient practices include:

- Inadequate policies, procedures, guidelines and training made the distribution process cumbersome for some grantees and led to questionable reimbursement requests.
- Some contracts lacked performance measures, and contract files did not always contain detailed work plans.
- Quarterly and year-end reports were not filed by the grantees and there was no evidence the department contacted grantees to submit overdue reports.

- Some grantees did not deliver goods or services specified by the contracts and the department did not enforce the contract provisions.
- Grantees used grant funds to cover operational costs, administrative costs, and fundraising activities instead of using them to provide direct services.
- Grantees may have used grant funds to pay for liability insurance premiums even though contract and RFP terms required them to maintain coverage at no cost to the city.
- Grantee accountability and transparency were reduced and the risk for fraud, waste and abuse increased.
- The administration's change to an 80-20 distribution ratio further reduced accountability and made the program more susceptible to fraud, waste, and abuse.

***Inadequate policies, procedures, guidelines and training made the distribution process difficult for some grantees and led to questionable reimbursement requests***

The department's non-compliance with the best practices, including the lack of written policies, procedures, guidelines, training, and performance measures resulted in problems for the grantees.

*Policies, procedures, and guidelines.* Best practices in grant management require the development of written program policies, procedures, and guidelines. Without policies, procedures, and guidelines, grantees and the city cannot be assured that grant funds will be used properly to achieve the goals as intended. The city consequently cannot hold the grantee accountable for improperly using funds and not achieving agreed upon results.

For example, we found one grantee exceeded the scope of its contract by using grant funds for expenses related to a Sunset on the Beach event. The grant recipient received a \$60,000 award in FY2007-08 to implement a youth leadership conference for Leeward Coast high school students and to "assist with a non-profit community tent at a Sunset on the Beach event on the Leeward Coast. The community tent was to provide information on referrals and support services related to homelessness, drug, and alcohol abuse."

*Youth Conference vs. Sunset on the Beach expenses.* The contract scope did not specify how much money would be allocated to the

Youth Conference vs. Sunset on the Beach. However, we found contract notes on file with the Department of Budget and Fiscal Services that identified allocations of \$50,000 to the youth conference and \$10,000 for the non-profit community tent. These amounts were different from both the grantee's final report to BFS and the amounts we found under further review.

The grantee did not submit quarterly reports as required by the contract, and the final report indicated that the grantee spent \$37,500 for the youth leadership conference and \$22,500 for a Wai'anae Coast Sunset on the Beach event.

The reported amounts spent on the youth conference and the community tent were inconsistent with the actual costs. On February 26, 2008, the non-profit agency submitted a single invoice for the leadership conference totaling \$43,550 and requested that only \$39,000 of its grant award be allocated to cover the event expenses. We found vendor invoices related to the community tent project that totaled \$9,908. We also discovered the grantee was the producer for the entire Wai'anae Coast Sunset on the Beach event. Thus the potential conflict of interest and incentive for misreporting expenditures was a potential risk.

*Other expenses.* In what appears to be an attempt to utilize the remainder of its grant funds, the grantee also submitted an invoice totaling \$26,937 for "other" expenses related to the Wai'anae Coast Sunset on the Beach event and not just the community tent. The other expenses included:

- Roadie x 10 10K Projector, 2 Betacams, DFS 300 Switcher
- Video Technician/Projectionist/Switcher
- Audio Tech – 10 am to 10 pm (12 hours)
- Stagehands – 10 am to 10 pm (12 hours)
- 20 x 30 FP Screen, Fabric, Rigging, Hardware
- Stage, Scaffolding, and Screen Assembly Rental
- Stage and Scaffolding Set up and out crew; 12 men-165 hrs. @ \$25 per hour

- Champ forklift
- Generator, fuel, technician; 2 food booths, stage

*Contract hire.* In its final report, the grantee disclosed that it used LCCBP funds for "...a contract hire to assist with administrative and sponsorship responsibilities for both events. This proved very successful for our agency; raising higher sponsorship revenue; and was able to coordinate and implement the major event projects and administrative work required of our growing agency." However, we did not find any invoices or payroll documents to identify how much money was used for this purpose. Despite these discrepancies, the grantee was awarded the entire \$60,000 contract amount.

Based on the contract language, we believe that the grantee should have been reimbursed \$43,550 for the youth leadership conference and \$9,908 for the community tent at the Wai'ananae Coast Sunset on the Beach, for a total of \$53,458. The balance of \$6,542 should have lapsed instead of being used for "other" Sunset on the Beach expenses since the costs were not substantiated with actual receipts and were not in the scope of work for the community tent.

When asked about the use of grant funds related to the non-community tent expenses, a community services administrator explained that the department defers to the non-profit agency to decide how funds are best used. In this case, if the grantee stated that the invoices covered expenses for their community tent, then the department approved it.

Without formal policies, procedures, or guidelines for evaluating grantee expenses, the Department of Community Services could not question the grantee expenses and had to rely on the contract language. DCS would have been better able to administer the grant contracts and ensure the grants funds were properly spent if formal policies, procedures, and guidelines existed.

*Training for grantees.* Grant management best practices require that managing entities provide grant management training to its staff and the grantees so that they understand the city's policies and procedures governing the grant funds. The training is particularly needed by small entities not familiar with all the regulations and policies.

According to the Departments of Community Services and Budget and Fiscal Services, inadequate resources prevented the

departments from providing grantees with any type of training or program materials prior to contract execution. According to a Department of Community Services administrator, the department tried to coordinate grantee training, but it never materialized. As a result, grantees are sometimes confused about contract requirements and do not fulfill contract obligations.

Our survey of past LCCBP grant recipients asked grantees to comment on various aspects of the program. Among the responses related to the adequacy of policies, procedures, and training were:

- "We could have used a short one-page, double-spaced explanation with dates, times, types of reports due and descriptions in advance of the contract".
- "There was no template for quarterly reports".
- "The city should provide more information on handling receipts and submitting them for reimbursement. I wasn't clear on what was expected and therefore missed out on some of the funds".
- "A grant awardees workshop would have been helpful".
- "We were confused on the process and documents needed to submit".
- "More training is necessary...a lot of the time I was guessing at what to do".

***The contracts lacked performance measures, and contract files did not contain detailed work plans***

*Performance measures.* According to the *Guide to Opportunities for Improving Grant Accountability*, issued by the U.S. Comptroller General to improve grant management and accountability for federal, state, and local governments, one of the recommended best practices is to establish performance measures in grant contracts to serve as a basis for determining progress for individual grants and the grants program as a whole. If best practices are followed, the department should provide performance measures, as well as work plans, before the grants are awarded so it can assess the success of the grantee in achieving program goals and the grantee's program progress.

We found that not all LCCBP community grant contracts had adequate performance measures, which means the department was not prepared to enforce contract terms or to hold the grantees

accountable. For example, grant contracts establish scopes of performance for the delivery of specified goods or services. Some grantees did not fulfill their contractual obligations, but the department could not enforce the contract deliverables because the contracts lacked performance measures and made it difficult to hold the grantees accountable for providing goods or services. Grantees were not required to submit work plans that would detail how the grant monies would be spent. As a result, some grantees did not deliver the goods or services specified in their contract, but still received final payment. For instance:

- One grantee was awarded over \$21,000 in FY2006-07 for a contract scope of performance for a substance abuse treatment program “that will serve all individuals in need of treatment.” The contract scope was flawed because it did not include performance measures that identified the number of individuals to be treated and did not specify how many days or hours of treatment would be provided for the specified contract amount.
- Another grant contract issued in FY2008-09 in the amount of \$20,000 required the grantee to provide activities for a homeless/addiction transitional recovery program. The contract did not specify any performance indicators that were measurable or quantifiable. The contract included language that the grantee’s project was more particularly described in a proposal submitted by the grantee to the CBAC, and that the proposal was incorporated in the contract by reference. However, we were unable to verify the scope of services to be provided because the proposal was not in the contract file maintained by the community services department.

*Detailed work plans.* Grant management best practices recommend preparation of a work plan to ensure a clear understanding of the intended purpose and results for the grant funds. As part of the request for proposals process, potential grantees are required to submit a program work plan and timeline. The work plan describes the primary objectives of the project and the scope of work involved. The RFP also requires that potential grantees describe a plan to measure program effectiveness and proposed plans to monitor and evaluate the project.

We found that not all contract files have work plans. We reviewed 20 contract files at the department and found 8 (40 per cent) did not contain work plans. According to the LCCBP

administrator, once grants are awarded, the RFP documents, including work plans, are discarded because the department relies on the contract with the grantee to manage the grant. Without a work plan, we could not determine if the department had a basis for effectively monitoring and evaluating grantees.

For instance, potential grantees submit grant proposals based on a certain dollar award. The amount requested and the amount of the actual grant award may vary, which could impact the grantees' plan to provide goods and services. If a non-profit submitted a proposal based on receiving a \$50,000 award and only received \$30,000, then receiving lower than anticipated resources would probably result in a scaled-down version of the original proposal. If a grantee's work plan is impacted by the actual award amount, that grantee should be required to submit an amended work plan that reflects what it proposes to achieve given the resources provided.

***Required reports were not filed***

Section 6-29.24, Revised Ordinances of Honolulu, establishes reporting requirements for the appropriation of city funds to private organizations. Specifically, the ordinance requires organizations receiving grant funds to submit quarterly program and financial reports on the use of grant funds, and a year-end report within 90 days following the close of the fiscal year in which the money was appropriated. The reports should contain, but are not limited to:

- Program status summary;
- Program data summary;
- Summary of participant characteristics;
- Financial status report of city and county funds used;
- Financial status report of the remaining balance of city and county funds, if any; and
- A narrative report.

These reporting requirements are incorporated into the contracts that the city had with LCCBP grantees.

In order for grantees to receive reimbursement from their grant award, the grantee must submit necessary reports and invoices to the Department of Community Services for approval. The



request is then sent to the Department of Budget and Fiscal Services for further review and, if approved, the department sends the payment to the grantee.

We found that contract files maintained by the community services department did not consistently contain these required documents. Moreover, the department did not always enforce the contract terms for required or timely reports; did not have a formal contract monitoring program; and did not have an information system for monitoring the grantee and the use of the grant funds. As a result, the department did not provide proper oversight of the grant program, and grantees sometimes did not comply with the contract terms.

We reviewed six grant contracts to determine if the reporting requirements were met, two in each fiscal year of our review period, and found that none of the contract files contained both quarterly and year-end reports. Four of the six contract files contained year-end reports only, and two of the files contained neither quarterly nor year-end reports. We followed up with the LCCBP administrator who confirmed that the contract files did not contain all the necessary documents.

The year-end reports, and the quarterly reports in particular, are important because they provide grant administrators with an opportunity to review activities, ensure that those activities are consistent with contract terms, and to assess how the grant monies were spent. Absent these reports, the city lacked sufficient oversight of grantees and could not take appropriate action to ensure contract compliance.

***Some grantees did not deliver goods or services specified by the contracts and the department did not enforce the contract provisions***

Two contract files we reviewed indicated that the grantees did not provide the goods or services required by their contract. If the goods and services were delivered, the contract files did not contain information necessary to document that the deliverables occurred. More specifically:

- In FY2008-09, a grantee was awarded \$50,000 to provide 160 units each of health screening and exercise sessions, health promotion and education, and supportive counseling sessions to 40 unduplicated persons in each category for the year. A review of this contract file in 2010 found that the grantee did not submit quarterly reports and only provided a partial final report on its use of grant funds as required by contract. There is no evidence that the grantee achieved the objectives stated in its contract.



- We found another contract issued in FY2007-08 where the grantee stated that it would utilize its \$60,000 grant award toward the construction of four homes on the Leeward Coast for low-income families. The grantee was advanced \$48,000, which left a year-end balance of \$12,000. No quarterly reports were on file for this contract. However, at the end of the contract period, the grantee submitted a year-end report in which the agency sought reimbursement for constructing three homes instead of four and for a portion of an Officer Manager/Project Administrator salary, which was not included in the grant agreement or work plan. We believe that if the quarterly reports had been submitted, the department would have identified that the grantee was making a substantive change to the contract's scope of work and could have taken appropriate action before the end of the contract period.

**Exhibit 4.1**  
**Affordable Home Built with LCCBP Grant Funds**



*This affordable home in Waianae was constructed, in part, with LCCBP funds. This home is one of four homes that were to be built by a non-profit agency that received LCCBP grant funds. The grantee ultimately built only three of the four homes required by contract and used the balance to pay a project manager's salary.*

Source: Office of the City Auditor

**Grantees used grant funds to cover operational costs, administrative costs, and fundraising activities**

The U.S. Office of Personnel Management, which oversees the annual Combined Federal Campaign, established criteria that charitable organizations seeking federal funds should limit fundraising and administrative costs to no more than 25 percent of total costs, or be *reasonable* with documentation that suggests appropriate justification. In April 2002, the U.S. General Accounting Office issued a report on tax-exempt organizations and found that between 1994 to 1998 charities allocated an average of 87 percent of their spending to charitable program services and the remaining 13 percent to fundraising and general management. The County of San Diego, California, prohibits the expenditure of any grant funds for fundraising activities.

In contrast, the Departments of Community Services and Budget and Fiscal Services do not have policies, procedures, or guidelines for use of grant funds for administration or fundraising. Rather, the departments rely on the contract language to determine whether a grantee spent grant funds appropriately. As a result, we found contracts that had questionable expenses for administration or fundraising activities:

*Funds used for operational and administrative costs.* In one example, we found a grantee that was awarded \$21,063 in FY2006-07 to implement an acupuncture detoxification treatment program for individuals with substance abuse issues. Contract files show invoices totaling \$21,016. Of that amount, \$11,315 (54 percent) was for costs related to providing acupuncture services and the remaining \$9,701 (46 percent) was for administrative fees.

The grantee also had a possible conflict of interest and a questionable operating structure that used sub-recipients. The city entered into a contract with the grantee, but that grantee was not the direct service provider. The grantee was actually a *fiscal sponsor* for a newly formed organization that would assist in providing cost-effective health care services to disadvantaged and underserved communities.

As the *fiscal sponsor*, the grantee received *fiscal sponsor administrative fees* that totaled \$1,458. However, this newly formed organization did not actually have its own operating administration because invoices were submitted by yet a separate entity that provided operations and management services and invoiced *project management services fees* totaling \$8,243. This project management entity then contracted with a local acupuncture school to provide the actual services. Coincidentally, one of the partners for the project management entity was a third-year student at the acupuncture school that was contracted to provide acupuncture services.

*Grant funds used for fundraising.* We found grantees that used city grants for fundraising. In FY2008-09, a grantee used an unspecified amount of its \$51,364 grant award, along with other funds, to hire a fundraiser, project manager, and an architect for its project to construct an education and sustainability center in Kapolei. Another non-profit received \$60,000 in FY2007-08 and expended an unspecified amount of grant funds for a contract hire that assisted with administrative and fundraising activities.

While administrative and fundraising activities are common for community service programs and projects, unless the city establishes some guidelines or places parameters on the amount of grant funds that recipients may direct toward these activities, the grant program will not maximize its efforts to provide direct services to the community. We recommend that the Department of Community Services establish guidelines addressing the use of grant funds for administrative and fundraising activities.

***Grantees may have used grant funds to pay for liability insurance premiums although they were required to maintain coverage at no cost to the city***

The request for proposals between FY2006-07 to FY2008-09 required grantees to maintain liability insurance. Specifically, grantees were to have Commercial General Liability (CGL) with minimum limits of not less than \$1,000,000 for each occurrence and in general aggregate, and liability insurance to cover the premises, operations, and personal injury. In addition, grantees were required to have automobile liability insurance with a minimum limit of not less than \$500,000 per occurrence for bodily injuries or death, and not less than \$50,000 per occurrence for property damage. The request for proposal specified that the insurance policies should be maintained at no cost to the city and the minimum insurance coverage requirement was incorporated into some LCCBP contracts.

We found that a FY2006-07 grantee submitted invoices for \$1,782 for six months of auto insurance coverage and one year of business office policy insurance premiums. The grantee took an advance of \$16,000 of a \$20,000 award and may have used the funds to pay the insurance premiums. Another grantee reportedly spent \$1,174 in FY2008-09 grant funds for auto and general comprehensive liability insurance in direct conflict with request for proposal requirements.

***Grantee accountability and transparency were reduced and the risk for fraud, waste and abuse increased***

Once the grant is awarded, the Department of Community Services should properly manage the grants to ensure the funds are used for the intended purposes and will achieve the planned results. Effective grant management includes monitoring the financial status of the grants, timely receipt of grantee records and reports, information systems that facilitate monitoring the grant funds, and on-site reviews. Finally, best practices include assessing the grant program results against the goals and objectives of the program and inspecting the projects after completion. Inadequate oversight can result in misuse or waste of the grant funds.

Our analysis revealed that 16 (33 per cent) of the 49 non-profits that received grant awards between FY2006-07 to FY2008-09 received additional LCCBP grants before the existing grants were fully expended or before the final reimbursements were approved. The community services department did not conduct post-evaluations of its grantees or check the grantee's past performance with the LCCBP grant program before awarding subsequent grants. As a consequence, grantees that did not utilize all of its previous grant funds or satisfy requirements for final reimbursement were able to receive new grant awards. For example:

- A grantee was awarded \$25,000 in FY2006-07. Although the grantee had spent only \$9,773 of the grant and had \$15,227 unspent, it received a new grant award of \$30,000 in FY2007-08. As of September 2010, the grantee had not spent any of the funds from its second award. In this instance, both contracts have since expired and the unspent funds should be lapsed. The unspent funds represent a lost opportunity for the Leeward Coast community since those funds must be returned to the city's general fund.
- In FY2007-08, a non-profit was awarded \$60,000 to implement a youth leadership program. The non-profit spent \$15,000 of the grant award, and had \$45,000 of the grant remaining. In FY2008-09, the non-profit received an additional \$70,000 grant to provide similar services although the \$45,000 from the previous year was unspent. As of September 2010, \$14,000 of the grant awarded in FY2008-09 remained unspent.

***The administration's change to an 80-20 distribution ratio further reduced accountability and made the program more susceptible to fraud, waste, and abuse***

In FY2006-07, 25 percent of grant funds were advanced and 65 percent of the grant funds were disbursed on a reimbursement basis, which meant that grantees would have to submit invoices and receipts on a quarterly basis in order to receive grant funds. The final 10 percent payment was reimbursed upon the city's approval of the grantee's final report submission. In response to complaints from grant recipients about the funds distribution program, in FY2007-08, the managing director's office directed the community services department to implement a new distribution program that advanced 80 percent of the total grant award and reimbursed the final 20 percent upon satisfactory completion of contract requirements and final invoice.

While the new distribution policy gave recipients more resources up front, it reduced grantee accountability and increased the potential for fraud, waste, and abuse to occur. Specifically, the increased advance percentage from 25 percent to 80 percent of the grant award allowed grantees to secure significant resources while removing the department's means for monitoring their use until most of the funds had already been spent.

*Examples.* We reviewed a sample of grant contracts issued in FY2007-08 and FY2008-09 and identified at least five instances where a grantee took the 80 percent advance. We found no quarterly reports, final report, or invoices in the BFS contract files to determine how the advance payments were used. We identified three more instances where grantees took advanced payments between 25-40 percent of their grant award with no follow-up documentation. Specifically:

- In FY2008-09 a grantee was awarded \$77,000 on March 16, 2009. On that same day, the grantee requested advanced payment of \$61,600, which represented 80 percent of the contract award. The grantee proposed to implement a school/community service, pride, and beautification program in a Leeward Coast community. As of September 2010, we found no quarterly reports, annual report, or invoices from the grantee to account for the advance payment made, nor was there a request for the remaining \$15,400 of the contract award. The city had no assurance the funds were used to achieve the goals of the grant program.
- In another example, a FY2008-09 grantee was awarded \$20,000 on May 20, 2009. On November 19, 2009, the grantee submitted a request for advanced payment for \$8,000, which represented 40 percent of the total grant award. The grantee proposed to conduct athletic clinics

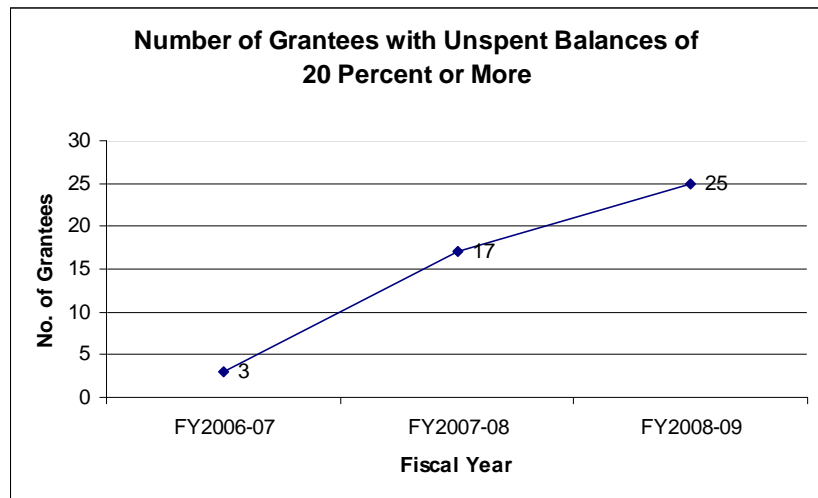
that incorporated substance abuse and a violence prevention curriculum. As of September 2010, we found no quarterly or final reports, nor invoices from the grantee to account for the advance payment. The city and the Leeward community have no assurance the funds were properly used.

*Impact of 80-20 distribution.* Further analysis of the change to the 80-20 grant funds distribution policy indicated the policy may have caused an increase in the amount of grant funds not spent for Leeward Coast initiatives. For example:

- In FY2006-07, we found that 3 (14 percent) of 21 grant recipients had an outstanding balance of 20 percent or more of unspent grant funds.
- In FY2007-08, the number of grant recipients with balances exceeding 20 percent increased to 17 (68 percent) of 25 grant recipients.
- The number of grant recipients that had an outstanding balance of 20 percent or more of unspent grant funds increased to 25 (81 percent) of 31 grant recipients in FY2008-09.

**Exhibit 4.2**

**Number of Grantees with Unspent Balances of 20 Percent or More**



Source: Office of the City Auditor based on data provided by the Department of Budget and Fiscal Services



In our view, the 20 percent final payment provision is insufficient to ensure grantee accountability. There is little incentive for the grantee to draft reports, collect and submit invoices, and prepare a final accounting of the grant funds to obtain, for example, a \$10,000 final payment on a \$50,000 grant award if the grantee received \$40,000 up front without providing any supporting documentation.

There is no significant consequence if a grantee does not submit a final payment request, file reports, or provide a final accounting of how the monies were spent. If the grantee takes the 80 percent advance payment and does not account for the use of the funds, the city and community have no assurance the Leeward communities are benefiting from the grants. While we did not find any evidence among our sample that this actually occurred, we caution that the grant program structure makes such a scenario possible and increases the risk for fraud, waste, or abuse. A community services department administrator conceded that the initial fund distribution process had better accountability, but it was a hardship on smaller providers.

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## Recommendations

7. The Department of Community Services should establish formal policies and procedures that include, but are not limited to, standardized reporting formats, expenses allowed/not allowed, limits on administrative fees and fundraising activities, requiring a workplan based on the actual grant award, requiring departmental approval for all scope of work changes, and lapsing funds 12 months after the end of the contract period.
8. The Department of Community Services should establish a formal contract management program that requires the LCCBP administrator to monitor grants and ensure compliance with city ordinances; contract terms including timely and regular quarterly and final reports; city and departmental policies and procedures; and grant management best practices.
9. The Department of Community Services should develop and implement a pre-award checklist and a post-contract evaluation to assess the grantee's compliance with policies, procedures, best practices, contract requirements, and deliverables. The checklist should include preparation and follow-up on performance measures, work plans, reporting

requirements, use of funds, and acceptable delivery of goods and services as detailed in the contracts.

10. The Department of Community Services should establish a formal training program for its LCCBP staff and grantees to include, an understanding of city grant policies, procedures, and reimbursement requirements.
11. The Department of Community Services should use existing, non-profit resources such as the Hawaii Community Foundation to compile handbooks, develop checklists, and provide training to grantees.
12. The Department of Community Services should reduce the risk of fraud, waste and abuse by eliminating the existing 80-20 grant funding distribution policy and increase accountability and transparency by restoring the cost reimbursement program.
13. The Department of Community Services should prepare an annual report to the CBAC and the City Council, within 90 days of the end of the fiscal year, regarding program accomplishments, status of all grants issued in that fiscal year, and amount of grant funds unspent.



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# Chapter 5

## Parks and Recreation's Fund Management Needs Some Improvements

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The Department of Design and Construction completed four park capital improvement projects from FY2006-07 through FY2008-09. Community Benefits Advisory Committee members report they are generally satisfied with the department's projects. The Department of Parks and Recreation's management of LCCBP funds could improve by avoiding questionable purchases, and ensuring pCard purchases are properly authorized.

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### Four Park CIP Projects Were Completed at a Cost of \$1.08 Million

As of August 2010, the Department of Design and Construction completed four park improvement projects at a cost of \$1,072,084<sup>1</sup>:

- Nanakuli Beach Park Canoe Halau (\$29,700)
- Pokai Bay Beach Park Play Apparatus (\$137,003)
- Wai'anae District Park Parking Lot Expansion (\$395,505)
- Maili Beach Park Parking Lot Improvements (\$509,876)

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<sup>1</sup> Between FY2006-07 to FY2008-09, the LCCBP allocated \$2.5 million in CIP funds for park improvements along the Leeward Coast. Project ideas were generated by the Department of Parks and Recreation and the mayor-appointed Community Benefits Advisory Committee. The committee's recommendations were sent to the Department of Design and Construction for cost evaluation. Based on cost and time projections, the committee then prioritized the projects and the design and construction department implemented the construction projects.

**Exhibit 5.1**  
**Leeward Coast Community Benefits Program Park Capital Improvement Projects**  
**(FY2006-07 to FY2008-09)**

	<i>Project</i>	<i>Description</i>	<i>Fiscal Year</i>	<i>Status</i>	<i>Start Date</i>	<i>End Date</i>	<i>Approved</i>	<i>Actual Expenditure</i>
1.	Nanakuli Beach Park Canoe Halau	Canoe halau construction	FY2006-07	Completed	08/21/06	07/20/07	\$30,000	\$29,700
2.	Pokai Bay Beach Park Play Apparatus	Design and construct play apparatus.	FY2006-07	Completed	09/21/07	01/04/08	\$142,115	\$137,003
3.	Maili Beach Park parking lot improvements	Construction of additional parking lot.	FY2006-07 FY2007-08 FY2008-09	Completed	09/08/09	05/05/10	\$550,000	\$509,876
4.	Wai'anae District Park parking lot expansion	Parking lot expansion.	FY2007-08 FY2008-09	Completed	07/13/09	02/12/10	\$400,400	\$395,505
<b>Total</b>							<b>\$1,122,515</b>	<b>\$1,072,084</b>

Source: Department of Design and Construction

Upon project completion, the Department of Parks and Recreation assumes responsibility for maintaining the park equipment and resources. The playground equipment constructed with LCCBP funds is shown below.

**Exhibit 5.2**  
**Pokai Bay Beach Park Play Apparatus**



*This play apparatus was installed January 2008 at Pokai Bay Beach Park. The project, which cost \$137,003, was constructed with LCCBP park CIP funds.*

Source: Office of the City Auditor

*Test of Internal Controls and CBAC Survey Results.* We selected a judgmental sample of 97 equipment purchases distributed among eligible Leeward Coast parks using LCCBP park operating funds, valued at \$287,680. The sample was selected based on a high dollar value (\$1,000+) or deemed susceptible to theft or loss. We conducted site visits at various Leeward Coast parks to verify that equipment purchased with LCCBP funds were on-site and used for intended purposes. All of the items in our review sample were found or accounted for. We determined all of the sample purchases using LCCBP park operating funds were used for appropriate purposes.

We conducted two separate tests of purchases made by the Department of Parks and Recreation using LCCBP park operating funds to assess the department's management and internal controls over equipment acquisitions. In our first test, we found that equipment purchased with LCCBP funds were generally accounted for. This is a credit to existing parks department staff. However, we believe that internal controls can be strengthened with a Controlled Items Inventory of park equipment. By establishing a formal inventory of equipment purchased, conducting periodic reviews, and ensuring proper authorizations are received prior to purchase, the department can ensure that the LCCBP equipment purchased will continue to be available for community and staff needs.

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### **CBAC Members Are Generally Satisfied with Park CIP Projects**

We conducted a survey of 17 former Community Benefits Advisory Committee members to obtain their feedback about the LCCBP and the park CIP projects. Most responded positively. One respondent commented that play apparatus projects had the most direct benefit to the community while another advised the parks and recreation department to listen to the needs expressed by the committee.

In our view, the park CIP projects funded by the LCCBP have directly benefited the community. However, in the future, we recommend that the Department of Parks and Recreation work with the CBAC to develop a program to survey members of the community or park users to obtain feedback on park needs. The survey could increase community participation in the decision-making process and ensure that approved projects are reflective of the community's actual needs.

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## Tracking Expenditures

While equipment purchased with grant funds were accounted for, tracking the expenditures using grant funds needs to improve. The department needs to better track expenditures to ensure that they are directed toward the needs of the community, and that pCard purchases are properly authorized.

### ***Questionable expenditures for departmental offices should be avoided***

The department did not have any guidelines to determine how much, if any, of the LCCBP operating fund expenditures should be spent for department-related needs, nor any disclosure requirements that identified purchases as an administrative expense. As a result, of the 97 equipment transactions we reviewed, which totaled \$287,678, we identified \$11,277 in LCCBP park operating funds that was diverted to department-related expenditures. Some of the purchases included:

- Five Executive Vinyl Chairs for park staff offices (\$1,200)
- Split Air Conditioning System (\$2,879)
- Ten Laser Jet Printers (\$1,900)

We do not dispute the need or legitimacy of the items purchased for departmental use. Although the department followed all current processes, in our opinion, department-related expenses should have been paid for with regular department operating funds rather than LCCBP funds.

## ***pCard Purchases***

Failure to comply with proper controls designed to provide oversight of pCard purchases increases the risk for fraud, waste, or abuse to occur. DPR policy (authorized by the *Purchasing Card Program and Procedures* established by BFS) requires that department staff receive pCard coordinator authorization before making any pCard transactions using LCCBP funds. We found that not all purchases receive prior authorization because department staff are not following departmental policy and procedures. As a result, a total of \$26,856 (21 per cent) out of a sample of \$128,345 in pCard purchases was not properly authorized.

- We examined a sample of 25 pCard transactions (\$67,789) in FY2007-08 and found that 7 transactions (28 percent) did not receive pCard coordinator approval prior to purchase. The value of the purchases that did not have prior authorization was \$17,637.

- We also sampled 25 pCard transactions (\$60,566) in FY2008-09, and found 4 transactions (16 percent) did not receive the required approval. The value of these purchases totaled \$9,219.

Of the 50 purchases (\$128,345) sampled, the 11 unauthorized transactions (22 per cent) totaled \$26,856. Purchases made without prior authorization included laptop computers, a color printer and ink cartridges, tables and chairs, and an unknown purchase valued at \$1,100 described in a budget and fiscal services report as *CBAC funds used to purchase items*.

### Exhibit 5.3 Maili Community Park



*A cart holds a Nintendo Wii system, VHS/DVD player, radio/boombox, and a 27" television purchased with LCCBP funds for Maili Community Park.*

Source: Office of the City Auditor

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## Recommendations

14. The Department of Parks and Recreation should establish a *Controlled Items Inventory* of park equipment that will facilitate tracking and accounting for equipment purchased with LCCBP funds.
15. The Department of Parks and Recreation should disallow the use of LCCBP grant funds for departmental administrative expenses.
16. If the Department of Parks and Recreation and CBAC determine that use of LCCBP funds for administrative-related expenses are appropriate, the department should clearly identify proposed expenditures as a department-related expense, and issue a year-end report accounting for the expenditures.
17. The Department of Parks and Recreation should ensure that all pCard purchases with LCCBP funds receive pCard coordinator approval prior to purchase.
18. The Department of Parks and Recreation should prepare an annual report, within 90 days of the end of the fiscal year, regarding program accomplishments, status of all LCCBP CIP projects, and amount of operating funds unspent.

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# Chapter 6

## Conclusion and Recommendations

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The Leeward Coast Community Benefits Program is intended to compensate residents of nearby communities for the continued operation of the Waimanalo Gulch Landfill. Between FY2006-07 to FY2008-09 the city council appropriated \$7 million for the LCCBP to provide community grants and park upgrades along the Leeward Coast. While program funding has benefited the communities affected by the landfill, residents are not receiving the maximum program benefits.

At least \$454,621 in community grant funds have been encumbered, but not spent although the contracts have already expired. These funds should be returned to the general fund. If the Leeward Coast communities are to receive continued compensation for the use of the Waimanalo Gulch Landfill, we recommend a long-term funding mechanism for the LCCBP program, such as host community tipping fees and depositing the tipping fee surcharges into a special LCCBP fund.

We found grants have been awarded without any assurance that the monies were spent, or goods and services received, as intended. Grantee accountability for grant funds was minimal. The Department of Community Services lacks formal policies and procedures, a formal contract management program, checklists for documenting and assessing grantee compliance, a formal grant training program for LCCBP program staff and grant recipients, or a policy regarding unspent and unresolved grant funding. Inadequate oversight allowed some grantees to divert funds toward fundraising and administrative, rather than to services that directly benefited the community. Lax grant contract management and oversight by the Department of Community Services, and the 80-20 grant distribution policy, increased the potential for fraud, waste, and abuse to occur.

The Department of Parks and Recreation properly accounted for purchases using LCCBP funds, resulting in projects that benefited the community and were generally well received. Transparency could be improved by clearly identifying expenditures as a department-related expense and issuing year-end reports that account for the expenditures. Other improvements recommended include establishing a *Controlled Items Inventory* of park equipment and ensuring all pCard purchases with LCCBP funds are approved by the pCard coordinator prior to purchase.



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## Recommendations

1. The Department of Community Services should establish formal policies, procedures, and guidelines for lapsing any unspent LCCBP grant funds back to the general fund 12 months after the end of the contract period.
2. The Department of Community Services should return the \$454,621 in unspent and unresolved grant funds from FY2006-07 and FY2007-08 back to the general fund.
3. The Department of Community Services should return the additional \$42,027 in unspent FY2008-09 funds back to the general fund in June 2011 if the outstanding, unresolved invoices are not settled.
4. If the City Council decides to continue the Leeward Coast Community Benefits Program, it should consider funding the program through a tipping fee surcharge.
5. The City Council should amend Sec. 9-4.2, Revised Ordinances of Honolulu, *Disposal charges for businesses and federal, state and city agencies*, by adding a tipping fee surcharge to fund the LCCBP.
6. The City Council should consider establishing a special fund to receive any tipping fee surcharge revenues or other funding, and disburse monies from the fund to support community programs and applicable administrative expenses.
7. The Department of Community Services should establish formal policies and procedures that include, but are not limited to, standardized reporting formats, expenses allowed/not allowed, limits on administrative fees and fundraising activities, requiring a workplan based on the actual grant award, requiring departmental approval for all scope of work changes, and lapsing funds 12 months after the end of the contract period.
8. The Department of Community Services should establish a formal contract management program that requires the LCCBP administrator to monitor grants and ensure compliance with city ordinances; contract terms including timely and regular quarterly and final reports; city and departmental policies and procedures; and grant management best practices.

9. The Department of Community Services should develop and implement a pre-award checklist and a post-contract evaluation to assess the grantee's compliance with policies, procedures, best practices, contract requirements, and deliverables. The checklist should include preparation and follow-up on performance measures, work plans, reporting requirements, use of funds, and acceptable delivery of goods and services as detailed in the contracts.
10. The Department of Community Services should establish a formal training program for its LCCBP staff and grantees to include, an understanding of city grant policies, procedures, and reimbursement requirements.
11. The Department of Community Services should use existing, non-profit resources such as the Hawai'i Community Foundation to compile handbooks, develop checklists, and provide training to grantees.
12. The Department of Community Services should reduce the risk of fraud, waste and abuse by eliminating the existing 80-20 grant funding distribution policy and increase accountability and transparency by restoring the cost reimbursement program.
13. The Department of Community Services should prepare an annual report to the CBAC and the city council, within 90 days of the end of the fiscal year, regarding program accomplishments, status of all grants issued in that fiscal year, and amount of grant funds unspent.
14. The Department of Parks and Recreation should establish a *Controlled Items Inventory* of park equipment that will facilitate tracking and accounting for equipment purchased with LCCBP funds.
15. The Department of Parks and Recreation should disallow the use of LCCBP grant funds for departmental administrative expenses.
16. If the Department of Parks and Recreation and CBAC determine that use of LCCBP funds for administrative-related expenses are appropriate, the department should clearly identify proposed expenditures as a department-related expense, and issue a year-end report accounting for the expenditures.

17. The Department of Parks and Recreation should ensure that all pCard purchases with LCCBP funds receive pCard coordinator approval prior to purchase.
18. The Department of Parks and Recreation should prepare an annual report, within 90 days of the end of the fiscal year, regarding program accomplishments, status of all LCCBP CIP projects, and amount of operating funds unspent.

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**Management Response**

The Managing Director and administrators for the Departments of Community Services, Budget and Fiscal Services, Parks and Recreation, and Environmental Services generally agreed with the audit recommendations and are taking actions to implement a number of the recommendations based on the draft report. The management comments are responsive to our audit report and audit recommendations.

The Managing Director and his staff expressed some concerns regarding the tipping fee surcharge recommendation. Currently city vehicles are exempt from landfill tipping fees. If the City Council decides that city vehicles should pay tipping fees, the assessment would involve an intra-departmental transfer from the solid waste fund and, for cost accounting purposes, would more accurately reflect the true cost of operating the landfill.

The recommendation for the tipping fee surcharge was offered as an alternative to general fund appropriations and a way to tie the LCCBP to the landfill. We acknowledge that as the volume of waste deposited at the landfill changes, the impact and subsequent revenues for the program would also adjust to reflect the changing impact on the nearby communities. Establishing a tipping fee surcharge or the special fund to support the LCCBP does not preclude the administration or council from supplementing the program with general funds. Ultimately, continuing the LCCBP program and determining its appropriate funding mechanisms are policy decisions to be determined by the city administration and council.

A copy of the Managing Director's and his departmental staff's response is provided on page 51. Technical, non-substantive changes were made to the draft report for purposes of accuracy, clarity, and style.

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C & C OF HONOLULU  
CITY AUDITOR

PETER B. CARLISLE  
MAYOR



DOUGLAS S. CHIN  
MANAGING DIRECTOR

December 28, 2010

Mr. Edwin S. W. Young  
City Auditor  
1001 Kamokila Boulevard, Suite 216  
Kapolei, Hawaii 96707

Re: Response to the Final Draft Audit Report of the Leeward Coast  
Community Benefits Program (LCCBP), dated December 3, 2010.

Dear Mr. Young,

Thank you for the extension of time in which to respond to the final draft of the Audit of the Leeward Coast Community Benefits Program, dated December 3, 2010. With the transition of the new administration underway, the extension was most helpful and appreciated.

The final draft was reviewed by newly appointed Acting Director of the Department of Community Services (DCS), Samuel E. H. Moku; Acting Director of the Department of Budget and Fiscal Services (BFS), Michael Hansen; newly appointed Acting Director of the Department of Parks and Recreation (DPR), Gary Cabato; Director of the Department of Environmental Services (ENV), Timothy Steinberger; and me.

As noted in the audit report, the Leeward Coast Community Benefits Program (LCCBP) was established as a means to offset the impact of the City's Waimanalo Gulch landfill on the communities that were adjacent to this area. Funds were annually appropriated to provide necessary health and human service programs as well as park improvement projects through a formal Request for Proposal (RFP) process. The LCCBP focused on "grassroots" agencies that while limited in organizational capacity, did have an existing history of service to the leeward coast.

While money was appropriated to maximize the delivery of services to the community, no additional funds were appropriated for additional DCS staff to manage the program. The department used existing staff to manage this program in addition to their regular duties; the number of projects managed by DCS staff at any given time was 45-50 projects.

DCS believes that the services provided through LCCBP funds have been beneficial to the leeward coast communities. Toward that end, the recommendations presented by the audit report provide DCS with the opportunity to improve the delivery of services by establishing or tightening up policies and procedures as well as educating the grantees on city grant policy and procedures through a formal training program.

With respect to the Audit's specific recommendations, DCS responds to Nos. 1-3 as follows:

1. *The Department of Community Services should establish formal policies, procedures, and guidelines for lapse of any unspent LCCBP grant funds back to the general fund 12 months after the end of the contract period.*
2. *The Department of Community Services should return the \$473,784 in unspent and unresolved grant funds from FY 2006-07 and FY 2007-08 back to the general fund.*
3. *The Department of Community Services should return the \$42,030 in lapsed FY 2008-09 funds back to the general fund in June 2011 if the outstanding, unresolved invoices are not settled.*

We concur with the audit recommendation to lapse any funds unspent for a period of 12 months after the contract period. In order to be fair, and to provide the greatest benefit to the leeward coast communities, DCS in conjunction with BFS will make every effort to bring the grantees' paperwork into compliance so the funds may be disbursed as intended. Any funds remaining undistributed on June 30, 2011, will be returned to the general fund.

DCS is working on formal policies, procedures, and guidelines, as well as a comprehensive training program to guide participants through the RFP/invoicing process. These recommendations will be implemented by June 30, 2011.

Since recommendations 4, 5 and 6 are addressed to the City Council, the comments of ENV and BFS are included for consideration.

4. *If the City Council decides to continue the Leeward Coast Community Benefits program, it should consider funding the program through a tipping fee surcharge.*
5. *The City Council should amend Sec. 9-4.2, Revised Ordinances of Honolulu, Disposal charges for businesses and federal, state and city agencies, by adding a tipping fee surcharge to fund the LCCBP.*
6. *The City Council should consider establishing a special fund to receive any tipping fee surcharge revenues or other funding, and disburse monies from the fund to support community programs and applicable administrative expenses.*

A special fund that does not lapse is appealing as project monies not exhausted in a given year would remain available to the communities they were intended to benefit. Funding the projects through tipping surcharges is a bit more problematic. It is anticipated that within the next several months, the third boiler at H-Power will be operational and the tonnage at the landfill will diminish correlatively.

Currently, approximately 130,000 tons of solid waste is taken to the landfill on an annual basis and once the waste-to-energy H-Power third boiler is operational that volume is expected to drop to less than 50,000 tons. A significant portion of the landfill solid waste volume will be from bulky waste delivered by the City that is funded by city general fund. In addition, the City has a current surcharge that accompanies the tip fee, at the landfill and H-Power that is used to support the Island wide recycling program. Any additional surcharge will be passed on as a direct cost to the commercial haulers' customers.

DCS responds to recommendations 7 through 13 as follows:

7. *The Department of Community Services should establish formal policies and procedures that include, but are not limited to, standardized reporting formats, expenses allowed/not allowed, limits on administrative fees and fundraising activities, requiring a work plan, require departmental approval for all scope of work changes, and lapsing funds 12 months after the end of the contract period.*
8. *The Department of Community Services should establish a formal contract management program that allows departments to monitor grants and ensure compliance with city ordinances; contract terms including timely and regular quarterly and final reports; city and departmental policies and procedures; and grant management best practices.*
9. *The Department of Community Services should develop and implement a pre-award checklist and post-contract evaluation to assess the grantee's compliance with policies, procedures, best practices, contract requirements, and deliverables. The checklist should include preparation and follow-up on performance measures, work plans, reporting requirements, use of funds, and acceptable delivery of goods and services as detailed in the contracts.*

DCS will establish formal policies and procedures that will help in monitoring the program by June 30, 2011. DCS has already developed a draft monitoring and evaluation instrument for the LCCBP that accounts for the recommendations detailed through this item and will work towards updating and finalizing such monitoring policy and evaluation instrument by June 30, 2011. To ensure its imposition, as noted above, DCS has assigned an additional 1.0 FTE staff for the management and administration of the LCCBP.

DCS will develop and implement a pre-award checklist and post-contract evaluation to assess the grantee's compliance with policies, procedures, best practices, contract requirements, and deliverables by June 30, 2011. While the current RFP includes a checklist that was established to consider eligibility of proposals submitted, DCS, BFS and the Department of the Corporation Counsel (COR) will continue to review and revise the RFP and Agreement documents to address the recommendations cited.

10. *The Department of Community Services should establish a formal training program for grantees to include, an understanding of city grant policies, procedures, and reimbursement requirements.*
11. *The Department of Community Services should use existing, non-profit resources such as the Hawai'i Community Foundation to compile handbooks, develop checklists, and provide training to grantees.*
12. *The Department of Community Services should reduce the risk of fraud, waste and abuse by eliminating the existing 80-20 grant funding distribution policy and increase accountability and transparency by restoring the cost reimbursement program.*
13. *The Department of Community Services should prepare an annual report to CBAC and the City Council, within 90 days of the end of the fiscal year, regarding accomplishments, status of all grants issued in that fiscal year, and amount of grant funds unspent.*

It has always been the intention of DCS to establish training workshops for providers prior to execution of agreements that include the input of BFS and COR. While staff limitations and scheduling conflicts have prevented establishing a formal training program for providers in prior years, DCS and BFS have already committed to the development and convening of such a workshop in future funding cycles. DCS will research other agencies and/or organizations that have established such training programs for grantees. DCS will provide a plan to meet this objective by June 30, 2011.

DCS will contact the Hawaii Community Foundation as well as other agencies and/or organizations to research training workshops and provisions that could serve as reference documents to the City and its contracted service providers to improve grants management, compliance and performance. This will be completed by June 30, 2011.

DCS acknowledges the perception that abuses may occur and therefore with the assistance of BFS will develop and implement a different disbursement policy for FY 2010 – 2011 awardees. DCS would like to evaluate the effectiveness of such policy change with the flexibility to adjust as needed.

DCS would be pleased to comply with the request to provide an annual report regarding the LCCB program.

The Department of Parks and Recreation responds to recommendations 14 through 18 as follows:

14. *The Department of Parks and Recreation should establish a Controlled Items Inventory of park equipment that will facilitate inventories of equipment purchased with LCCBP funds.*
15. *The Department of Parks and Recreation should disallow the use of LCCBP grant funds for departmental administrative expenses.*
16. *If the Department of Parks and Recreation and CBAC determine that use of LCCBP funds for administrative-related expenses are appropriate, the department should clearly identify proposed expenditures as a department-related expense, and issue a year-end report accounting for the expenditures.*
17. *The Department of Parks and Recreation should ensure that all pCard purchases with LCCBP funds receive pCard coordinator approval prior to purchase.*
18. *The Department of Parks and Recreation should prepare an annual report within 90 days of the end of the fiscal year, regarding program accomplishments, status of all CIP projects, and amount of operating funds unspent.*

The Department of Parks and Recreation is in agreement with these recommendations and has already taken steps to implement the suggestions upon receipt of the final draft audit.

If there are any questions or concerns, please contact me.

With best regards,

  
Douglas S. Chin  
Managing Director

cc: Samuel E. H. Moku  
Tim Steinberger  
Michael Hansen  
Gary Cabato



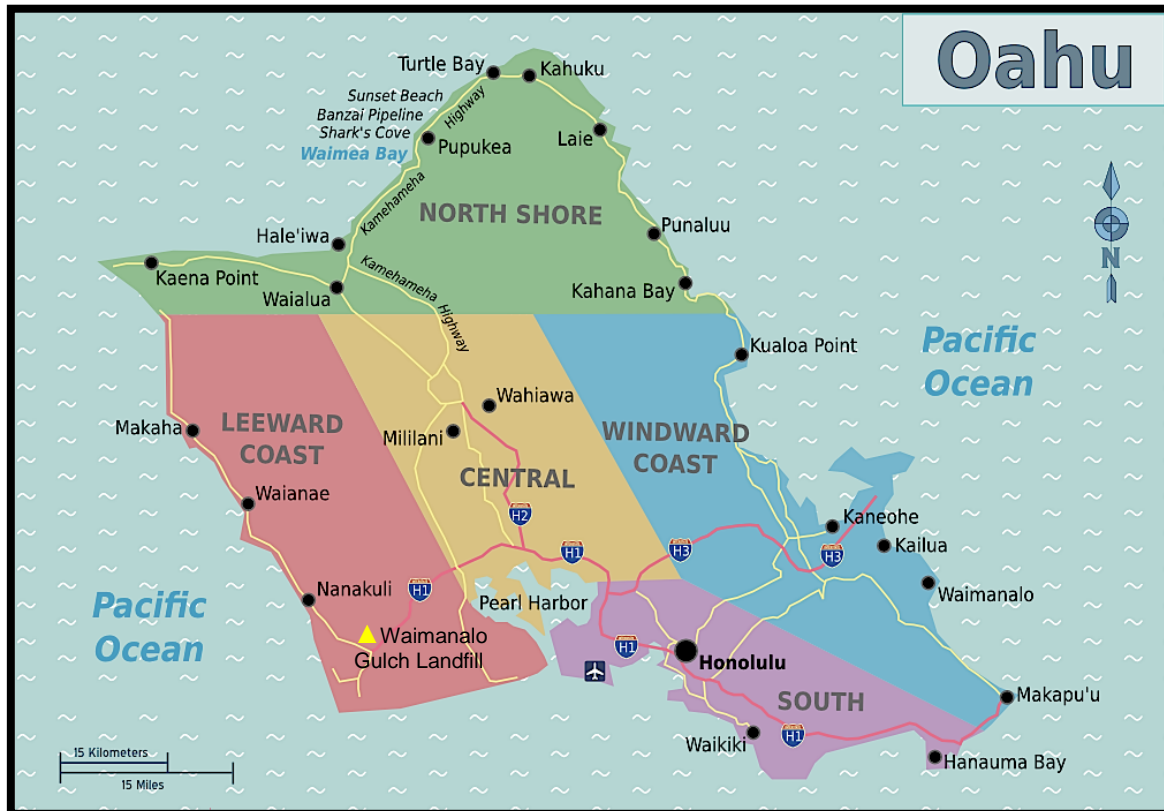
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# Appendix 1

## Leeward Coast Community Benefits Program, Background, and Processes

The LCCBP provides grant funds through a request for proposal (RFP) process to private, community-based, and non-profit organizations. The programs and services address problems or concerns in the Leeward Coast communities. These communities include Makakilo, Kalaeloa, Kapolei, Honokai Hale/Nanikai Gardens, Ko Olina, Nanakuli, Maili, Wai'anae, Makaha, and Keaau.

**Exhibit A1.1**  
**Map of O'ahu**



Source: Image by Wikitravel available under Creative Commons Attribution-ShareAlike 2.5

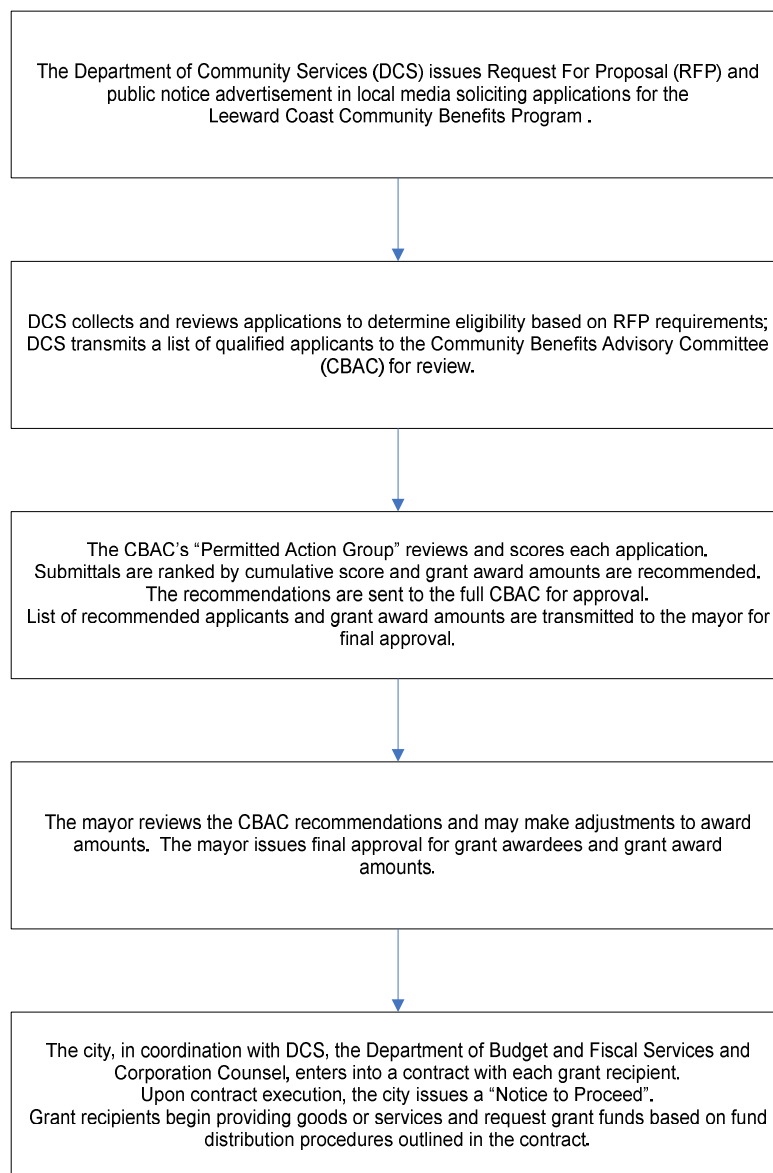
### Grant Process

The Department of Community Services issues a request for proposals, receives and reviews applications, and forwards a list of qualified applicants to the Community Benefits Advisory Committee. The advisory committee reviews, scores, and ranks each application. The advisory

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committee establishes a list of recommended grantees and the award amounts, and forwards the list to the mayor for approval. The mayor reviews, amends, and issues a final list of grantees and award amounts. The city enters into a written contract with the grant recipients and the Department of Community Services administers the contracts. Exhibit A1.2 diagrams the role of each participant in selecting projects and grants for the LCCBP funds.

**Exhibit A1.2  
Flowchart of the Community Grant Funding Process**



Source: Department of Community Services

Funding awards are limited to amounts between \$25,000 and \$100,000 (not less than \$25,000 and not more than \$100,000). To qualify, eligible non-profits must request grant funds for one of the following categories:

- Social services for the poor, the aged, and youth of the City & County of Honolulu;
- Health services including services for those with physical and/or emotional/mental disabilities;
- Educational, manpower and/or training services;
- Services to meet a definitive cultural, social or economic need within the City & County of Honolulu not being met by any other private organization.

### Grant Funding

In FY2006-07, the inaugural year of the program, LCCBP grants totaled \$1 million and were awarded to 21 community-based non-profits. In FY2007-08, an additional \$1 million in grants were awarded to 25 non-profit community-based organizations. In FY2008-09, a total of \$1 million in grants were awarded to 31 non-profit, community-based organizations Appendix 2 lists the organizations, projects and amounts awarded.

### Exhibit A1.3 List of Grants Reviewed in Detail

<i>Agency</i>	<i>Fiscal Year</i>	<i>Category</i>
1. Forward Foundation	FY2006-07	Health
2. Ho'a Aina O Makaha	FY2006-07	Cultural
3. Habitat for Humanity	FY2007-08	Social Service
4. Valley of the Rainbows	FY2007-08	Cultural
5. Ho'olana	FY2008-09	Education
6. Child and Family Service	FY2008-09	Health

Source: Department of Community Services

The grants reviewed in detail were selected from an original list of 77 community grant contracts issued between FY2006-07 to FY2008-09. The contracts were judgmentally selected based on the type of service provided. More specifically, (1) social services for the poor, the aged and youth; (2) health services for those with physical, emotional, and /or mental disabilities; (3) educational, manpower and/or training services; and (4) services that met definitive cultural, social, or economic needs not met by private organizations.

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The sample had the following attributes:

- Two contracts from each fiscal year (FY2006-07; FY2007-08; and FY2008-09);
- Two contracts for health-related services;
- Two grants for cultural services;
- One contract offering social services; and
- One grant for education services.

## Appendix 2

**Exhibit A2.1**  
**List of Grants by Fiscal Year (FY2008-09)**

<b>Grant No.</b>	<b>Organization</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Balance (as of Sept. 2010)</b>	<b>Percent of Balance Outstanding</b>
1	Adult Friends for Youth	\$24,812	\$19,850	\$4,962	20%
2	Alternative Structures International	\$30,000	\$24,000	\$6,000	20%
3	Alu Like, Inc.	\$40,000	\$32,000	\$8,000	20%
4	Alu Like, Inc.	\$20,000	\$16,000	\$4,000	20%
5	Big Brothers Big Sisters of Honolulu	\$30,000	\$24,000	\$6,000	20%
6	Boys and Girls Club of Hawai'i - Wai'anae	\$10,000	\$0	\$10,000	100%
7	Boys and Girls Club of Hawai'i - Nanakuli	\$70,000	\$56,000	\$14,000	20%
8	Catholic Charities Hawai'i	\$15,000	\$12,000	\$3,000	20%
9	Child and Family Service	\$50,000	\$40,000	\$10,000	20%
10	Corvette Center Ministries	\$20,000	\$16,000	\$4,000	20%
11	Dyslexia Tutoring Center of Hawai'i	\$30,000	\$30,000	\$0	0%
12	Habitat For Humanity Leeward O'ahu	\$50,000	\$40,000	\$10,000	20%
13	Hawai'i 3 Rs	\$10,000	\$10,000	\$0	0%
14	Hawai'i Building Industry Foundation	\$10,000	\$10,000	\$0	0%
15	Hawai'i Family Service	\$25,000	\$20,000	\$5,000	20%
16	Hawai'i Nature Center	\$20,000	\$16,000	\$4,000	20%
17	Hawai'i Speed and Quickness	\$20,000	\$8,000	\$12,000	60%
18	Ho'olana	\$20,000	\$16,000	\$4,000	20%
19	Ho'omau Ke Ola	\$40,137	\$32,110	\$8,027	20%

<b>Grant No.</b>	<b>Organization</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Balance (as of Sept. 2010)</b>	<b>Percent of Balance Outstanding</b>
20	Leeward Kai Canoe Club	\$25,000	\$20,000	\$5,000	20%
21	Life Foundation	\$20,000	\$16,000	\$4,000	20%
22	Making Dreams Come True... Valley of Rainbows	\$55,000	\$55,000	\$0	0%
23	Malama Learning Center	\$51,364	\$51,364	\$0	0%
24	MKH Little League	\$25,000	\$20,000	\$5,000	20%
25	Nanakuli High and Intermediate School PTSA	\$77,000	\$61,600	\$15,400	20%
26	Salvation Army	\$15,000	\$12,000	\$3,000	20%
27	Special Olympics Hawai'i	\$56,687	\$56,687	\$0	0%
28	United States Veterans Initiative	\$20,000	\$16,000	\$4,000	20%
29	Wai`anae Community Redevelopment Corp.	\$40,000	\$32,000	\$8,000	20%
30	Wai`anae Hawaiian Civic Club	\$20,000	\$16,000	\$4,000	20%
31	Westside Athletic Foundation	\$50,000	\$40,000	\$10,000	20%
	<b>TOTAL</b>	<b>\$990,000</b>	<b>\$818,611</b>	<b>\$171,389</b>	<b>17%</b>

Source: Department of Budget and Fiscal Services

**Exhibit A2.2**  
**List of Grants by Fiscal Year (FY2007-08)**

<b>Grant No.</b>	<b>Organization</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Balance (as of Sept. 2010)</b>	<b>Percent of Balance Outstanding</b>	<b>Other LCCBP Award</b>
1	Big Brothers Big Sisters of Honolulu	\$25,000	\$25,000	\$0	0%	FY2008-09
2	Boys and Girls Club of Hawai'i - Nanakuli	\$60,000	\$15,000	\$45,000	75%	FY2008-09
3	Boys and Girls Club of Hawai'i - Waianae	\$60,000	\$15,000	\$45,000	75%	FY2008-09
4	Catholic Charities Hawai'i	\$30,000	\$24,000	\$6,000	20%	FY2008-09
5	Child and Family Service	\$20,000	\$16,000	\$4,000	20%	FY2008-09
6	Corvette Center Ministries	\$20,000	\$16,000	\$4,000	20%	FY2008-09
7	Easter Seals Hawai'i	\$40,000	\$40,000	\$0	0%	
8	Habitat for Humanity Leeward O'ahu	\$60,000	\$48,000	\$12,000	20%	FY2008-09
9	Hale Kipa, Inc.	\$30,000	\$0	\$30,000	100%	
10	Hawai'i Building Industry	\$40,000	\$40,000	\$0	0%	FY2008-09
11	Hawai'i Family Services	\$30,000	\$29,339	\$661	2%	FY2008-09
12	Hawai'i Nature Center	\$25,000	\$24,770	\$230	1%	FY2008-09
13	Hawai'i Community Action Program	\$40,000	\$10,000	\$30,000	75%	
14	Ho`o`ikaika O Hawai'i, Inc.	\$40,000	\$0	\$40,000	100%	
15	Ho`olana	\$25,000	\$20,000	\$5,000	20%	FY2008-09
16	Ho`omau Ke Ola	\$38,300	\$38,300	\$0	0%	
17	KAMP Hawai'i	\$40,000	\$32,000	\$8,000	20%	
18	Leeward Kai Canoe Club	\$20,000	\$16,000	\$4,000	20%	FY2008-09



Grant No.	Organization	Award Amount	Amount Expended	Balance (as of Sept. 2010)	Percent of Balance Outstanding	Other LCCBP Award
19	Life Foundation	\$16,700	\$13,360	\$3,340	20%	FY2008-09
20	Making Dreams Come True...Valley of Rainbows	\$60,000	\$60,000	\$0	0%	FY2008-09
21	Victory Outreach Christian Recovery Homes	\$55,000	\$44,000	\$11,000	20%	
22	Wai`anae Coast Coalition	\$60,000	\$48,000	\$12,000	20%	
23	Wai`anae Coast Christian Women's Job Corps	\$35,000	\$28,000	\$7,000	20%	
24	Waimanalo Construction Coalition	\$60,000	\$58,000	\$2,000	3%	
25	Westside Athletics Foundation	\$60,000	\$48,000	\$12,000	20%	FY2008-09
	<b>TOTAL</b>	<b>\$990,000</b>	<b>\$708,769</b>	<b>\$281,231</b>	<b>28%</b>	

Source: Department of Budget and Fiscal Services

**Exhibit A2.3  
List of Grants by Fiscal Year (FY2006-07)**

<b>Grant No.</b>	<b>Organization</b>	<b>Award Amount</b>	<b>Amount Expended</b>	<b>Balance (as of Sept. 2010)</b>	<b>Percent of Balance Outstanding</b>	<b>Other LCCBP Awards</b>
1	Adult Friends for Youth	\$25,000	\$18,438	\$6,563	26%	FY2008-09
2	Alternative Structures International	\$100,000	\$100,000	\$0	0%	FY2008-09
3	Big Brothers Big Sisters of Honolulu	\$25,000	\$6,250	\$18,750	75%	FY2007-08 FY2008-09
4	Catholic Charities of Hawai'i	\$55,000	\$55,000	\$0	0%	FY2007-08 FY2008-09
5	Forward Foundation	\$21,063	\$21,063	\$0	0%	
6	Hale Kipa, Inc.	\$25,000	\$9,773	\$15,227	61%	FY2007-08
7	Hawai'i Family Service	\$25,000	\$25,000	\$0	0%	FY2007-08 FY2008-09
8	Hawai'i Foodbank	\$60,500	\$60,500	\$0	0%	
9	Helping Hands Hawai'i	\$61,633	\$61,633	\$0	0%	
10	Ho`a Aina O Makaha	\$68,366	\$68,365	\$1	0%	
11	Ho`omau Keola	\$85,850	\$85,850	\$0	0%	FY2007-08 FY2008-09
12	Ka`ala Farms	\$35,000	\$33,800	\$1,200	3%	
13	KAMP Hawai'i	\$20,000	\$20,000	\$0	0%	FY2007-08
14	Leeward Kai Canoe Club	\$15,000	\$15,000	\$0	0%	FY2007-08 FY2008-09
15	Making Dreams Come True... Valley of Rainbows	\$60,000	\$60,000	\$0	0%	FY2007-08 FY2008-09
16	Salvation Army	\$25,000	\$25,000	\$0	0%	FY2008-09
17	Steadfast Housing Development Corp	\$100,000	\$100,000	\$0	0%	
18	U.S. Veterans Initiative	\$37,500	\$37,500	\$0	0%	FY2008-09
19	Wai`anae Coast Christian Women's Job Corps	\$82,088	\$79,801	\$2,287	3%	FY2007-08
20	Wai`anae Coast Coalition	\$30,000	\$30,000	\$0	0%	FY2007-08
21	YWCA	\$33,000	\$33,000	\$0	0%	
	<b>TOTAL</b>	<b>\$990,000</b>	<b>\$945,972</b>	<b>\$44,028</b>	<b>4%</b>	

Source: Department of Budget and Fiscal Services

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# Appendix 3

## Community Grant Management Best Practices

Best practices criteria are based on the *Guide to Opportunity for Improving Grant Accountability*, October 2005, compiled by the Grant Accountability Project, U.S. Comptroller General of the United States' Domestic Working Group.

### Exhibit A3.1 Comparison of Grant Management Practices

#### Internal Controls

	Best Practice	Did the City Comply?
1	Preparing policies and procedures before issuing grants. Sets clear expectations and holds grantees accountable for properly using funds and achieving agreed-upon results.	No. Most of policies are outlined in the contract agreement. The contract agreements specify "expectations" (e.g. reports, timelines, funding scheduled, etc.), but it does not provide information like whom to contact, formats, prohibited activities, FAQ's.
2	Consolidating information systems to assist in managing grants. <ul style="list-style-type: none"> <li>Suggest developing a common application and reporting system for grants.</li> <li>Use information system to track grants and have grantees submit reports electronically.</li> </ul>	No. Because the project involved only \$1 million annually, and no commitment that it will continue, the department opted not to invest in a formal system
3	Providing grant management training to staff and grantees. Agency staff and grantees need sufficient training so that they can understand the numerous regulations, policies, and procedures governing grant funds, particularly small entities not familiar with all of the regulations and policies.	DCS staff received no formal grant management training. Training was done primarily "on-the-job."  DCS and BFS did not provide any training for grantees due to inadequate resources and expertise.

#### Performance Measures

	Best Practice	Did the City comply?
4	Performance measures provide agencies with the information they need to assess the achievement of program goals. Agencies need to establish measures for new grant program quickly, ideally before awards are made, to incorporate measurement requirements into the grant award. The measures can serve as a basis for determining progress for individual grants and the grants programs as a whole.	Not consistently. We found that some contracts have performance measures, and some do not. Furthermore, we found that grantees do not consistently provide quarterly or final reports, or submit reports that do not specify how, or if, the performance measures were met. Performance measures are inconsequential if grantees are not held accountable.

## Pre-Award Process

	Best Practice	Did the City comply?
5	Pre-award reviews are essential to reducing the government's risk when awarding grants. A thorough assessment of proposed grant projects can reduce risk that money may be wasted or projects may not achieve intended results. Prior to awarding grants, agencies should evaluate grantees' financial capabilities, ability to achieve results, and plans for reporting results.	Yes, to the extent that they are required by the RFP.
6	Require a uniform pre-award evaluation of applicant capabilities. The EPA requires a pre-award evaluation of the administrative and programmatic capabilities of non-profit applicants. Applicants are required to answer questions regarding financial management systems, property and procurement standards, assigned personnel, and travel policies. If there are identified weaknesses, the award official must impose conditions that are to be completed before the grant is awarded or address the weakness in a specified time	No. DCS does not have a uniform process for evaluating applicants abilities except for those noted in the RFP. While the RFP establishes minimum qualifications, a second evaluation would allow DCS to identify any potential conditions that may require scrutiny or shape how the department might monitor this contract.
7	Preparing work plans to provide framework for grant accountability. The work plan serves as a written record of what the grantee will do with funds. Through the work plan, the awarding agency and grantee ensure a clear understanding of the intended purpose and results for the grant funds. Agencies need to take specific actions to obtain information from applicants and evaluate the information when preparing the grant award	Yes. Workplans are required by the RFP. However, the workplans may be moot if the application amount and the actual award amount are different. DCS should require an amended workplan from the grantees, based on the actual award amount.
8	Including clear terms and conditions in grant award documents. The terms, conditions, and provisions in the award agreement, if well designed, can render all parties more accountable for the award. When award documents are not well written, they can impact an agency's ability to ensure funds are used as intended.	Not consistently. Performance measures that are unclear will impact accountability. We found that not all contracts have clear performance measures.

## Managing Performance

	Best Practice	Did the City comply?
9	Once grants are awarded, it is important that agencies properly manage the grants. Agencies need to ensure that grant funds are used for intended purposes, in accordance with laws and regulations, and will lead to planned results. Effective grant management increases the likelihood that grants will contribute to agency goals.	Not consistently. DCS does not have a formal monitoring program. We found that not all grantees submitted quarterly or yearly reports in a timely manner. Site visits by DCS staff were not documented in the contract files.
10	Monitoring the financial status of grants. The timely receipt of financial records and reports from grantees is necessary for agencies to effectively monitor the financial status of grants. Ineffective grant monitoring increases the risk of improper payments and untimely grant expenditures. It may also result in the misuse or waste of funds. One way agencies have addressed this issue is by developing systems that make information on the financial status of grants readily available to staff. Some agencies have addressed the issue through on-site reviews	Not consistently. We found that not all grantees submitted quarterly or yearly reports. Some reports that are submitted do not contain sufficient data to properly evaluate financial status. We identified several questionable uses of grant funds including payment for liability insurance, excessive management and administrative fees, fundraising activities, and expenditures outside the contract scope.
11	Ensuring results through performance monitoring. Monitoring grantee performance helps ensure that grant goals are reached and required deliverables completed. In addition, monitoring performance can address potential problems early in the grant period and keep grantees on course toward goals. A grants management system and site visits allow agencies to effectively monitor grants by providing timely and accessible information on grant performance and deliverables.	No. DCS does not have a formal monitoring program. The department does not keep a comprehensive log of contract status, site visits, or submission of required reports.
12	Monitoring sub-recipients is a critical element of grant success. Grantees may further distribute funds to other organizations, known as sub-recipients. Sub-recipients, many of which are small organizations, often lack experience and training in grants management. It is important that recipients identify, prioritize, and manage potential at-risk sub-recipients to ensure that grant goals are reached and resources properly used. Agencies have addressed this issue by providing detailed guidance on how to manage funds and standards for monitoring sub-recipients.	No, the department does not have a formal policy regarding sub-recipients. We identified at least one contract where the grantee contracted a management firm that then contracted with a service provider to provide actual services. However, the contract file did not contain any documentation regarding the fitness of the management firm or service provider—both of which received city grant funds.

## Assessing and Using Results

	Best Practice	Did the City comply?
13	Assessing the results of a grant program against its goals and objectives is important. As budget resources shrink and demands for government services grow, competition between various federal, state, and local grant programs for resources increases. Decision makers need to know which programs are achieving their goals and objectives to make informed decisions about where to allocate resources.	No. DCS does not conduct any post contract evaluation and is unable to determine whether the city and the Leeward Coast Community received what it paid for through the Leeward Coast Community Benefits Program. It is unclear whether contract terms between the city and grantees have been met.
14	Inspect projects after completion. To ensure grant projects are maintained once completed, the National Parks Service grant managers conduct post-completion inspections once every 3-5 years, depending on the grant program. The assessment includes site inspections and review of project folders to ensure that sites assisted with federal funds remain in recreational use in perpetuity.	No. DCS staff administrator commented that for CIP projects, staff will drive by and take a look at the project. However, there is no documentation in the contract files that a visual verification was conducted or evaluation as to whether the final project was completed as required by contract terms.

# Appendix 4

**Exhibit A4.1  
Summary of Contracts Reviewed Versus Grant Management Best Practices  
FY2006-07 to FY2008-09**

Best Practice		No. of Grant Contracts	
		Yes	No
1	Policies and Procedures prepared before issuing grant	0	20
2	Clear Expectations	11	9
3	Grantee held accountable for using funds properly. (Quarterly Reports)	5	15
4	Grantee held accountable for achieving agreed results (Year-End Report)	14	6
5	Information system exists for tracking and managing grant	0	20
6	Grant training provided to staff	0	20
7	Grant training provided to grantee	0	20
8	Staff and grantee understand regulations, policies, procedures governing grant funds (based on #6,7)	0	20
9	Performance measures established for grant	12	8
10	Performance measures allow staff and grantee to assess if program goals are achieved	12	8
11	Performance measures allow staff and grantee to evaluate grantee and program progress	12	8
12	Grantee financially able to achieve results and able to report results	8	12
13	Work plans prepared and provide clear understanding of the purpose and expected results for the grant funds	12	8
14	Contract terms, conditions and provisions are clear and measurable	11	9
15	City agency manages and monitors grants to ensure funds are used properly and program goals are achieved	0	20
16	Grantee financial records and reports are timely and allow city to monitor the financial status of the grant	4	16
17	On-site reviews performed by city (based on contract file documentation)	0	20
18	City monitors grantee performance and ensures grant goals are reached, required deliverables are completed, and potential problems are addressed early (based on post-contract checklist on file)	0	20
19	Grant management system provides timely information and allows city agency to effectively monitor the grantees performance	0	20
20	Grantee identifies, prioritizes, and manages sub-recipients; ensures grant goals are reached; and resources are properly used	0	20
21	Formal policies, procedures, and guidelines exist for using sub-recipients	0	20
22	Grant results are compared with program goals and objectives (based on post-contract checklist on file)	0	20
23	City inspects completed projects (based on documented visits in contract file)	1	19
	<b>No. of quarterly reports on file. 3 reports per contract should be on file. Total should be 231 reports.</b>	<b>19</b>	<b>0</b>

Source: Office of the City Auditor



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# Appendix 5

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## Host Community Benefit Programs

Many municipalities around the country have established programs to compensate communities for operating landfills, recycling facilities, or waste-to-energy plants. Host community benefit agreements are contracts negotiated between communities and public/private sector owners of solid waste management facilities. Facility owners often negotiate these contracts with communities to compensate for real or perceived negative impacts the facility might have on property values, the environment, health, and quality of life. Host community benefits are also referred to as “equity adjustments,” which are intended to balance out the sacrifices borne by the host communities.

Types of host community benefits are:

- *Direct Payments.* Direct payments are designed to offset expenses incurred by the community during negotiations, e.g., person-hours, paperwork, consulting and legal services. Mutually agreed upon payments between the facility owner and the municipality are generally paid annually for a certain time period.
- *Payments in Lieu of Taxes.* If a facility is owned by a municipality or the state, the land can be exempt from local property taxes. Payment in lieu of taxes compensates the community for lost tax revenue.
- *Waste-Volume-Payments.* Another payment offered in many host community benefit agreements are waste-to-volume payments, which are based on the volume of waste received at a facility. Volume payments are designed to compensate for the perceived social stigma that a facility may have on the host community. These payments typically average between \$1 to \$2 per ton, and may be renegotiated or increased over time.
- *Public Service Payments.* Often, costs for public services such as fire protection and road maintenance may increase due to the solid waste facility. Public service payments attempt to offset these additional costs.
- *Reimbursement to Education and Community Programs.* In addition to payments made to fire and highway maintenance programs, facility owners may agree to fund education and recreation programs. For example, the City of Lewiston in Niagara County, NY donated 12.5 cents from each ton of solid waste received at the facility to the Art Park Performing Arts Center for Children Programming.
- *Property Value Protection (PVP) Programs.* Many host community benefits agreements incorporate property value protection programs. These are designed to reimburse residents for the potential devaluation of property which could occur by hosting the facility.

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