

**City of Wilmington  
City Council Grants  
Internal Audit Review  
Attachment A**

	<b>Detailed Finding and Related Risk</b>	<b>Recommendation</b>	<b>Management Response</b>
<b>Conflict of Interest</b>	<p>1. Discrepancies were noted during a review of cancelled checks from the Eastside Civic Association (ESCA) consistent with what prompted an ethics complaint being filed with the Wilmington Ethics Commission.</p> <p>A total of 50 transactions for the 3<sup>rd</sup> district council person were tested. This represents 100% of the 3<sup>rd</sup> district council person’s disbursements during the audit scope. There were eight checks disbursed to ESCA. Four out of the eight checks reviewed were endorsed by the 3<sup>rd</sup> District Councilperson. Below are the checks in question:</p> <ul style="list-style-type: none"> <li>• 200692 for \$4,900* on August 24, 2022.</li> <li>• 193751 for \$2,250 on July 7, 2021.</li> <li>• 192601 for \$500 on April 28, 2021.</li> <li>• 193905 for \$200 on July 14, 2021.</li> </ul> <p>In addition, confirmation letters were mailed to randomly selected recipients of grants to confirm the accuracy of grant awards received. The letter mailed to the ESCA was never returned; however, on Monday, February 12, 2024, our department received a call from the individual whom the letter was addressed to, and they stated \$4,900 was returned to the city but were unaware of the other checks mentioned above.</p> <p><u>*Check reimbursed to the city:</u></p> <ul style="list-style-type: none"> <li>• 1665112533 for \$4,900 on September 1, 2022.</li> </ul> <p>Circumventing internal controls established to minimize conflicts of interest or even the appearance of a conflict of interest adversely affects public trust of public servants.</p>	<p>Management should ensure that council members complete the yearly ethics training required by the city. Also, written guidelines should be documented and provided to each council member as reference. Additionally, a disciplinary structure should be implemented as a deterrent for council members not to engage in conflicts of interest and/or fraudulent activities.</p>	<p><b>Process Owner:</b> Marchelle Basnight, City Council CFO</p> <p><b>Completion Date:</b> Completed</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>• Council passed Sub#1 to Ord# 21-044 that requires ethics training for all employees inclusive of elected officials. Council will see if legislation can be strengthened in conjunction with the Ethics Commission to ensure all Council members are compliant or to add consequences for noncompliance.</li> <li>• Written guidelines are codified in the city code regarding ethics, which is provided to all Council members, as well as electronically. Staff will provide an additional written and emailed copy to all Council members.</li> <li>• The Ethics Commission and the Department of Justice through the Attorney General’s Office is the structure that Council uses to deter fraudulent and conflict of interest amongst itself as a body. Also, Council has the authority to censure, reprimand, remove Council members from committees, and to remove funding allocations, if it chooses to do so, which is within the authority and powers of the Council.</li> <li>• Based upon the new finding, that four of the eight checks reviewed, were endorsed by the 3<sup>rd</sup> District Council member, this new finding will be submitted to the Ethics Commission.</li> </ul>

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	<b>Detailed Finding and Related Risk</b>	<b>Recommendation</b>	<b>Management Response</b>
<b>Noncompliance</b>	<p>2. Noncompliance exists with regards to adherence of City Council Community Support Fund Policy and Guidelines.</p> <p>A total of 72 random confirmation letters were mailed to grant recipients.</p> <ul style="list-style-type: none"> <li>○ Thirty-five of 72 (42.7%) were completed and returned.</li> <li>○ Three were returned to the city as undeliverable.</li> </ul> <p>Of the 35 confirmations returned, four did not answer the question “Were the funds used in Wilmington?” and one answered that the funds were used in both Wilmington and New Castle.</p> <p>Additionally, funds were disbursed to three organizations that did not identify as not-for-profit.</p> <p>Failure to comply with documented policy and guidelines increases the risk of disbursing funds to ineligible agencies.</p>	<p>Management should ensure compliance with its policy and guidelines with respect to community funds. Prior to disbursing funds there should be some form of verification that the recipient is a not-for-profit (i.e., 501c3 determination letter or State declaration form).</p> <p>Additionally, Council should ensure that the granted funds will be exclusively benefiting the Wilmington, DE area</p>	<p><b>Process Owner:</b> Marchelle Basnight, City Council CFO</p> <p><b>Completion Date:</b> Completed</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>• For grant funds for \$5,000 or more, Council has a checklist for verification for nonprofit, W9, 501c3 determination letter, etc. Prior to disbursement of any grant funds.</li> <li>• All organizations will be verified for nonprofit status and to verify if W9 is in the Enterprise ERP (Munis) system, and to have W9 attached with request for check payment. However, the Procurement Division is responsible for managing the Vendor Database to ensure updated W9’s, etc.</li> <li>• A copy of the grant fund policy will be recirculated to Council, as well as a reminder that grant funds are exclusively for Wilmington.</li> </ul>

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<b>Policies and Procedures</b>	<p>3. Controls surrounding policies and procedures (P&amp;Ps) for City Council (CC) grants need to be strengthened.</p> <ul style="list-style-type: none"> <li>• Although Council has documented policies and guidelines for grant amounts of \$5K or more, there are none for grant amounts below the \$5K threshold.</li> <li>• CC’s current guidelines are not being fully adhered to and are not fully aligned with the city’s procurement policy and procedure manual.</li> <li>• Based on a review of 158 transactions tested, the following was noted: <ul style="list-style-type: none"> <li>○ Seventy-five percent of recipients either had no W9 on file or it was outdated.</li> <li>○ Sixty-one percent of grant awards of \$5K did not have a completed vendor application.</li> <li>○ Twenty-nine percent of checks did not have a valid request for funds on file.</li> </ul> </li> </ul> <p>Noncompliance with P&amp;Ps increases the risk of funds being disbursed to an unqualified grantee and possible fraud. Additionally, a lack of defined P&amp;Ps for amounts under \$5K increases the risk of circumventing controls by keeping grant amounts under the scrutinized dollar threshold.</p>	<p>Management should consider having similar procedures in place for grants regardless of the grant award amount to ensure good stewardship of taxpayer funds. Also ensure the P&amp;Ps align with the Procurement SOP.</p> <p>In addition, Management should also develop a checklist of required documentation that is verified prior to submission of a check request.</p> <p>Concluding, training should be developed for council members that includes FAQs with “dos and don’ts.” The training should focus on preventative controls by emphasizing the importance of providing complete and accurate facts to deter CC from withholding information (i.e., Disclosures) and to educate on the importance of having correct documentation on file according to SOPs.</p>	<p><b>Process Owner:</b> Marchelle Basnight, City Council CFO</p> <p><b>Completion Date:</b> Completed</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>• Council will ensure that for grants issued for \$5,000 or more there is a W9 on file for grantees.</li> <li>• For funds for less than \$5,000 that were disbursed with no W9 on file, that is because the Vendor File was set up already in the Enterprise ERP (Munis) system as Active. If there is an Active vendor in the system, the Procurement Division is responsible for updating any outdated vendor files in Munis, to request for updated W9’s and or to have a Stop placed on the vendor file. Council’s internal process will be updated to check the Munis system for payments \$5,000 or less to verify W9 is in the Munis system, although this is a function of Procurement Division.</li> <li>• Council has internal procedures in place for \$5,000 or less.</li> <li>• Internal process for \$5,000 or less does align with the Procurement process, which our staff attends Procurement Financial trainings for processing payments for request for checks, purchase orders, and processing of any invoice, which is also part of internal guidelines.</li> <li>• There is a checklist of required documentation prior to submission of a request for check for grant funds for \$5,000 or more. Checklist is not needed for less than \$5,000 due to there is not a litany of information required.</li> </ul>

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<b>Policies and Procedures</b>	(Continued)		<p><b>Process Owner:</b> Marchelle Basnight, City Council CFO</p> <p><b>Completion Date:</b> Completed</p> <p><b>Action Plan:</b></p> <ul style="list-style-type: none"> <li>For any financial disclosures, to ensure that accurate information is provided, each elected official, must have the form notarized; however, if anyone is unsure about any information to disclose, it is always communicated to inquire directly with the Law Department. A request will be submitted to the Law Department to see if they perhaps will be amendable to provide a FAQ sheet for the financial disclosure statement and a Do's/Don'ts.</li> </ul>