Performance Audit of the City's Grants Program

Why OCA Did This Study

The City of San Diego's (City's) FY2026–FY2030 Five-Year Financial Outlook projects a $1.5 billion shortfall in City funds from FY2026 through FY2030. This highlights the need for additional sources of funding to support essential services and programs. Grants can be a tool to bridge the gap between the City's operational budget and its needs. Therefore, we conducted a performance audit with two objectives:

(1) Determine if the City is competitive in planning for and pursuing grant funding; and (2) Determine if the City's policies and processes for grant research and application are followed and align with industry best practices.

What OCA Found

Since our last audit of the City's Grants Program in FY2018, enhancements to the Grants Program have aided the City in becoming more successful in securing grant funding. Specifically, from FY2019 through FY2023, the City increased the amount of grant funding it has received by 81 percent, from $271 million in FY2019 to $491 million in FY2023. We found opportunities to build on these improvements and continue to make the City more competitive in obtaining grants.

Finding 1: A Citywide grants strategic plan can help the City better prepare for and pursue grants by identifying capacity issues that may limit the City's ability to seek out and manage grants, defining the City's grants goals and objectives, and facilitating two-way communication between operational departments and City leaders.

We found that while the City has greatly improved in obtaining grant funding, the City still ranked low compared to other large California cities when comparing grant awards per capita and grant awards as a percentage of government revenues. There is no one best way to organize a grants program, and several factors affect a city's relative success in obtaining grants, some out of their control. For example, one factor that appears to limit the City's ability to pursue and obtain grants is a lack of capacity for required matching funds and staff to apply for and manage grants.

Exhibit 10: The City Ranks Lowest Compared to Other Large California Cities for Grant Aid Per Capita (FY2019–FY2023)
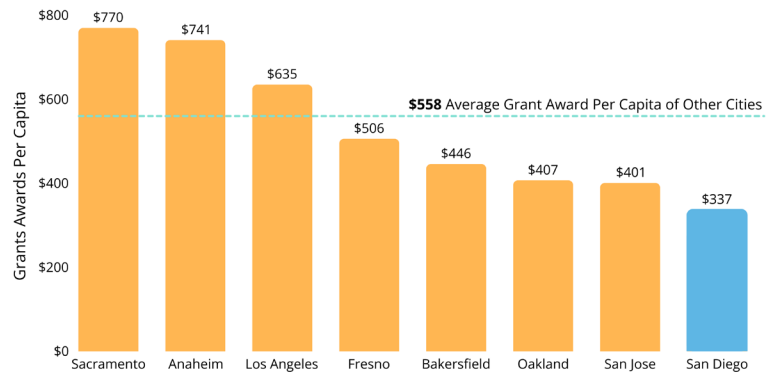
Source: OCA generated based on Annual Comprehensive Financial Report and United States Census Bureau data.

While each city we reviewed has a unique process for seeking and applying for grants, coordination between grant-seeking and managing departments and executive leadership is essential to align priorities and identify capacity issues that limit the City's grants competitiveness.

We found that coordination between the Department of Government Affairs and grant-active departments regarding the City's specific grants goals and priorities can be improved through the creation of an annual Citywide grants strategic plan. This plan can also:

- Aid executive management and departments in proactively planning annual grant activity;
- Enhance collaboration and alignment between Government Affairs' and grant-active departments' grant priorities and organizational resources;
- Ensure that grants applied for and received align with the City's strategic plan and priorities;
- Guide Government Affairs' lobbying efforts of state and federal agencies;
- Identify and address staffing capacity and matching fund issues to achieve a positive return on investment; and
- Streamline the Grant Review Team (GRT) process.

Without a Citywide grants strategic plan, there is no long-term strategy to address common capacity obstacles faced by many grant-active departments.

Finding 2: **The Grant Review Process could be streamlined and further clarified to ensure that requests to apply for grants are reviewed timely and effectively tracked to capture the City's application activity.**

Accurate tracking of grant data is essential to compiling the grants annual report and informing City leadership of the City's grant activity.

Because the GRT has a 10-business day grant application review and approval goal, the tracking of this information is also important to provide transparency to departments on how long the process takes and evaluating the GRT process would help identify deficiencies so they can be addressed.

Finding 3: **Formalizing Grants Program Coordinator roles would clarify their duties to City departments and maximize their benefit.**

We found that because the Grants Program Coordinator's job duties were not clarified until nearly a year into their tenure, there was not a common stakeholder understanding as to what roles they played. The specific roles and responsibilities of Government Affairs and the Grants Program Coordinators should be formalized for the benefit of the Grants Team themselves and City departments.

Additionally, while multiple parties search for grant opportunities, the searches could be more targeted to maximize staff's limited time. Contracted grant writers can support the City's grant application efforts and help relieve capacity strain.

Exhibit 22: The Roles of Grants Program Coordinators are Listed in the Grants Program Framework

Assist with grant application development

Research and analyze grant opportunities

Support strategic project development

Support grants reporting, compliance, and implementation, as needed

Support cross-department collaboration

Establish and manage grant opportunities resources

Source: OCA generated based on the Grants Program Framework.

Finding 4: **Improving and consolidating grants resources, in addition to implementing a mechanism to gauge City staff's grant training needs, can help the City be more prepared to pursue funding opportunities.**

We found that the City's Grants Program should perform training needs assessments to determine grants training priorities and evaluate the effectiveness of current grants training offerings.

To preserve institutional knowledge, an updated centralized grants website would help grant-active departments find the resources they need to support grant application development and grant management.

What OCA Recommends

We made **13 recommendations** to help improve the City's Grants Program. Key recommendations include:

- The City should **create a strategic planning process** to **facilitate two-way communication** to aid in establishing and communicating needs and priorities, **foster proactive grant planning**, and inform **resource allocation and identify resource needs**.

- Government Affairs should **track the average number of business days it takes for Grant Review Team members to review and approve grant application requests**, compared to the 10-business day goal outlined in Administrative Regulation 1.80.

- City policy should be updated to **formally document the agreed upon duties of the Grants Program Coordinator positions**.

- The City should **perform a return-on-investment analysis on subscribing to a grant-seeking subscription service and retaining as-needed contracted grant writers** to aid City staff in seeking and applying for grant funding.

- Government Affairs should create a **centralized grants resource library to help preserve institutional knowledge** and better support City staff.

Executive Management **agreed with all 13 recommendations.** Management's Response is included as Appendix C, and OCA's comments on the response are included as Attachment D.

For more information, contact Andy Hanau, City Auditor, at (619) 533-3165 or cityauditor@sandiego.gov.