

Performance Audit of the City's Grants Program

February 2025 | OCA-25-07

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.

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.

Finding 3

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

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.

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CITY OF SAN DIEGO



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The Office of the City Auditor would like to thank staff from the following departments and agencies for their assistance during this audit:

- Department of Government Affairs
- DCOO Kris McFadden and the Grants Program Coordinators
- Department of Finance



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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.

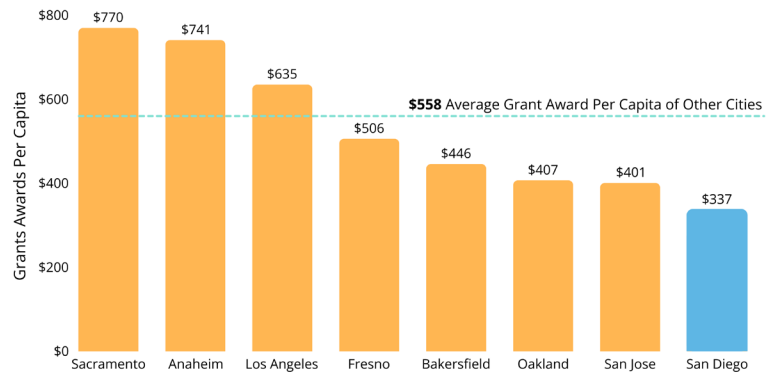
What OCA Found

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

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Background

Grants provide direct monetary assistance to organizations to fund a specific project or program. They are a key tool to bridge the gap between a local government's operational budget and its needs, and may come from federal, state, local, or private sources. Although grants are often inconsistent funding sources and award values granted to agencies fluctuate annually, grants can help finance activities like the construction or improvement of roads, bridges, or parks. They can also provide support for housing assistance, public safety, emergency services, and environmental sustainability initiatives. From fiscal year (FY) 2019 through FY2023, federal grants awarded grew from \$279 billion to \$419 billion.¹ Since FY2023, federal grant aid has increased by \$38 billion, with \$457 billion authorized in FY2025, representing a 9 percent increase.

The City of San Diego's (City's) FY2026–2030 Five-Year Financial Outlook projects a \$1.5 billion shortfall in City funds from FY2026 through FY2030.² This highlights the need for additional sources of funding to support essential services and programs, such as public safety, homelessness services, libraries, parks and recreation, street repair, facilities, information technology services, and personnel.

Between FY2019 and FY2023, the City was awarded \$2.3 billion in grant funding, averaging \$468 million per year.³ This funding has supported key programs, such as the HOME Investment Partnerships program for affordable housing; the West Mission Bay Highway Infrastructure Program for the expansion of an existing bridge to include additional lanes, a bike facility, and pedestrian sidewalks; and Lunch at the Library, which provides free meals and programming at local libraries. With projected financial shortfalls in the coming years, the efficiency and effectiveness of the City's Grants Program will be crucial to securing additional resources to support these and other essential services.

- 1 Federal assistance for health-related grants was removed from this analysis, as it is largely comprised of Medicaid funds, which are often distributed to state governments.
- 2 City of San Diego's Five-Year Financial Outlook: <https://www.sandiego.gov/sites/default/files/2024-12/fy2026-2030-five-year-financial-outlook-and-attachments-general-fund.pdf>
- 3 The global COVID-19 pandemic triggered unprecedented emergency funding for state, local, territorial, and tribal governments through the Coronavirus State and Local Fiscal Recovery Funds (SLFRF). The City received two allocations of \$149.9 million on June 1, 2021, and June 6, 2022.

We conducted a performance audit of the City’s Grants Program in accordance with the Office of the City Auditor’s FY2024 Audit Work Plan. The objectives of this audit were to:

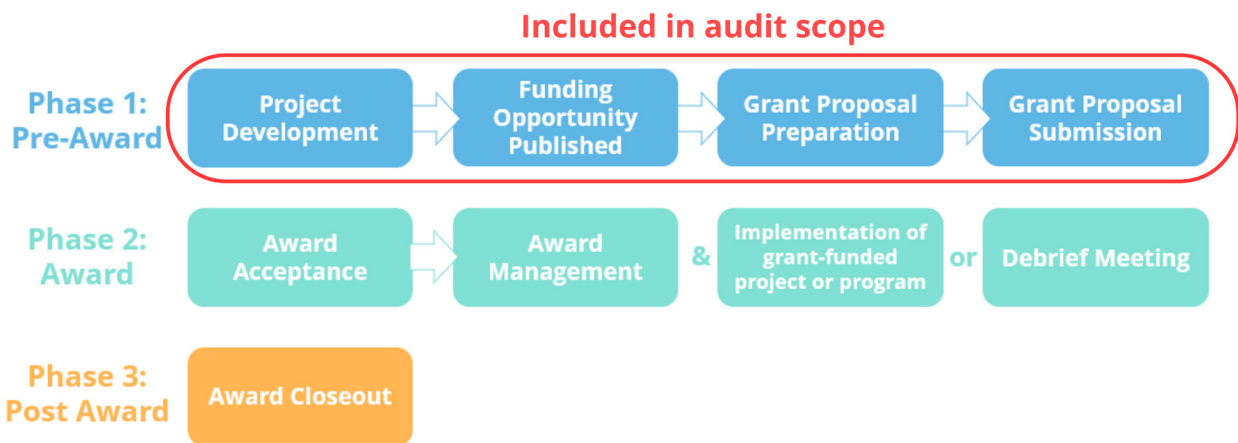
1. Determine if the City is competitive in planning for and pursuing grant funding; and
2. Determine if the City’s policies and processes for grant research and application are followed and align with industry best practices.

Grants Follow a Three-Phase Lifecycle

The grants lifecycle has three phases: pre-award, award, and post award. As shown in **Exhibit 1**, the grant lifecycle begins with the grant-seeking entity (i.e., a City department) identifying a project or program in need of funding, followed by the publication of the notice of funding opportunity by the grantor, research and application for the grant, notification of the grant award decision, the grant debrief meeting with the grantor if no award is received, and implementation of the grant-funded project or program. The scope of this audit focuses on phase one of the grants process, the pre-award phase.

Exhibit 1

This Audit Focuses on the Pre-Award Phase of the Grant Lifecycle



Source: OCA generated based on review of the City’s Grants Program Framework and the City’s Grants Administration Manual.

We reviewed the City’s process for researching, preparing for, and applying for grants. Although phases two and three were excluded from the scope of this audit, most of the grant work comes after funds are awarded when grantees must spend the funds, meet reporting and

compliance requirements and deadlines, respond to any audit requests by grantors, and close out the grant award. Grant applicants must consider the workload that accompanies each award and carefully plan out the time and resources each grant project requires.

Different types of grants from a variety of funders help support City projects and programs.

The City's Grants Program seeks grants to support the City's operational and capital needs through optimizing the grants process, increasing the number and quality of grants sought and awarded, and meeting the needs of City departments.

Operational grants are intended to support an organization's overall mission and pay for operational needs, such as supplies and equipment, but they are not meant to replace City operating costs long-term. Capital grants are used to assist with funding the acquisition, design, construction, repair, or rehabilitation of infrastructure. A variety of public and private agencies fund grants that the City applies for, including federal, state, and local governments, nonprofit organizations, and private foundations. Generally, there are two main types of grant opportunities, as shown in **Exhibit 2**.

Exhibit 2

Grant Opportunities Generally Fall into One of Two Categories

Competitive Grants



Also known as discretionary funding, a competitive grant is awarded to applicants based on the merits of their application and through a competitive selection process.

Example:
California Office of Traffic Safety
Pedestrian and Bicycle Safety Grant

Formula Grants



A type of government funding that distributes money to recipients based on a predetermined formula. Awards are based on a formula established by legislation, that includes specific criteria, such as population, and funds are typically not confined to a specific project.

Example:
Community Development
Block Grant (CDBG)

Source: OCA generated based on review of the United States Department of Health and Human Services, the United States Department of Justice, the United States Department of Housing and Urban Development and the National Highway Traffic Safety Administration websites.

A previous audit of the City's grant management found deficiencies in identifying and applying for grants and inadequate oversight of grant administration.

Our office conducted a Performance Audit of the City's Grant Management in FY2018 and found that the City did not have a standardized process for identifying, applying for, and managing grants.⁴

Since the audit, several improvements were made to the City's Grants Program, including the following:

- Revision of the Municipal Code;
- Creation of a grants administrative regulation;
- Addition of two Grants Program Coordinator Positions;
- Establishment of the Grant Review Team process;
- Annual grants reporting; and more.

Since these improvements, the City has obtained more grant funding as detailed below; however, in this report we identify additional opportunities to further mature the process and help improve the City's grant competitiveness.

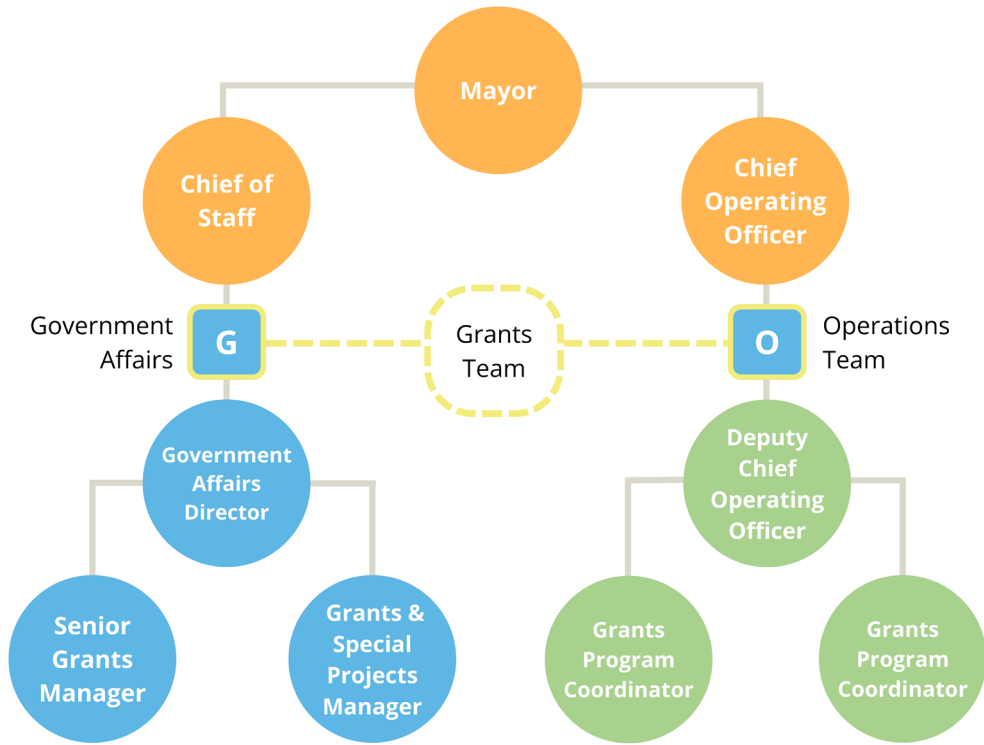
The City's Grants Program employs a hybrid model to facilitate the City's grant activity, with some activities centralized and others decentralized.

The City's Grants Program employs a hybrid model, with departments largely responsible for seeking, applying for, and managing grants, and the City's Grants Team responsible for helping coordinate these activities. The Grants Program is a joint effort between two City teams: the Department of Government Affairs (Government Affairs) and the City's Grants Program Coordinators, herein collectively referred to as the Grants Team, as shown in **Exhibit 3**.

4 OCA's Performance Audit of the City's Grant Management: https://www.sandiego.gov/sites/default/files/18-011_grants_management.pdf

Exhibit 3

The City’s Grants Program is a Joint Effort Between Government Affairs and the Grants Program Coordinators, Also Known as the Grants Team



Source: OCA generated based on review of the Grants Program Framework.

The Grants Team has helped evolve the City’s Grants Program since our previous audit. The Grants Program Framework, a document that outlines the duties of the Grants Team and provides an overview of the City’s internal grants process, is a product of these efforts. As shown in **Exhibit 4**, grants responsibilities are widely spread across the City.

Exhibit 4

The Grants Program Includes Coordination Between the Grants Team, the Department of Finance, the Grant Review Team, and Grant-Active City Departments



Government Affairs

- Leads the Grant Review Team and Grants Working Group
- Leads legislative and external grant work and letters of support
- Manages City grant resources
- Reports annual grants activity
- Leads project development and collaboration on specific grants



Grant Program Coordinators

- Helps with grant application development
- Researches grant opportunities
- Manages City grant resources
- Helps facilitate cross-departmental collaboration
- Supports strategic grant project development



Department of Finance

- Performs key role on the Grant Review Team
- Helps verify matching fund requirements and capabilities as part of the Grant Review Team
- Performs accounting and internal control reviews
- Assists with annual grant reporting



Grant Review Team

- Reviews all grant application requests
- Connects with applicant departments on application details
- Signs off on grant application requests



Grant Active City Departments

- Researches grant opportunities
- Submits Grant Review Team application requests
- Writes grant applications

Source: OCA generated based on the City's Grants Program Framework and interviews with City departments.

The City has its own internal process that departments must complete before applying for a grant.

The grants process begins with City staff researching grant opportunities that align with City projects and programs that need funding. Several different City entities seek out grant opportunities, including staff within departments, Government Affairs, and the Grants Program Coordinators. Once a department identifies an opportunity that aligns with its needs, it evaluates its capacity to apply for and manage the grant funds. Then, once the department decides to pursue a grant opportunity, it must seek approval before applying.

In response to our last grants audit, the City created a review process that Mayoral departments are required to undergo prior to submitting a grant application to a funder. Administrative Regulation (AR) 1.80 on grant application, approval, and management procedures requires a group of City leaders—the Grant Review Team (GRT)—to review and approve grant application requests.⁵ The review team consists of the requesting department’s director or designee (e.g., Deputy Director), the corresponding Deputy Chief Operating Officer, Government Affairs, the Department of Finance (Finance), and the Chief Operating Officer.

Once staff obtain buy-in from department leadership to pursue a grant, staff complete a grant application request—a form that summarizes key information from the grant opportunity, such as the funding agency, grant request amount, and pertinent fiscal considerations relative to the City, such as the need and identification for matching funds. The GRT then reviews this form.

The purpose of the Grant Review Team is to review grant application requests to ensure the City is prepared to take on the responsibility of the grant and that the funds support City priorities.

The purpose of the GRT is to review grant application requests, further described below, to ensure the City is prepared to take on the responsibility of the grant and that the funds support City priorities, as shown in **Exhibit 5**. According to AR 1.80, the GRT reviews each grant application request to determine whether the following standards have been met: the grant aligns with the City’s policies and strategic priorities; the grant has a positive impact on the City; the application identifies direct and indirect costs and matching funds; the application identifies availability of sufficient resources to apply for, manage, and implement the grant program or activity; and the application shows how the grant will be monitored.

⁵ Administrative Regulation 1.80 (Grant Application, Approval, and Management Procedures): <https://www.sandiego.gov/sites/default/files/2024-12/fy2026-2030-five-year-financial-outlook-and-attachments-general-fund.pdf>

Exhibit 5

The Grant Review Team Process Was Created to Serve Several Purposes

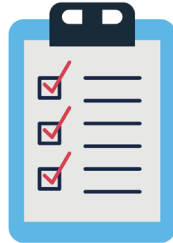
Inform City leadership of grant activity



Track grant application activity



Ensure all outgoing applications align with City priorities



Ensure that the City is prepared to execute the grant



Source: OCA generated based on the City's Grants Program Framework and interviews with City departments.

The GRT's levels of review are illustrated in **Exhibit 6**. After departments obtain GRT approval, given in the form of a memo from Government Affairs, they can apply to the funder. The window for grant applications is generally between 30 and 90 days, so City departments will often write the grant application while going through the GRT approval process. Therefore, the GRT does not review the actual grant application itself.

Exhibit 6

The GRT Has Five Steps to Review and Approve a Department’s Grant Application Request



Source: OCA generated based on GRT membership composition outlined in Administrative Regulation 1.80 and interviews

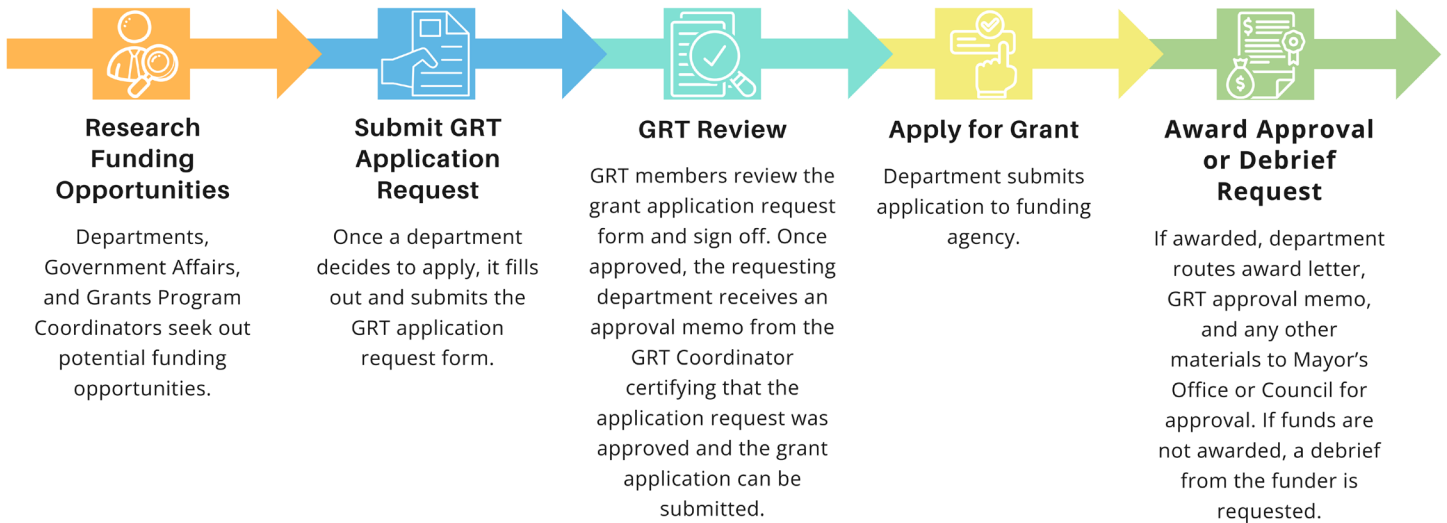
According to AR 1.80, the GRT should provide a decision to the grant-seeking department within 10 business days of submission. Once the GRT approves the grant proposal, the grant-seeking department submits a grant application to the funding agency and awaits the award decision. If the grant is awarded, it will go through the Mayor’s Office or to City Council for approval to accept the award, depending on the grant award amount. Per the Grants Administration Manual, if the grant is not awarded, City staff are required to request a debrief from the grantor.⁶ The grants process from application to award is shown in **Exhibit 7**.

⁶ The purpose of a debrief is to inform a grant applicant about the reasons for not being selected for funding and to offer constructive advice on how to improve their chances in future funding opportunities

Exhibit 7

The Grants Program Grant Application and Submission Process Through the Grant Review Team

Grant Application to Award Process



Source: OCA generated based on the Grants Program Framework, Administrative Regulation 1.80 and interviews with the Grants team and City departments.

Government Affairs produces an annual report to document the City's grant activity.

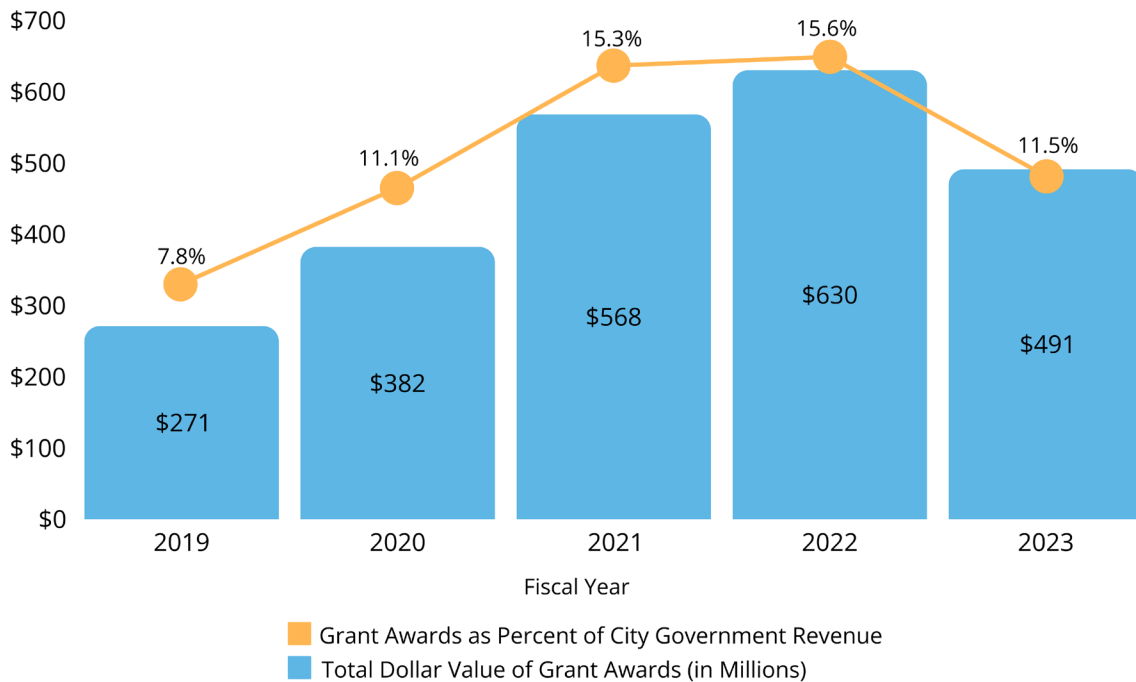
As an outcome of our previous audit's recommendations, since FY2019, Government Affairs has published annual reports to document the City's grant activity, including application and award volume, total amount awarded, and a summary of previous years' activity. This report is published 90 days after the end of the fiscal year in accordance with AR 1.80.

In addition, since FY2022, Government Affairs has performed an internal analysis of the Citywide annual grants process to identify errors and efficiencies for the following fiscal year. We note that these analyses have recommended changes similar to our recommendations and we will refer to these analyses throughout this report.

The City has increased its grant award amounts since the last audit in FY2018.

Since our previous grants audit 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 funding received in grants and aid by 81 percent, from \$271 million in FY2019 to \$491 million in FY2023.⁷ This increase in aid as a percentage of the City’s budget is reflected in **Exhibit 8**, which shows that grants and aid has increased from 7.8 percent in FY2019 to 11.5 percent in FY2023, peaking at 15.6 percent in FY2022.

Exhibit 8
The City’s Receipt of Grants and Aid as Part of Its Overall Revenues Has Trended Upwards from FY2019 through FY2023



Note 1: This analysis did not use data from Government Affairs’ annual grants reports because the reports rely on City departments’ self-reporting of their grant activity that may not be as reliable, whereas the ACFR data has been audited.

Note 2: Grants and aid totals were calculated by totaling the sum of grants, contributions, and unrestricted aid in the City’s ACFR report.

Source: OCA generated based on Annual Comprehensive Financial Reports data.

⁷ We used data from the Annual Comprehensive Financial Report (ACFR) to determine award progress. This analysis did not use data from Government Affairs’ annual grants reports because the reports rely on City departments’ self-reporting of their grant activity that may not be as reliable, whereas the ACFR data has been audited. Grants and aid totals were calculated by totaling the sum of grants, contributions, and unrestricted aid in the City’s ACFR report.

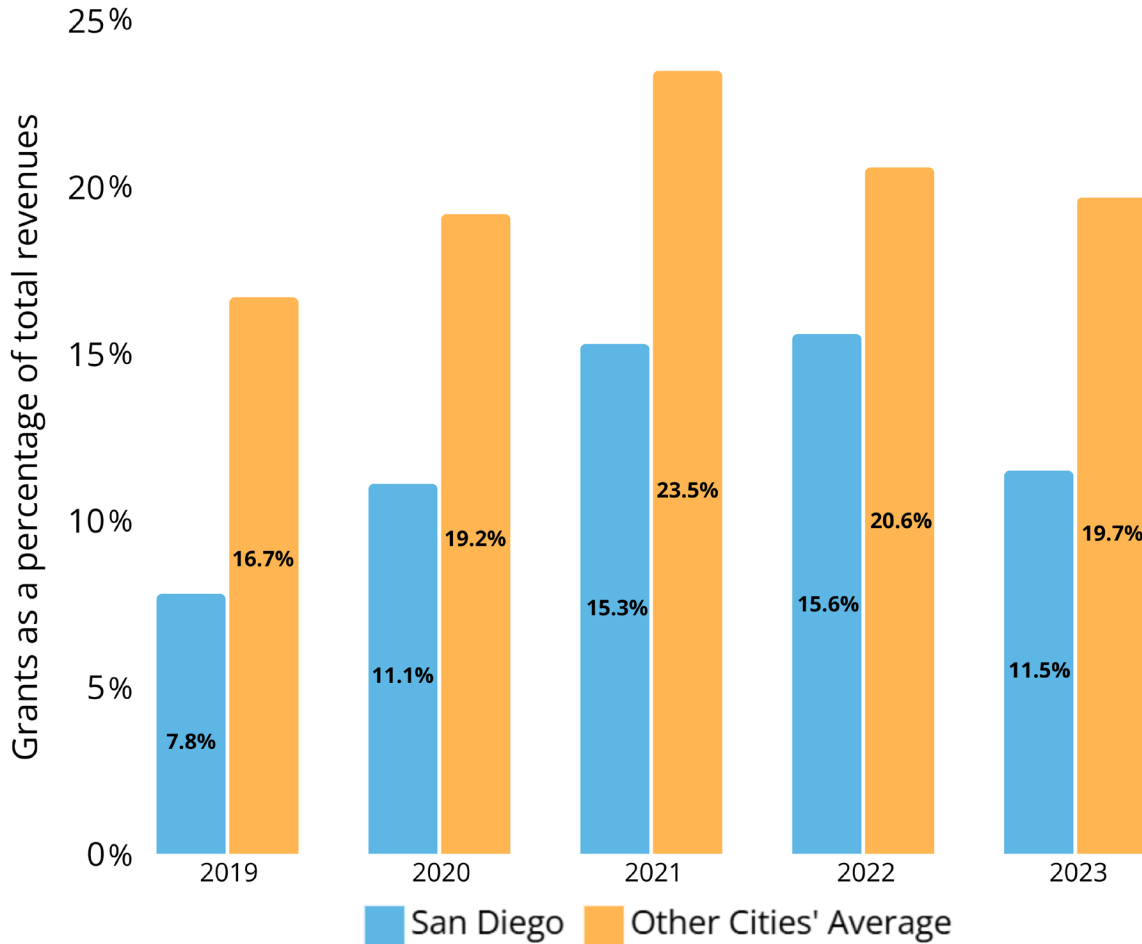
In FY2021 and FY2022, the City's receipt of federal COVID-19 funds contributed to spikes in aid. This was consistent with other cities we benchmarked with—Los Angeles, Sacramento, Bakersfield, Anaheim, Fresno, San Jose, and Oakland—that also received this aid. Even without the receipt of COVID relief funds like the American Rescue Plan Act, for example, the City's overall reliance on grant funds has still trended upwards in recent years. Although there is no specific percentage of aid a government should aim for annually, the rise in grant awards within the City's overall revenues may in part be attributed to the effectiveness of the City's Grants Program in securing more funding.

The City's grants and aid comprise a smaller share of the City's operating budget when compared to the largest California cities.

When comparing the City's grants and aid reliance to the average of some of the largest cities in California (Los Angeles, Sacramento, Bakersfield, Anaheim, Fresno, San Jose, and Oakland) throughout our scope period, FY2019 through FY2023, we found that the City's grants and aid are a smaller percentage of the City's revenue totals, as shown in **Exhibit 9**.

Exhibit 9

Grant Awards Made Up a Smaller Share of the City of San Diego’s Total Revenues Than Other Large California Cities



Note 1: We benchmarked with the 10 largest cities by population in California that have similar operations as the City, including Anaheim, Bakersfield, Fresno, Los Angeles, Oakland, San Jose, and Sacramento. We excluded San Francisco from the analysis because its structure as a city and a county and the services it offers, such as public healthcare, differ from the other cities listed. We also excluded the City of Long Beach from this analysis because the city includes the Port of Long Beach in its revenue streams, and it operates its own health services, which is not typical of other benchmarked cities.

Note 2: To calculate the grants and aid percentage of the City’s operating budget, we used the same methodology used in OCA’s Financial Condition Reports to determine primary government revenue ratio. The ratio takes the total grants, contributions, and unrestricted aid awarded to a city and divides the award total by a city’s primary government revenues to determine the percentage of grants and aid of its budget. Primary government revenues are gained through business-like activities the City participates in to generate revenue, such as charges for services and tax measure revenue, for example.

Source: OCA generated based on review of the City’s Annual Comprehensive Financial Reports (ACFRs) from FY2019 to FY2023 and the ACFRs from the cities of Anaheim, Bakersfield, Fresno, Los Angeles, Oakland, San Jose, and Sacramento.

While the City has been increasingly successful at obtaining grant funding over the last five years, it still lags behind other large California cities in grant awards.

San Diego continues to rank well below the average of other large California cities in terms of grant funding received per capita.

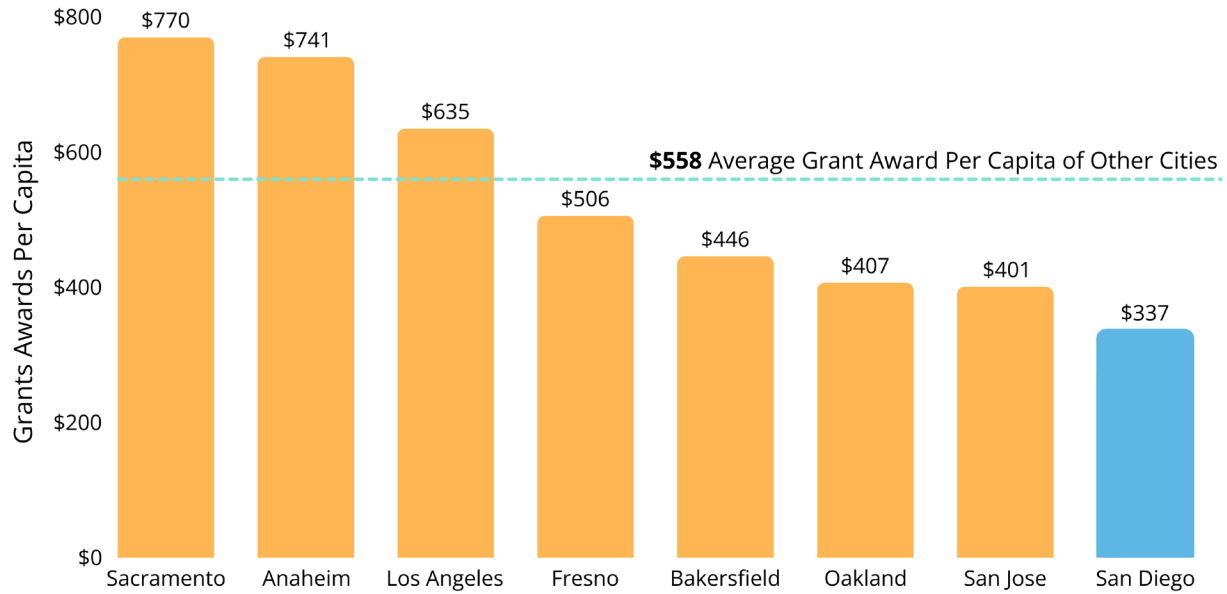
As discussed earlier, the City has increased its receipt of grant funds over the last five years. In fact, between FY2019 and FY2023, the City was awarded \$2.3 billion in grant funding, averaging \$468 million per year, or \$337 per capita. However, the City of San Diego continues to rank well below (40 percent below) the average of other large California cities in terms of grant funding received per capita, as shown in **Exhibit 10**. Overall, the City ranks last for grant awards per capita out of California's largest cities.⁸ While reliance on grants and aid can be risky and cities should not overly rely on grant funding due to grants being an inconsistent source of funding, the City ranking lower in grants aid per capita compared to other large cities in California indicates there are likely opportunities to increase the amount of grant dollars to support critical programs and infrastructure projects. For example, an increase in grant funding by only 10 percent would result in another \$46.8 million annually that could be spent on critical City projects and programs.

As further discussed below, while the grants aid per capita comparison shows total award amounts for each city, it does not reflect the circumstances that each agency operates under that determine its capacity and eligibility to apply for grant funds.

⁸ After speaking with several California cities and analyzing California State and federal grant data, we found that it is not possible to precisely compare the City's grant performance with other cities. For example, each city is unique in its priorities, services provided, eligibility as an applicant, and population. Therefore, we selected other large California cities that appear to have similar operations to the City of San Diego. While comparing the total value of grant funds awarded is not an exact representation of how well a city applies for grants, the City's low ranking compared to other large California cities with similar operations indicates opportunities for improvement.

Exhibit 10

The City Ranks Lowest Compared to Other Large California Cities for Grant Aid Per Capita (FY2019–FY2023)



Note 1: We benchmarked with the largest cities by population in California that have similar operations as the City, including Anaheim, Bakersfield, Fresno, Los Angeles, Oakland, San Jose, and Sacramento, all of which had a population of 340,000 or greater between 2020 and 2023 according to the United States Census Bureau. We excluded San Francisco from the analysis because its structure as a city and a county and the services it offers, such as public healthcare, differ from the other cities listed. We also excluded the City of Long Beach from this analysis because the city includes the Port of Long Beach in its revenue streams, and it operates its own health services, which is not typical of other benchmarked cities.

Note 2: To calculate the average grant aid per capita amounts, we took the average total grants and unrestricted aid awarded to a city between FY2019-FY2023 and divided it by the United States Census Bureau Population for 2023.

Source: OCA generated based on Annual Comprehensive Financial Report and United States Census Bureau data.

Various factors affect a city's relative success in obtaining grants.

The number of grants sought, applied for, and obtained may also vary by each agency due to factors not necessarily within their control. As a result, we were unable to find a clear explanation for why certain cities may have performed better than the City of San Diego in obtaining more grant awards. For example:

- **Resource Availability:** To apply for a grant, an agency must have an eligible grant project or program and have the resources to meet grant requirements and see the project through, as grant funds do not always fully finance a project or program. Some cities, such as Sacramento and Los Angeles have tax measures that assist in supplying grant matching funds. Additionally, nearly every city we reviewed cited staffing capacity as a challenge when applying for and managing grants.⁹
- **Priorities:** Each agency has limited resources, and likely varying priorities that differ from one another. An agency may choose not to apply for one grant, although they may be eligible, because they are focusing resources on an area of higher priority. For example, the City of Fresno implemented a tax measure to help fund high needs parks projects, an area of emphasis for the city. This funding source can help supply matching funds for the city to use to apply for parks grants.
- **Agency Structure:** Because each agency is unique in structure, grant receipts per capita can be affected by which agencies are reflected in the Annual Comprehensive Financial Report (ACFR). For example, the City of the San Diego's Housing Commission grant and aid awards are included in the City's ACFR reports whereas the cities of Los Angeles and Oakland have housing authorities for which government revenues are not reflected in the cities' ACFR reports.
- **Location and Population:** Eligibility for some grants is determined by an agency's location or population. For example, the Rural Community Development Initiative Grant is only available for communities in rural areas with populations of at least 50,000 and the Community Development Block Grant prioritizes "entitlement" cities with populations exceeding 50,000, among other factors.

⁹ Cities we reviewed included Anaheim, Bakersfield, Fresno, Los Angeles, Oakland, San Jose, and Sacramento.

- **Regional Competition:** Some agencies may not apply for a grant because another agency in the area is applying. Often, the interests of local agencies overlap, and if one receives a grant, it is beneficial for several because their goal is to serve the same area and population. For example, the City of Los Angeles stated that it did not apply for a grant because the Los Angeles County Metropolitan Transportation Authority (LACMTA) did. Both will benefit from the grant funds, but if LACMTA is awarded the grant, the City of Los Angeles will not have that money reflected in an award comparison.
- **Political Priorities of Grant-Awarding Bodies:** Grant-awarding bodies' political priorities affect which grant opportunities are available or are pursued. These priorities also affect grant funding amounts and requirements. For example, the Build America Buy America Act sets strict funding requirements that limit what can be purchased. All materials must be sourced from the United States, which affects the cost of project bids and may increase an agency's building costs. Political initiatives imposed as requirements on grants such as this must be considered by grantees prior to applying for a grant. In addition, changes in the Federal administration may prompt changes to funding criteria and the availability of Federal funding. It is unclear how this may affect future grant funding for public agencies.

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.

Many factors affect a city's competitiveness for grants, such as its staffing capacity needed to apply for and manage grant awards and its ability to find required funding matches. Additionally, some factors, such as a grant's eligibility criteria and political priorities, may be largely outside of a city's control. Thus, effective grants planning is essential to ensure that an organization is well-positioned to submit timely and persuasive grant applications that align with its priorities. Each agency we benchmarked with has a distinct grants process designed to align with its unique needs and structure, and the only common theme we identified was that departments in other cities had more autonomy in selecting and applying for grants.¹⁰ Accordingly, we evaluated the City of San Diego's (City's) Grants Program to determine whether it effectively addresses the City's needs. Based on our findings, we developed recommendations to improve the City's unique process to create a formal mechanism to capture departments' individual grant priorities.

Specifically, we found that coordination between the Mayor's Department of Government Affairs (Government Affairs) and grant-active departments regarding the City's specific grants goals and priorities can be improved. Stemming from legitimate perspectives from both parties, grant-active departments are concerned that Government Affairs is pressing them to apply for grants that they do not have capacity to manage, while Government Affairs is seeking to ensure these departments apply for as many grants as possible to supplement the City's limited resources.

A strategic planning process would build on recent improvements to the City's Grants Program by facilitating more proactive collaboration between Government Affairs and grant-active departments to establish the City's grants goals and priorities in advance. In addition, a Citywide grants strategic plan would allow grant-active departments to highlight grant-ready projects and programs of priority and their capacity to compete for grants. This would better inform City leadership of any capacity issues and allow them to evaluate the potential return on investment to increase grant capacity or be selective with which and how many grants to pursue.

¹⁰ We met with the City and County of San Francisco; the cities of Fresno, Los Angeles, Sacramento, Oceanside, and San Jose; the San Diego Association of Local Governments (SANDAG); and the Port of San Diego.

A Citywide grants strategic plan can strengthen coordination between the Grants Team and grant-active City departments, mutually communicate the City's and departments' grant priorities, and plan the City's annual grant activity.

A grants strategic plan would build on issues identified in the internal reviews and create strategies to address them.

The City has implemented many positive changes to its Grants Program over the last five years, one of which is that Government Affairs conducts an annual internal review of the Grants Program to assess progress and areas for improvement. A Fiscal Year (FY) 2023 Government Affairs' internal review report of the Grants Program parallels our finding that departments' applications and awards performance is determined by their capacity and resources; however, because this information was not shared outside of Government Affairs, its usefulness is limited. A grants strategic plan would build on issues identified in the internal reviews and create strategies to address them. As a next step, strong coordination between the entities that oversee the City's Grant Program—Government Affairs and the Grants Program Coordinators, known as the Grants Team— and the departments that apply for and manage grants, is necessary to ensure proper planning to take on new grants and/or to manage existing grants. A grants strategic plan would also:

- Formally capture and relay department staff and matching fund capacities;
- Better prepare the City to take on additional grants;
- Potentially improve the success rate of applications;
- Potentially result in the receipt of more grant awards; and
- Relay information to City leadership to inform grant-related decision-making.

A Citywide grants strategic plan formalizes a long-term strategy to address common capacity obstacles faced by many grant-active departments.

As mentioned in the **Background**, the City's Five-Year Financial Outlook projects that expenditures will exceed revenue by \$1.5 billion from FY 2026 to FY2030, and grants are a way to supplement the City's budget. In our interviews with 10 grant-active departments and the City's Grants Team, we found that the primary issues inhibiting departments from seeking additional grant opportunities are staff capacity and matching funds.

Many capital improvement grants require matching funds, and the City's lack of funding capacity reduces its ability to compete for these grants.

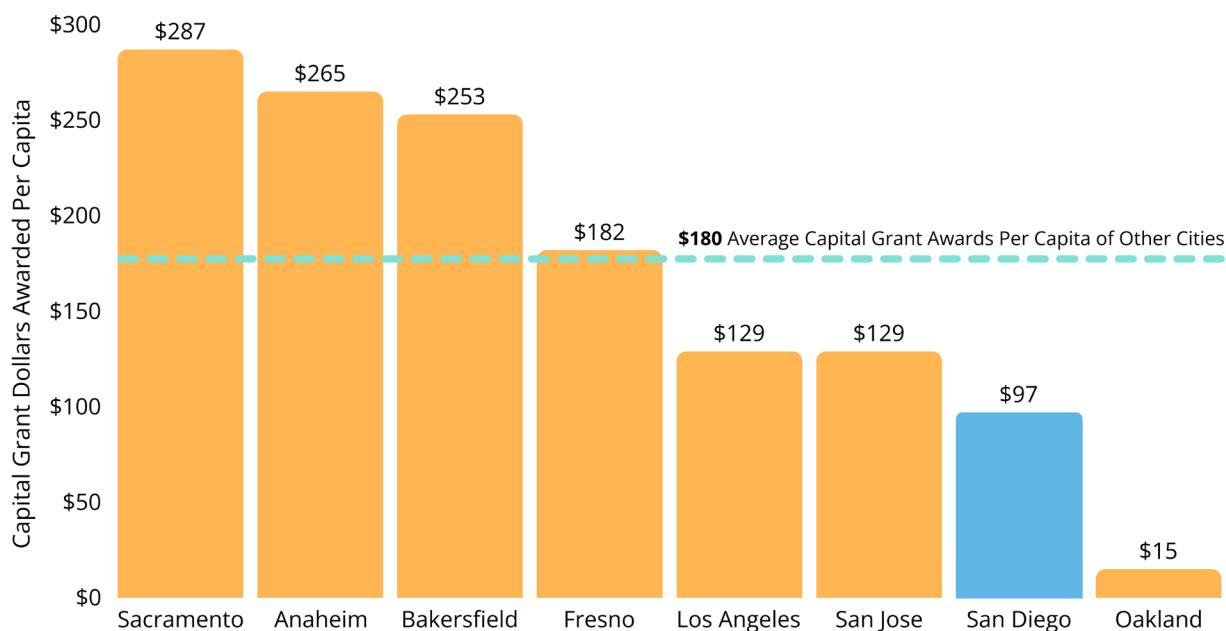
Many departments stated that they have had difficulty finding matching funds for grant opportunities, something that many grantors require, especially for capital improvement grants.¹¹ Some departments will proactively plan for grant opportunities and budget for matching funds during the budgeting process ahead of each fiscal year. Because some grant opportunities may become available later after budgets are finalized, the department must decide if it has the capacity to apply with what resources remain. Departments must have available funds within their budgets to apply for the grant opportunity or seek other, outside funding sources, because they do not have a sufficient budget to cover matching fund requirements.

As discussed in the **Background**, other large California cities received about 66 percent more grant dollars per capita compared to the City of San Diego. In addition, when looking only at capital improvement grants, the City falls even further behind, with other cities receiving 85 percent more grant dollars per capita, as shown in **Exhibit 11**. A major reason for this is that the City is likely unable to identify sufficient matching funds or grant-ready projects for many grants which limits its ability to compete for some capital infrastructure grants.

¹¹ Matching funds are a requirement by some funders of a grantee or a grantee's partners to contribute a share of costs to accomplish the purposes of the grant. Matching funds can include non-federal public or private funds; funds that are not used as match for any other federal program; unrecovered indirect costs; either cash or in-kind (typically in the form of value of personnel, goods, and services, including direct and indirect costs).

Exhibit 11

Other Large California Cities Received Nearly Twice as Many Capital Improvement Grant Dollars per Capita as the City of San Diego from FY2019 through FY2023



Source: OCA generated based on Annual Comprehensive Financial Report and United States Census Bureau data.

Many departments identified staff capacity as a serious barrier to applying for more grants.

We found that staff capacity is one of the primary inhibitors preventing City departments from applying for more grants. According to the United States Government Accountability Office, the lack of human capital capacity of grant recipients is a key issue that can adversely affect an agency’s ability to successfully access, manage, and implement grant programs. An agency must have the capacity to research a grant opportunity; develop a project, budget, and application; manage a grant project; and comply with grant reporting requirements for each grant. An agency’s decisionmakers should understand its capacity before a grant is considered.

Most of the 10 grant-active departments we interviewed stated that their capacity to apply for and manage grants was maximized.

Most of the 10 grant-active departments we interviewed stated that their capacity to apply for and manage grants was maximized. Importantly, many staff we interviewed carry out many other responsibilities in their respective departments in addition to grants application and management. For example, the Parks and Recreation Department stated that it had four staff managing over 50 grants

totaling approximately \$150 million. The department stated that it could use at least double the number of staff currently on its grants team to help it manage its portfolio and to proactively plan for grants. Although it would like to go after more grants, Parks and Recreation stated that it does not have the staff to carry out the operational side of the grants process. Similarly, the Stormwater Department stated that it does not have the staff to operationalize any additional grant-funded programs or projects. Thus, it is necessary to ensure that grants staff can prioritize and manage their time efficiently.

Without taking inventory of staff capacity, there is a risk that communication on how to address capacity issues may not occur. The United States Government Accountability Office reports that in an organization, an upward flow of communication must occur to inform management of operational processes and issues, such as resource and capacity limitations. Top-down and bottom-up communication channels allow management to receive information from staff to aid in making informed decisions, setting goals, and evaluating performance. We found that the City of Los Angeles facilitates bottom-up communication as part of its budgeting process by asking grant-active departments their capacity to apply for forecasted grant opportunities for the upcoming year. We recommend that in addition to implementing a bottom up-communication mechanism to capture and relay departments' priorities, the Citywide grants strategic plan identify strategies to help address capacity issues faced at the departmental level.

A Citywide grants strategic plan can inform City leadership of the City's resource capacity to seek and obtain more grants.

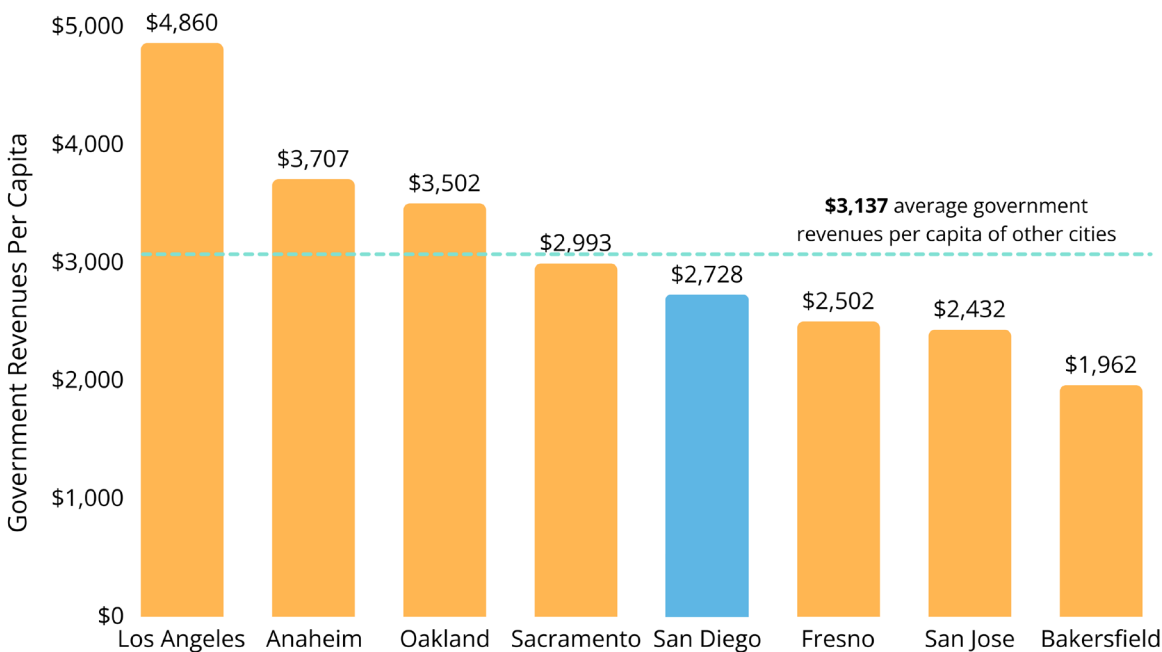
As discussed above, many grantors require matching funds to incentivize the recipient organization's commitment and sustainability to a project or program. In general the greater a city's revenues, the greater its capacity to supply matching funds for grant opportunities. As shown in **Exhibit 12**, we found that after adjusting for cost of living, four of the largest cities (by population) in California received 14 percent more government revenue per capita than the City of San Diego.¹² This may indicate that the City has a lower capacity to

¹² Government revenue includes grants, unrestricted aid, general revenues and transfers, and charges for services. We adjusted other cities' per capita revenues for cost of living to provide a better comparison of the ability of each city to fund its activities. For example, while Sacramento's total revenues before adjusting for cost of living are \$2,624 per capita, similar to San Diego's \$2,728, the cost of living is approximately 14 percent higher in San Diego. This means that each dollar of revenue the City of Sacramento generates likely goes further towards operating costs than each dollar of revenue generated by the City of San Diego. Adjusting Sacramento's revenues per capita for San Diego's cost of living results in a total of \$2,993.

supply matching funds than some other cities. Communicating this information to City leadership via a strategic plan would directly inform them of the City’s revenue capacity for matching funds and staffing needs to compete for additional grant funds. A grants strategic plan would help demonstrate that the City’s ability to seek and obtain grants is directly tied to resource capacity. It would also better inform City leadership of the potential return on investment from adding additional resources for matching funds and staff.

Exhibit 12

The City Ranks Below Average for Government Revenues per Capita Compared to Other Large California Cities, When Adjusted for the Cost of Living (FY2019–FY2023)



Note 1: The average government revenues per capita (\$3,137) was calculated as an average of the comparison cities (San Jose, Los Angeles, Sacramento, Anaheim, Fresno, Oakland, and Bakersfield) to compare to the City’s government revenue per capita.

Note 2: To calculate the cost of living for Anaheim, we used the cost-of-living calculator’s results for Orange County because it did not isolate for Anaheim; however, Anaheim is the city with the largest population in Orange County.

Source: OCA generated based on Annual Comprehensive Financial Reports, United States Census Bureau data, and the cost-of-living calculator from Bankrate.com.

Best practices recommend using a strategic plan to help align an agency's vision and goals, increase collaboration, and align resources with organizational priorities.

According to the Government Finance Officers Association, when governments engage in strategic planning, it can help provide a vision for the future that can be used to align budgeting with organizational priorities. The Giving USA Foundation also recommends establishing clear priorities and objectives for cities to streamline their grant-seeking efforts and craft competitive grant proposals that resonate with funders.

Grants often come with specialized requirements—reporting, compliance, monitoring of the grant-funded program, project, or recipients—and conditions that a government must meet. Because noncompliance with the grant award can result in negative consequences, a government should plan its grant activity using a strategic plan. Without a strategic framework, a government risks misallocating resources, assuming unnecessary risk, and missing out on funding opportunities.

Without a strategic framework, a government risks mis-allocating resources, assuming unnecessary risk, and missing out on funding opportunities.

A grants strategic plan should connect how the City's operational and policy goals align with its mission and note in detail the resources needed to achieve goals. This planning tool helps identify policy considerations, revenue sources, and future needs, ensuring that resources are directed toward meeting the City's strategic goals. Even if sufficient resources are not available, it is critical for City leaders and the public to know what resources are needed and what the return on investment would be by adding resources to increase grant capacity.

Based on our findings, best practices, and benchmarking, and as shown below in **Exhibit 13**, the Citywide grants strategic plan should include the following elements:

Exhibit 13

The Following Elements Were Found in Other Agencies' Strategic Planning Documents to Help Align Goals and Resources

| Strategic Plan Element | Purpose | Does the City already have this? | Effect of Having |
|--|---|---|---|
| Project Prioritization | To create a list of projects in need of funding and ready for submittal to grant programs, in order of priority. | Partially Some City departments informally prioritize grant eligible projects. | Departments and Government Affairs can ensure that top priority projects, for both parties, are selected for funding, and the risk of selecting lower priority projects for funding is mitigated. |
| Grant-Specific Mission and Objectives | To provide clarity on the identified goal or area of priority and provide terms to measure progress towards objectives. | Partially The Grants Program references City strategic priorities and mission in the Grants Program Framework. | Departments and Government Affairs can proactively pursue grants that align with their and the City's priorities, respectively, and minimize the risk of conflicting priorities. |
| Financial Plan | Summarize projects eligible for grant funding, how much funding is required to complete a project, and matching funds needed and available. | Partially The City's CIP Project Outlook lists identified funding needs for projects, but not all projects are grant eligible and this does not capture non-CIP projects. | City leadership is routinely informed of the status of grant ready projects, matching fund availability, and supplementary funding needs, and therefore can proactively provide assistance when needed. |
| Capacity | Assess the operational readiness, human resources, and budget available to apply for and manage grants. | No | Department capacity limitations are formally captured, communicated to City leadership, and addressed to ensure future competitiveness in seeking grant awards. |
| Summary of Previous Year's Grant Activity | To record and report on grant applications submitted, awards received, largest grants awarded, and other relevant grants data. | Yes The Annual Grant Reports capture this information. | To have a comprehensive record of previous grant activity to compare progress to. |

Source: OCA generated based on U. S. Government Accountability Office Standards for Internal Control, U.S. Office of Budget Management on Agency Strategic Planning, City of San Diego strategic plans, and local agencies' grants strategic planning documents and reports.

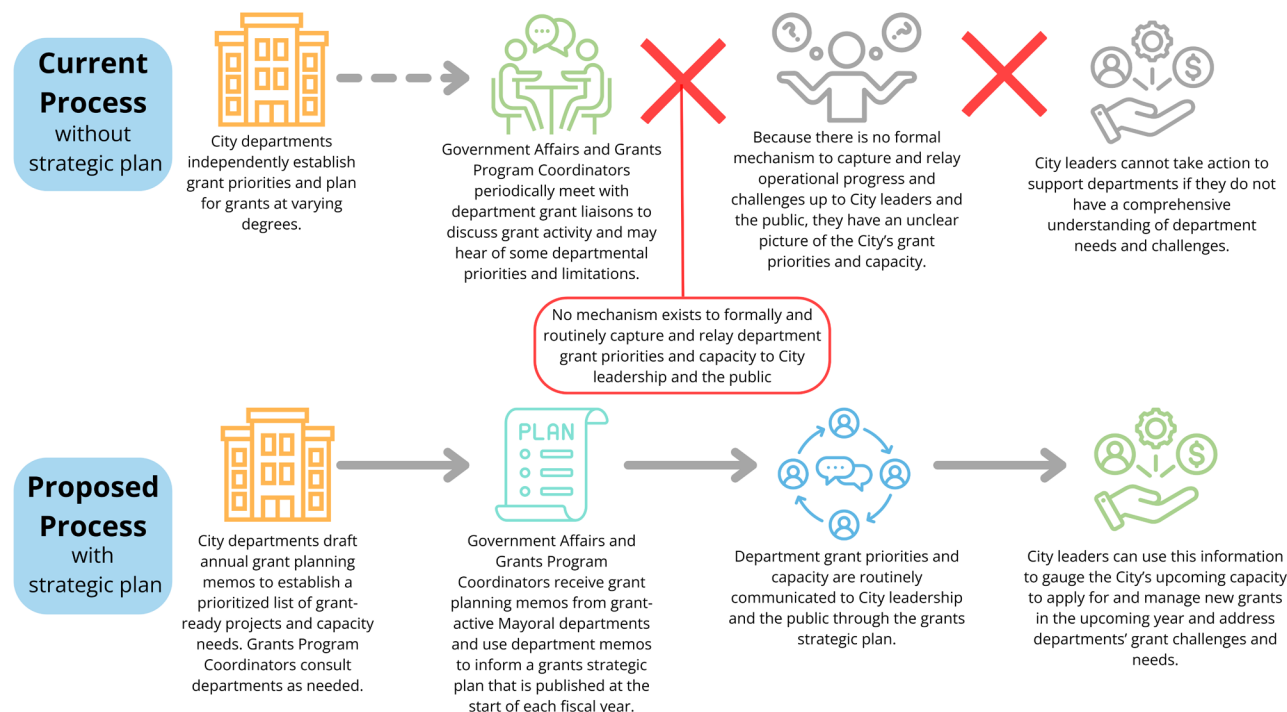
Without strategic planning, departments' and City leadership's grant priorities may not align and communication regarding capacity to apply for and manage grants may not occur.

We found that the Grants Team periodically meets with grant-active departments, where grant priorities may be shared, but grant-specific priorities are not formally captured and communicated upwards to City leaders. As shown in **Exhibit 14**, if bottom-up communication does not occur through a grants strategic plan, then discussions on which grant opportunities to pursue, and expectations regarding the grants workload that departments can manage is limited. Additionally, discussion on whether to pursue an opportunity may take place every time a grant opportunity arises, which cuts into time to prepare a competitive application ahead of the submission deadline.

Furthermore, without strategic planning, City leaders may be unaware of the capacity challenges departments face and therefore may not be able to address these challenges, such as identifying matching funds for grants, or increasing staff dedicated to grant activities.

Exhibit 14

Currently, Department Needs and Priorities are Not Formally Captured and Relayed Upwards to City Leaders



Source: OCA generated based on interviews with City departments and review of the Grants Program Framework.

More intentional grant seeking can occur if the Grants Team is formally informed of department's grant -eligible projects, programs, and priorities.

As a representative of the Mayor's priorities, Government Affairs often seeks grant funding on departments' behalf. When the process works well, Government Affairs efforts align with department priorities and readiness to execute certain grant-funded projects. However, in some cases, departments have their own internal grant plans and priorities that may differ from Government Affairs' and/or may not necessarily be formally communicated. Some departments stated that there can be a disconnect between Government Affairs' efforts and the department's priorities, which can lead to pressure to seek, apply for,

or accept grant awards that do not meet their operational priorities or capacity. Furthermore, according to some departments, this pressure has in some cases caused them to accept grant funds for lower priority projects and re-prioritize higher priority projects.

When Government Affairs works with departments to gauge their priority grant projects and programs, it allows for more intentional grant-seeking efforts. Employing an agreed-upon, systematic, and strategic approach would benefit the City's Grants Program . Government Affairs staff stated that it meets with departments to learn their priority projects and programs, including those which are good candidates for grant funding. Government Affairs stated it uses this information to successfully identify funding opportunities for the City via its lobbying of state and federal agencies.

Parks and Recreation Department staff indicated that the coordinated approach in working with Government Affairs and the department's non-profit partner organizations has been successful. Specifically, staff stated their efforts in working with Government Affairs in this manner have been successful as a result of clear communications and expectations. A strategic plan would help departments plan their work ahead for the year in alignment with policy and operational priorities and routinely inform the Grants Team of said priorities, which can aid the team's lobbying efforts.

A Citywide grants strategic plan would help identify opportunities to increase matching fund and operational capacity and achieve a positive return on investment.

The City's limited resources make it even more critical for the City leadership to be aware of how the availability of matching funds impacts the City's ability to compete for certain grants.

The City's limited resources make it even more critical for City leadership to be aware of how the availability of matching funds impacts the City's ability to compete for certain grants, so they can allocate resources in a way that achieves the best return on investment. According to the Department of Finance (Finance), it works with departments to identify matching fund sources; however, the City does not have an overall strategy to assist departments with identifying matching funds. Several departments, including Finance and the Grants Team, suggested that a revolving fund for matching funds may be helpful. A Citywide grants strategic plan could highlight current matching fund capacity issues, the amount of grant funding that the City is unable to apply for given the unavailability of matching funds, and strategies that could be used to help overcome these issues and increase grant awards.

Other agencies we benchmarked have taken steps to make it easier to obtain matching funds. For example, the Port of San Diego stated that it has become increasingly diligent in identifying the source of grant matching funds in its budget and obtains a letter of commitment from other private agencies providing the match or passes resolutions confirming “match-ability.” In another example, the City of Sacramento has tax revenues it sets aside for matching funds, which help the City be prepared for grant applications for transportation projects, its largest category of grants.

Because the City as a whole does not proactively plan for its grants activity, deciding to seek and pursue a grant opportunity is reactive and may jeopardize the application’s quality or result in a missed opportunity.

Due to the time-sensitive nature of most grant opportunities, often lasting only 30 to 90 days, a Citywide grants strategic plan could ensure a smoother grant application and coordination process between the grant-applicant department and the City’s Grants Team. Aside from the recurring grants departments typically plan for, departments and/or the City’s Grants Team evaluate competitive grant opportunities as they arise via a reactive approach. For example, and as discussed more in **Finding 2**, departments must find an eligible project, decide whether to apply, obtain director approval, write a competitive grant application, collaborate with necessary City staff, submit a Grant Review Team (GRT) application request, and obtain GRT approval all within 90 days or less.

Other agencies employ strategic plans to manage their grant activity.

We found that other agencies like the San Diego Association of Governments, the Port of San Diego, North County Transit District, and the City of Oceanside employ strategic grant planning in different capacities. In North County Transit District’s FY2023 grants strategic plan, it identified the agency’s capital funding needs, targeted a list of projects for submittal to competitive grant programs, provided an overview of the agency’s priorities, and summarized the planning resources utilized for project prioritization.

Furthermore, strategic plans are used by many different organizations and for a variety of organizational priorities. Internally, for example, the City uses its Watershed Asset Management Plan to identify its stormwater capital needs and strategies to address those needs.

Similarly, the San Diego Housing Commission’s Three-Year Strategic Plan identifies the commission’s purpose, values, and strategic priorities. Both plans serve as critical tools for allocating resources and managing programs effectively.

Exhibit 15 shows some of the details included in strategic planning documents from the City and other local agencies. Common themes identified in each strategic plan include an agency’s vision, priorities, objectives, and strategies to address those objectives.

Exhibit 15

The City and Other Local Agencies Use Strategic Planning to Prepare for Grants or for Other Programs

| | |
|---|---|
| <p>North County Transit District Discretionary Grants Strategy</p> | <ul style="list-style-type: none"> • Annual plan of action to seek funding for capital project needs. • Establishes agency grant priority areas. • Includes high priority project submittals for the year and their potential funding strategies. • Lists total cost of project, total dollars funded, and total amount unfunded. • Summarizes the previous year’s grant awards and pending applications. |
| <p>City of San Diego’s Pavement Management Plan</p> | <ul style="list-style-type: none"> • Includes five-year paving plan. • Lays out current funding scenario and funding needs. • Details the consequences of underfunding pavement projects. • Summarizes findings from an internal program assessment. • Reports on annual pavement and rehabilitation goals. |
| <p>City of San Diego’s Five-Year Capital Infrastructure Planning (CIP) Outlook</p> | <ul style="list-style-type: none"> • Outlines CIP needs assumptions. • Provides an overview of significant policies, regulations, elements, and initiatives considered for proposed CIP projects. • Lists capital asset needs by asset type, as well as asset-specific considerations. • Forecasts eligible revenues that support capital needs and notes primary restrictions in allocating and expending revenue sources. |
| <p>San Diego Housing Commission Strategic Plan</p> | <ul style="list-style-type: none"> • Outlines the agency’s strategic planning process. • Employs SMART (specific, measurable, achievable, relevant, and time-bound) measures of success. • Includes agency vision, mission, purpose, core values, and strategic priority areas. • Lists action steps for each core value. |

Source: OCA generated based on [North County Transit District Discretionary Grants Strategy](#), [San Diego Housing Commission strategic plans](#), [City of San Diego’s Pavement Management Plan](#), and [City of San Diego’s Five-Year Capital Infrastructure Planning Outlook](#).

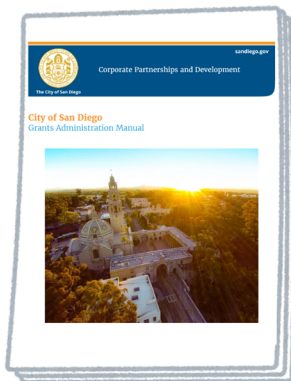
Government Affairs annually reports Grants Program activity and information in a variety of documents; however, these documents do not include future planning strategies.

We found that Government Affairs has published several grant resources to outline the City’s Grants Program and update stakeholders on grant activity, as shown in **Exhibit 16**. However, none of these sources include a strategic plan to assist in proactive grant planning. Additionally, the Grants Administration Manual, published in 2018, does not reflect the current process and team as they are today. While the Grants Program Framework is an important step in the creation of a strategic plan and instructs departments to direct their grant activities to reflect the priority areas in the City’s Strategic Plan, it does not contain an actionable strategy. As a result, City leaders and grant-active departments must consult multiple documents to obtain a clear understanding of the City’s Grants Program.

Exhibit 16

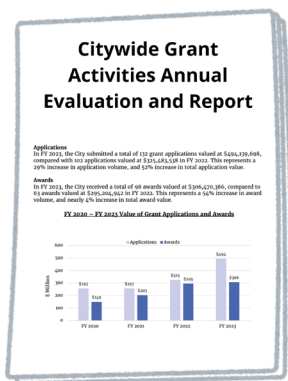
The City Has Published Several Grant Resources, None of Which Include a Strategic Plan

Grants Administration Manual published 2018



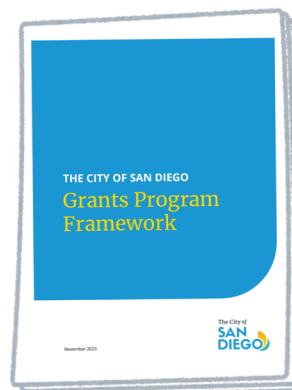
Outlines grant policies and procedures for applications, grant management, monitoring and oversight modifications, audits, and responsibilities.

Annual Grant Activities Report published annually since 2019



Reports on grant activity for each fiscal year. Includes information on application and awards.

Grant Program Framework published 2023



Outlines the roles responsibilities of grant actors and phases of the grant cycle.

Source: OCA generated based on the City’s Grants Administration Manual, Grant Activities Annual Evaluation and Report, and the Grants Program Framework.

A grants strategic plan would enhance collaboration between City departments and could provide City leadership with an earlier review of planned grant activity.

Currently, collaboration on grant opportunities is limited to the following scenarios:

- City executives can view the grant activity of the departments they oversee, but typically cannot view other departments' activity.
- The Grants Team, because it is aware of some departments' priority projects and/or programs, can facilitate collaboration on grant opportunities once they are identified.
- The grant application request process through the GRT allows for Government Affairs and some City executives to view departments' requests and reach out to relevant departments for collaboration when appropriate.

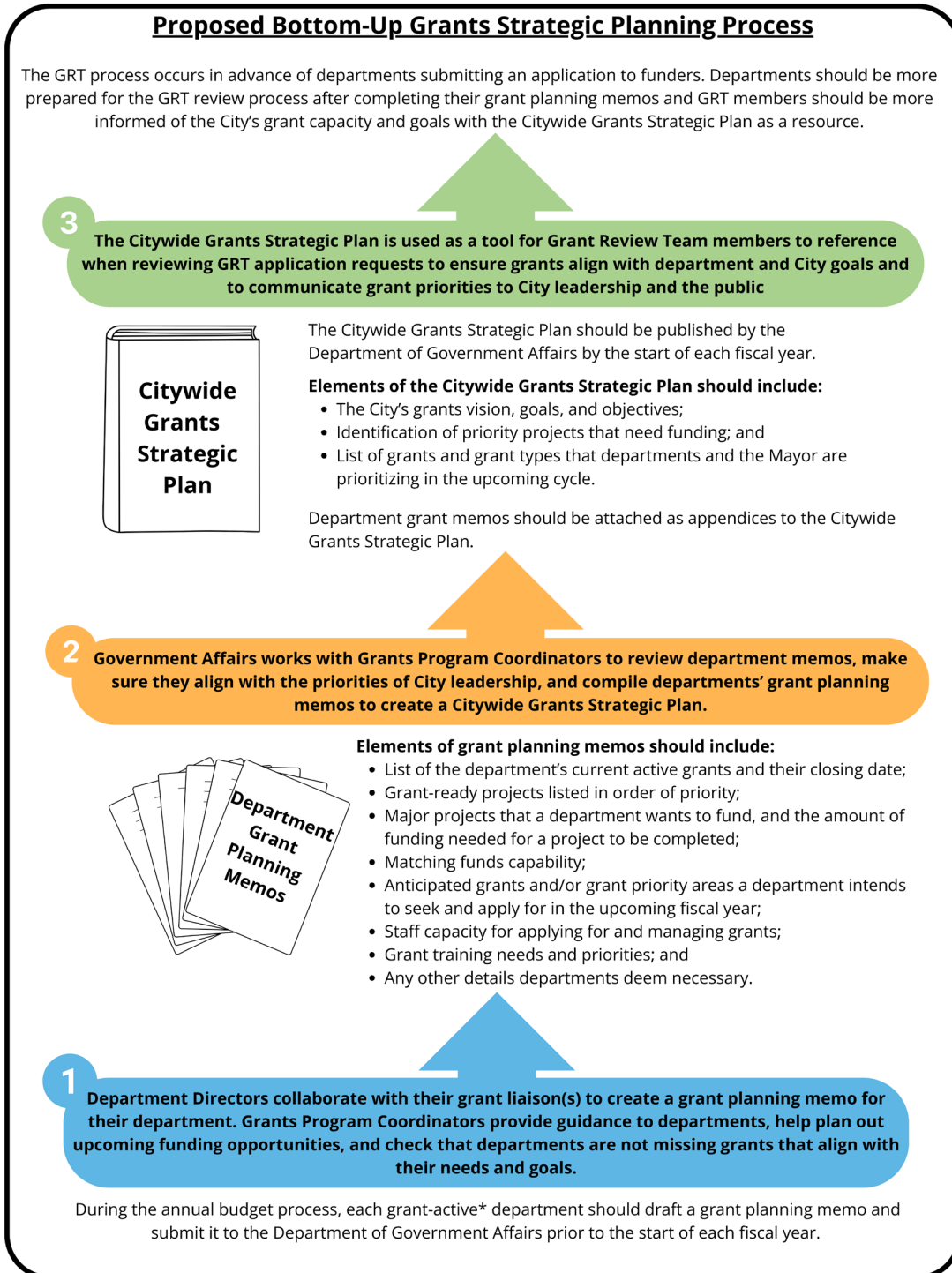
A Citywide grants strategic plan would synthesize departments' grants priorities in one place.

A Citywide grants strategic plan would synthesize departments' grants priorities in one place, allowing them to view each other's plans, identify areas of potential collaboration in the coming year, and prepare ahead for certain grant opportunities. It would also allow for City leaders to provide input on proposed grant pursuits prior to beginning the grant application process.

To facilitate the planning process, we recommend that City departments compose grants priority memos annually in concert with the Grants Team. Through these memos, City departments will have an opportunity to communicate their capacity to pursue grant funds to City leadership. This will help set and manage expectations for each department's capabilities to seek and manage grants earlier. **Exhibit 17** outlines the proposed process. We understand that the nature of grants can sometimes be difficult to plan for and intend for the grants planning memos and grants strategic plan to act as a guide; however, departments should consider other funding opportunities as they arise.

Exhibit 17

The City’s Grants Team Should Create a Citywide Grants Strategic Plan with Bottom-Up Input from Grant-Active Departments



*Grant-active departments are defined as departments that are currently applying for or managing a grant.

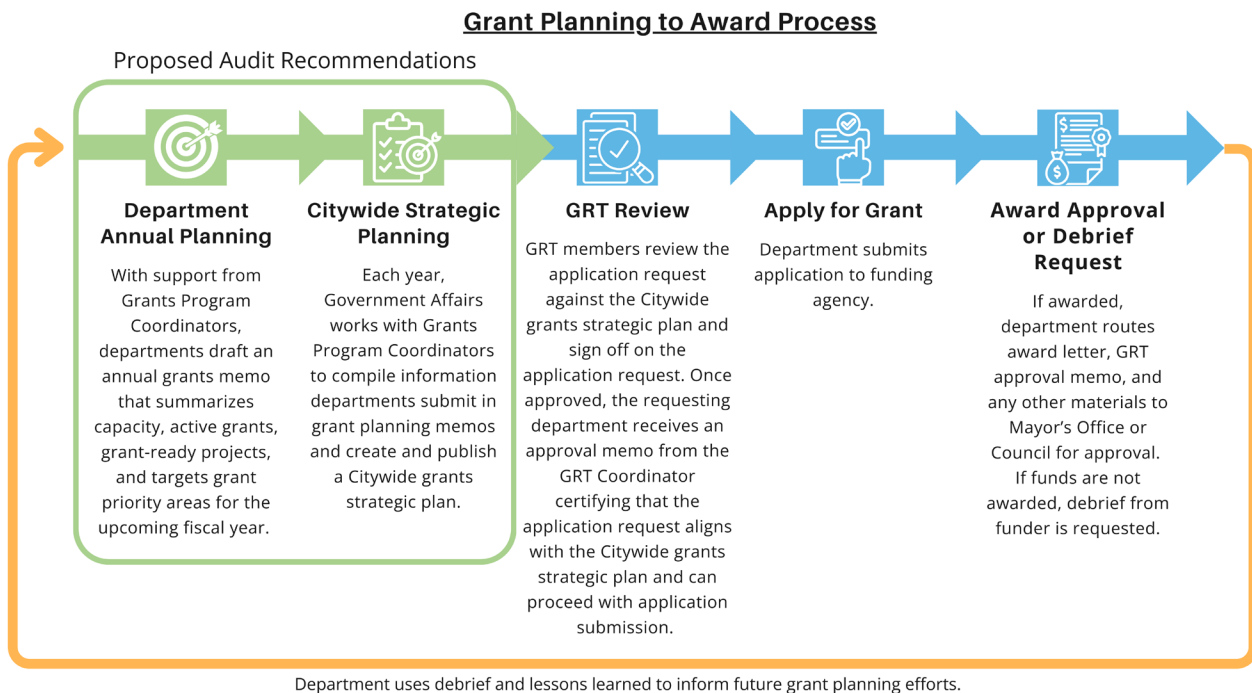
Source: OCA generated based on interviews with the Grants Team and benchmarking agencies, review of other agencies’ strategic plans, and best practices from the Government Finance Officers Association.

The Citywide grants strategic plan would also help streamline the GRT process.

A Citywide grants strategic plan would likely streamline the Grant Review Team’s (GRT’s) review of departments’ requests to apply for specific grants. This team, composed of City executives, is one of the many positive changes to the Grants Program as an outcome of our previous audit in FY2018 that provides oversight of the grants process. As further discussed in **Finding 2**, we found that delays in the GRT process can last up to several weeks and often occur due to financial concerns, according to Finance. The strategic plan would make the review process more efficient overall. The plan would guide GRT members as they review a department’s request to apply for a grant. Specifically, members would be able to reference the plan and ensure that a department’s selected grant opportunity aligns with its internal priorities, capacity, and the City’s priorities. **Exhibit 18** demonstrates how the grants strategic plan would fit into the GRT’s application request review process.

Exhibit 18

Strategic Grant Planning Efforts Can Help Inform the GRT Process and Grant Research



Source: OCA generated based on audit recommendations, Administrative Regulation 1.80, the Grants Program Framework, grant application and award process narrative, and interviews with the Grants Team and City departments.

Recommendations

To increase proactive grant planning efforts in the City, we recommend:

Recommendation 1.1

(Priority 1)

To facilitate the development of an annual grants strategic plan for the City of San Diego, the Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require all grant-active Mayoral departments to create and submit an annual grant planning memo to Government Affairs. Grant-active is defined as departments applying for a grant or currently managing a grant.

Grant planning memos are a summary of a department's anticipated grant activity and are meant to act as a guide; however, this should not preclude departments from applying to other opportunities if they arise outside of the Citywide grants strategic plan. Each grant priority memo should include the following elements, and any others that Government Affairs deems essential:

- a. Listing of the department's currently active grants and their closing dates;
- b. Grant-ready projects and programs listed in order of priority;
- c. Major projects and programs that the department wants to fund, and the amount of funding needed for the projects to be completed;
- d. Matching funds capability;
- e. Anticipated grants and/or grant priority areas the department intends to seek and apply for in the upcoming fiscal year;
- f. Staff capacity for applying for and managing grants; and
- g. Grant training needs, as discussed in Finding 4.

Management Response: Agree [See full response beginning on page 70.]

Target Implementation Date: July 2025

Recommendation 1.2

(Priority 1)

The Department of Government Affairs (Government Affairs), should update Administrative Regulation 1.80 to require Government Affairs to publish an annual Citywide grants strategic plan, informed by City departments' grant planning memos.

Government Affairs, in collaboration with the City's Grants Program Coordinators, should review departments' grant planning memos, as required in Recommendation 1.1, and use the memos to inform the City's overall grant goals, priorities, and strategies. The plan should, at minimum, contain the following elements, and any others Government Affairs and the Grants Program Coordinators deem essential:

- a. The City's grants vision, goals, and objectives; priority projects and programs that need funding; and grants and grant types that will be prioritized in the upcoming year.
- b. A summary of departments' staff capacity limitations and identified strategies to address these limitations. These strategies should also include the issues addressed in Recommendations 1.3, 3.2, and 3.3.
- c. Summaries of recommendations on the Grant Review Team tracking timelines and assessment of departments' training needs as described in Recommendations 2.1 and 4.2.

The Grant Review Team members should use the grants strategic plan as a reference when reviewing and approving grant application requests from departments.

Management Response: Agree [See full response beginning on page 71.]

Target Implementation Date: September 2025

Recommendation 1.3

(Priority 1)

The Department of Government Affairs, in collaboration with the Department of Finance, the City's Grants Program Coordinators, and any other relevant departments, should assess departments' staff capacity needs and matching funds capabilities, as outlined in their annual memos, and create a strategy to address them. This strategy should be included in the annual Citywide grants strategic plan as recommended in Recommendation 1.2.

Management Response: Agree [See full response beginning on page 71.]

Target Implementation Date: September 2025

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.

Finding Summary

As an outcome of our fiscal year (FY) 2018 Performance Audit of the City's Grants Management, the Department of Government Affairs (Government Affairs) created the grant review process—a standardized mechanism designed to focus the City of San Diego's (City's) limited resources on grant opportunities that align with the City's Strategic Plan. This process—beginning with grant-active departments' submission of a Grant Review Form as a request to apply for a grant to a panel of City executives—seeks to ensure a fully vetted analysis of funding requirements is completed prior to grant applications being submitted to a grantor. As an outcome of the process, Government Affairs tracks the City's grant application activity and annually reports on this information to City leadership. This grant application tracking and approval process is unique to the City of San Diego and unlike other cities we benchmarked with.

We found that the Grant Review Team (GRT), the Grants Program's grant application request review panel that is led by Government Affairs, does not review all City grant application requests prior to grant application submission because departments do not always seek GRT approval prior to submitting grant applications and not all grants are required to go through the GRT process. As a result, the GRT is not informed of all the City's grant activity and cannot evaluate all grant applications to ensure they meet the City's strategic priorities.

Furthermore, the process Government Affairs uses to compile the City's grant application activity requires the reconciliation of up to three sources of overlapping and some self-reported information, which is time-consuming, redundant, and may not be reliable. Additionally, the GRT does not track its review timelines, which vary greatly, and does not provide status updates, leaving applicant departments unsure of the status of their applications. We also found that the GRT rarely, if ever, denies applications departments submit, even if review occurred after an application had already been submitted to a funder.

This finding covers the GRT review process as it existed in SharePoint during the scope of this audit, FY2019 through FY2023. At the start of FY2025, Government Affairs moved the process to OnBase—the City's docketing system, which could improve transparency; however, challenges still exist.

As mentioned in the **Background**, Government Affairs has performed two internal reviews of the Grants Program that identified similar issues and has made recommendations to address them.

The GRT process could be improved to ensure that departments are better prepared to go through the process and that requests to apply for a grant are approved timely.

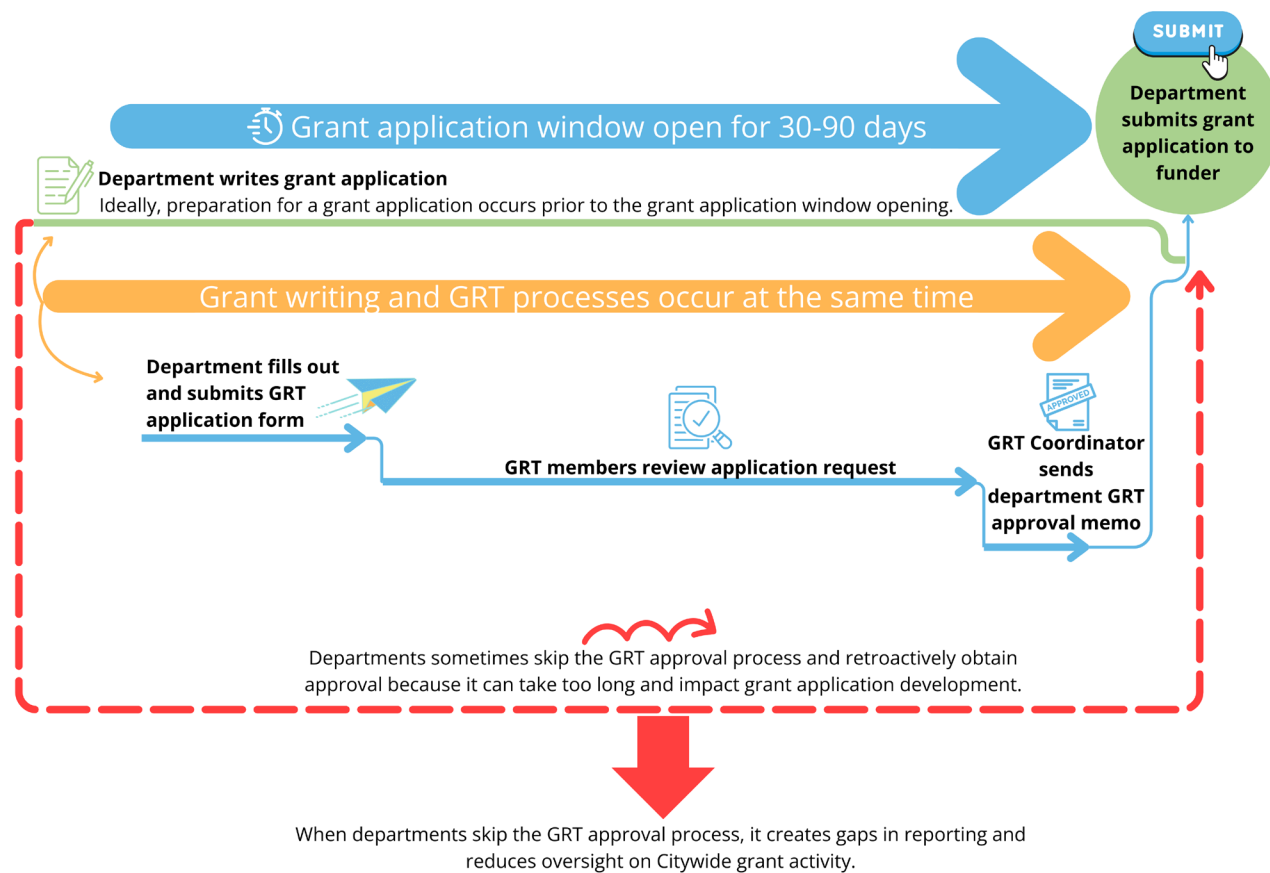
Government Affairs oversees the GRT process and administers the final approval memo to all Mayoral departments who request to apply for grant funds. Administrative Regulation (AR) 1.80 on grant application, administration, and management procedures requires all Mayoral departments to submit grant application request forms—via the Grant Review Form—to the GRT for review, but some departments bypass this process and retroactively obtain GRT approval.¹³

Departments are supposed to write grant applications and submit a Grant Review Form to the GRT concurrently. Although AR 1.80 dictates a 10-business day turnaround timeline for the GRT, the actual time it takes to complete the GRT process is not formally tracked and the GRT is not transparent in providing updates on the status of applications. Departments reported that the GRT process can take anywhere from a few days to four weeks. The average funding opportunity, however, is only open for 30 to 90 days. The funders' time constraint puts significant pressure on applicant departments to compose and submit a competitive grant application in addition to submitting a Grant Review Form. As shown in **Exhibit 19**, department staff sometimes retroactively seek GRT approval to meet grant application deadlines.

¹³ City policy states that only Mayoral departments must acquire GRT review and approval, but non-Mayoral departments have the option to go through the GRT process to receive feedback. The departments that bypass the GRT are Mayoral departments.

Exhibit 19

Some Departments Circumvent the GRT Process, Which Reduces Oversight and Tracking of the City’s Grant Application Activity



Source: OCA generated based on Administrative Regulation 1.80 and department interviews.

According to the United States Government Accountability Office, an effective internal control system ensures an organization achieves its objectives, and deficiencies occur when controls fail to operate as intended. The GRT was designed to determine whether grant opportunities align with the City’s Strategic Plan, determine whether the grant project or program demonstrates a positive impact on the City, identify potential costs beyond the grant period, and ensure that a project or activity is ready for implementation. However, the GRT process could be further improved to garner greater compliance among Mayoral departments to submit Grant Review Forms prior to submission to a grantor. When departments skip the process, the process is undermined as a control mechanism.

The Grant Review Team should track its 10-business day goal timeline to review grant application requests.

Formally tracking the GRT process can inform Government Affairs on where delays are occurring and allow it to address the causes of those delays.

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. Further, formally tracking the GRT process can inform Government Affairs on where delays are occurring and allow it to address the causes of those delays. Because the GRT does not track its own performance for the approval of applications, there is no way to know if the 10-business day application review timeline is being adhered to.

While the Department of Finance (Finance) currently tracks grant application requests (when received via the GRT process) in SAP, Finance stated the application data is not accurate or consistent for several reasons: 1) the Grant Review Form submission dates are unreliable when submitted retroactively to the GRT; 2) other types of grants, like direct allocations through the state or federal government, retroactively go through the GRT and have the same backdating issue; and 3) Finance stated that for any pre-award dates that it does not have supporting documentation for, it either leaves the approval date blank or enters a future date. Even if the GRT approval dates in SAP are correct, ultimately, because the application submittal dates to the GRT are inaccurate and unreliable, so too is the timeline for calculating the time between Grant Review Form submission and GRT approval. As a result, the average timeline for the GRT review process is unclear to grant-active departments.

Some grant-active Mayoral departments skip the process because of their experience with the varied timeliness of the GRT process.

According to some departments, because the GRT does not always adhere to the 10-day timeline, this has caused them to circumvent the GRT process altogether, thereby undermining its purpose—to review and approve grant application requests. Based on our interviews with multiple grant-active departments, the approval process has taken anywhere from a few days to four weeks. Such a varied and unpredictable timeline, paired with the time-sensitive nature of a funding opportunity that may be open for only 30 to 90 days, may be enough to risk missing the grant opportunity and thus dissuade some departments from going through the process.

While the GRT generally approves all applications, the timeline for approval varies due to the following factors:

- The GRT may have little insight into department's grant priority needs, limitations, grant pursuit strategies, and goals; as a result, this prompts a back-and-forth conversation.
- The GRT sometimes receives incomplete Grant Review Forms submitted by departments, missing fields such as matching fund requirements and needs, which inhibits its ability to assess the grant opportunity.
- GRT members may not formally communicate when their expectations of what information should be provided in the Grant Review Forms change, causing departments to be unprepared when going through the GRT process.

These factors will be discussed in detail in the following sections.

GRT members may review department Grant Review Forms without insight into a department's internal grant goals and priorities.

The GRT may review and approve Grant Review Forms without being fully informed of a department's grant activity unless it is briefed outside of the GRT process.

Members of the GRT do not currently have any materials related to Citywide grants plans or goals to reference when reviewing Grant Review Forms. GRT members may also have little to no insight into a department's grant capacity or strategy through the GRT process. Therefore, the GRT may review and approve Grant Review Forms without being fully informed of a department's grant activity unless it is briefed outside of the GRT process by the respective departments. Additionally, Government Affairs stated that departments' Grant Review Forms may be incomplete or have errors. These issues can prompt back-and-forth communications between the members and departments as members seek out more information. As a result, these communications can extend the review and approval timeline, potentially putting a department's timely submission of its grant application to a funder at risk.

As discussed in **Finding 1**, having a Citywide grants strategic plan that departments have a hand in drafting each year would provide GRT members with an updated tool to compare grant application requests against so they can operate with insight into departments' grant plans and capacities, and City grant priorities.

To help staff prepare for the Grant Review process and establish expectations, the Grants Team should provide guidance to departments on how to plan for their annual grant activity.

To better prepare grant-active departments for the GRT review process, the use of a decision-making checklist can proactively address GRT members' concerns. Specifically, a decision-making checklist can guide departments to ascertain their preparedness to pursue and operate a grant-funded program or project by determining their readiness in various categories. The Grants Program Coordinators have created a checklist, which has not yet been finalized, to aid departments to consider their capacity and readiness in the following areas:

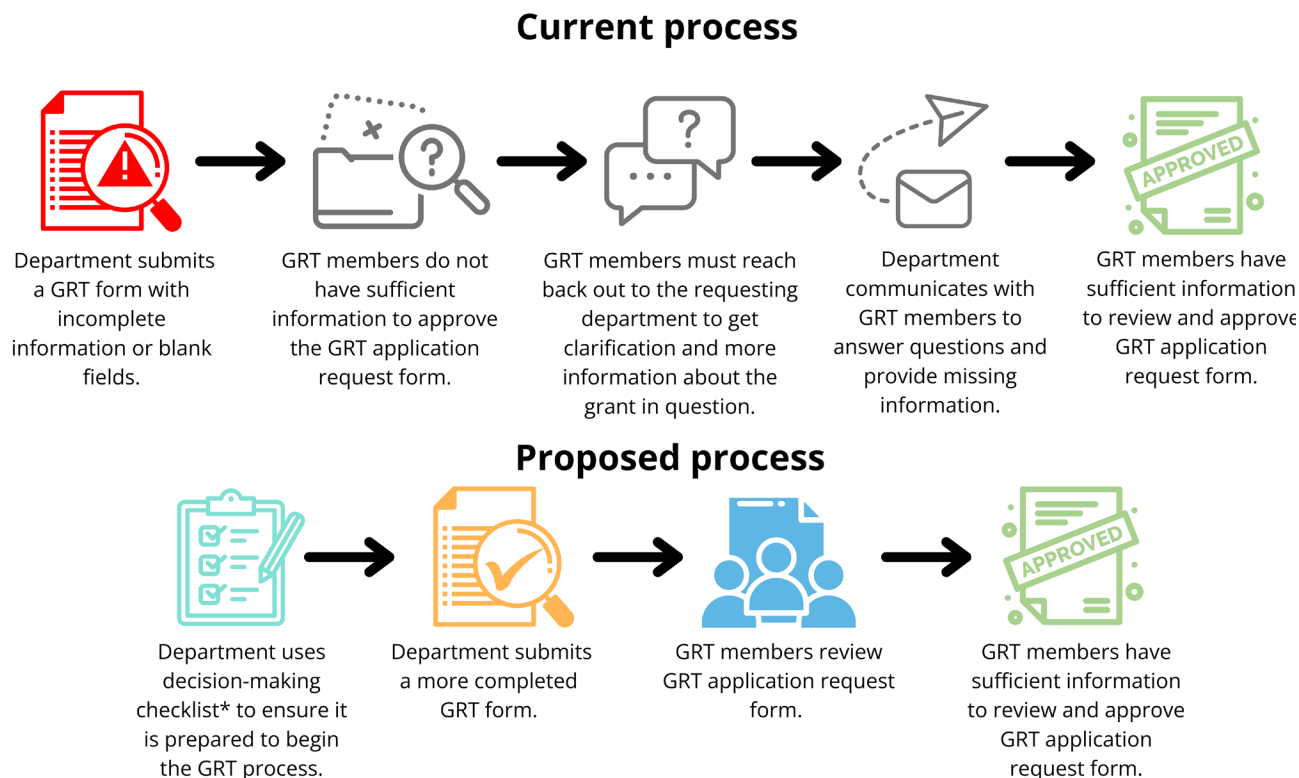
- **Alignment with the City's goals and objectives:** Whether the project or program aligns with the funder's goals and the City's goals, respectively.
- **Capital Improvement Program Projects:** Whether the project can be constructed within the grant's timeline and if the award would fully fund the project.
- **Funding:** Whether the program or project can be fully funded with the grant award or if other funds will also need to be identified for program or project completion.
- **Matching funds availability:** Whether matching funds have been identified and are able to satisfy the match requirement.
- **Staff capacity:** Whether staff have the capacity to apply for and manage the grant.
- **Timing:** Whether the project or program can be completed within the grantor's timeline.

Other agencies use a checklist and/or decision tree to aid their departments in their annual grant activity planning. The Port of San Diego, for example, uses a decision tree to help its departments decide whether to pursue grant opportunities. It also created a rule that it would not create projects for funding opportunities. Instead, the decision tree guides departments using criteria to help them decide which projects they already have that might be viable, grant-ready projects.

As displayed in **Exhibit 20**, the checklist is a resource that can help departments prepare ahead of time for the information Grant Review Forms require and can aid them in deciding whether they are prepared to apply. This checklist, to be completed in advance of the Grant Review Form, can speed up the GRT review and approval process.

Exhibit 20

A Decision-Making Checklist Can Aid Departments in Preparing for the GRT Process and Help Prevent Delays in the Review



*The decision-making checklist is a tool and not a requirement.

Source: OCA generated based on interviews with City departments, including Government Affairs and Finance; interviews with the Grants Program Coordinators and Grant Review Team members; review of the City’s Grant Review Form; and review of the decision-making checklist.

Evaluating the GRT process would help identify deficiencies so they can be addressed.

Tracking the GRT timeline can help identify the reasons causing process delays. We found that departments were unaware that some GRT review expectations changed and had little opportunity to better prepare for the process, therefore perpetuating the need for GRT members to follow-up with departments for supplemental information during GRT review. For example, Government Affairs and several departments stated that lags in the approval process gradually began to occur over time, particularly for capital improvement project grants. However, we discovered that Finance had recently changed its review process. Finance confirmed that it became more extensive in its reviews of grant application requests, specifically regarding whether

matching funds had been identified, if the program or project would be fully funded by the grant, and if the program or project could be completed within the grant award's timeframe. Had the GRT review process been tracked, Government Affairs could have evaluated these new expectations and made changes to the grant review process accordingly.

The GRT process has recently transitioned to a new platform, which could improve transparency; however, challenges still exist.

The GRT process, previously operated on SharePoint, did not include features such as application tracking, editing capabilities, and the ability to provide comments in the document. Instead, communication occurred via email, which not all relevant parties may have been copied on. Without everyone's inclusion in the conversation about the grant application, some department staff stated the status of their requests and who to contact for follow-up were unclear. Early in FY2025, the GRT process moved to OnBase, an existing process management software. OnBase offers features like real-time editing, document tracking, and reporting capabilities, which are expected to address transparency and tracking issues identified in the SharePoint-based system. However, at the time of this audit, it was too early to determine whether the transition has effectively resolved these issues.

Corresponding with the move of the GRT's approval process from SharePoint to OnBase in FY2025, the Grant Review Form was recently updated to require the above-listed information and other items that Finance and other GRT members had been asking from departments. Additionally, the Grants Working Group, a quarterly meeting Government Affairs hosts for all grant-active departments, provided training to departments on how to supply the required information.

The City relies on the GRT process to track application activity, but the process does not capture all Citywide grant application activity.

Capturing all of the City's grant application activity is important to measure the Grants Program's efforts and successes in seeking and obtaining grant awards. Tracking variances in activity by year can inform Government Affairs and City leadership as to reasons for decreased activity and allow strategies to be developed to address those areas. For example, and as noted in **Finding 1**, several departments and the Grants Team stated that departments struggled

The City does not have a central application tracking mechanism to accurately capture its grant application activity.

with finding the capacity to seek and obtain additional grants. This issue could prompt the development of a strategy to increase capacity. The United States Government Accountability Office and Committee of Sponsoring Organization's Internal Controls Framework state that monitoring a process through ongoing and periodic evaluations can help ascertain whether the components of internal control are present and functioning. As part of the monitoring process, deficiencies should be assessed, communicated to all responsible parties, and corrected. Furthermore, because not all grant application requests are required to go through the GRT, the City should have a mechanism to capture application activity to ensure uniformity of applications and alignment with the City's grants strategic plan.

We found, and Government Affairs identified in its FY2022 and FY2023 internal review reports of the Grants Program, that the City does not have a central application tracking mechanism to accurately capture its grant application activity.

Because the GRT process does not fully capture the City's grant application activity, Government Affairs reconciles multiple sources to compile its annual report; however, the report may not be reliable.

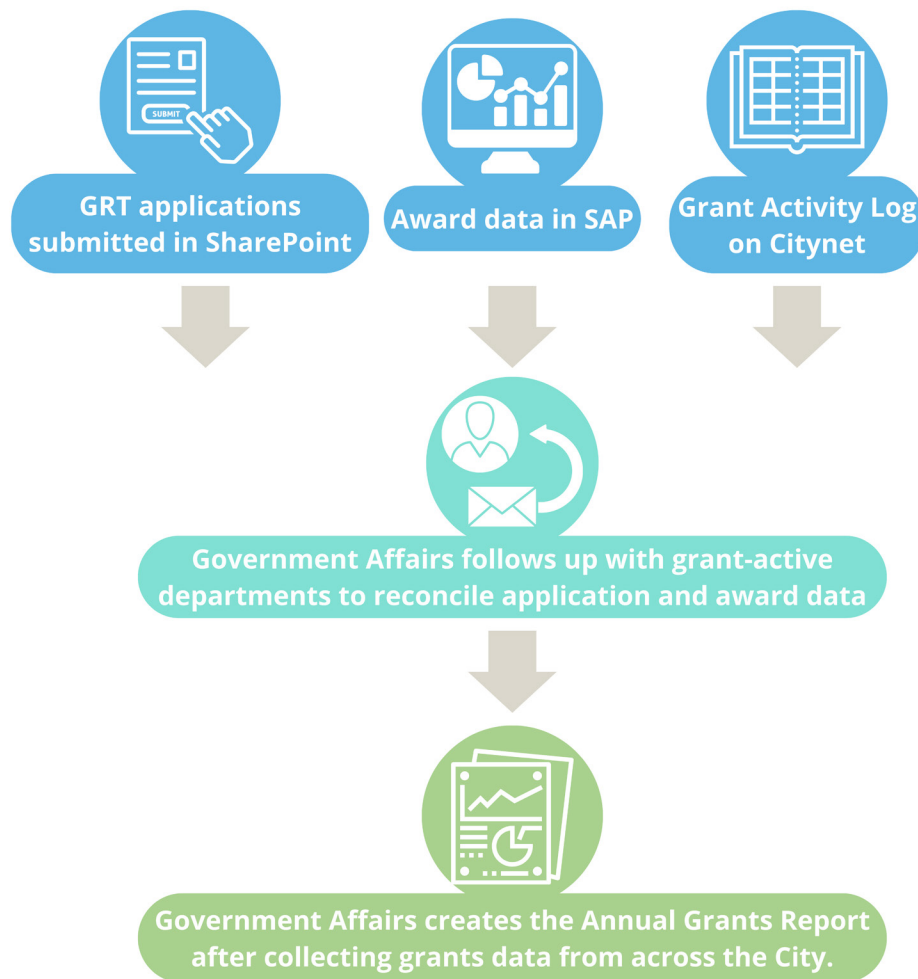
Government Affairs' annual report, required by the City's Municipal Code and AR 1.80, is an important measure of the Grants Program's success and activity. As a published document that is annually presented to City Council, it is essential that the reporting be as accurate as possible to give City leadership a realistic picture of the City's grants activity. We found, and Government Affairs also identified, that the reporting process is time-consuming, redundant, and may not fully capture the City's grants activity.

To fully capture all grant application activity in its annual report, Government Affairs pulls information from the following sources at the end of each fiscal year and follows up with grant-active departments if there are discrepancies, as shown in **Exhibit 21**:

- Award data logged by Finance in SAP—the City's financial management system;
- Grant activity logs—logs that grant-active departments are required to fill out each year; and
- Grant Review Forms submitted to the GRT.

Exhibit 21

Citywide Grant Activity is Captured Through Three Different Sources to Inform the Annual Grants Report Published by Government Affairs



Source: OCA created based on interviews with the Department of Government Affairs and Department of Finance.

According to Government Affairs’ FY2023 internal Grants Program review report, most Mayoral departments are compliant with the GRT process and/or entering their information into the grant activity logs. However, errors persist due to differences in the way departments internally catalogue their grant activity, with some departments using more sophisticated tracking than others. Furthermore, because independent departments are not required to go through the GRT process, Government Affairs’ report stated that most independent departments do not submit their grant activity logs. Ultimately, Government Affairs recognized and recommended the need for a centralized tracking system to track the City’s grant applications.

Furthermore, the process for obtaining this information is redundant and difficult to retrieve from departments. The internal review report that Government Affairs produced found that for the FY2023 Annual Grants Report, more than \$40 million in grant applications were entered by departments on the grant activity logs but had not been submitted through the required GRT process. To remedy the tracking issue, both of Government Affairs' FY2022 and FY2023 internal review reports recommended that the City evaluate adopting a standardized tracking and compliance tool that all departments can utilize to standardize grant applications and awards tracking.

The GRT process' move to OnBase, however, does not remedy the tracking and reporting issues because the GRT was not designed to capture all grant activity, as stated above. Therefore, these issues still remain. Without accurate tracking of the City's application activity, it is difficult for City leadership to review application activity each year and make decisions based on that information. While Government Affairs' internal reports note the near absence of non-Mayoral departments from the GRT process, including their limited participation in completing the activity logs and participation in the grants working group meetings, the reports do recommend that the City find a way to include these departments in the reporting process.

Recommendations

To address the GRT approval timeline, improve transparency of the existing GRT process, and better capture the City's grant application activity, we recommend:

Recommendation 2.1

(Priority 3)

The Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require that Government Affairs track and report on the Grant Review Team approval process timeline. Government Affairs should use the reporting capabilities of OnBase to, at minimum, include the following data:

- a. 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; and
- b. Any other data deemed necessary.

Government Affairs should annually evaluate this data, include evaluation results in the Citywide grants strategic plan as recommended in Recommendation 1.2, and use it to inform changes to the Grant Review Team process.

Management Response: Agree [See full response beginning on page 72.]

Target Implementation Date: TBD – Dependent on funding

Recommendation 2.2

(Priority 3)

To improve the City's grant application tracking and reporting process and ensure that the City's grant application activity is accurately captured, the Department of Government Affairs (Government Affairs) should determine a way to centrally track its grant application activity. As part of its determination, Government Affairs may consider the adoption of a standard tracking and compliance software tool that all departments can use to standardize grant applications.

Additionally, Government Affairs should update Administrative Regulation 1.80 to require that all Mayoral departments use its identified central application tracking mechanism to ensure that all City departments' grant application activity is captured.

Management Response: Agree [See full response beginning on page 72.]

Target Implementation Date: TBD – Dependent on funding

Recommendation 2.3

(Priority 3)

The Department of Government Affairs, (Government Affairs) in collaboration with the Grants Program Coordinators, should finalize, publish, and inform departments of the decision-making checklist tool to aid City departments in considering grant opportunities during the strategic planning process and as grant opportunities arise. The checklist can be used as a tool to gauge department preparedness to begin the Grant Review Team process but is not required. The checklist should include consideration of the following areas, at minimum, when applying for a grant:

- a. Alignment with the City's goals and department priorities;
- b. Capital Improvement Program projects, if relevant;
- c. Funding;
- d. Matching funds availability;
- e. Staff capacity;
- f. Timing; and
- g. Any other details deemed necessary.

Government Affairs should publish this checklist with the above-listed elements on the City's designated internal grants website, as recommended in Recommendation 4.1.

Management Response: Agree [See full response beginning on page 73.]

Target Implementation Date: May 2025

Recommendation 2.4

(Priority 3)

The Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to reflect the current Grant Review Team process, which has transitioned to OnBase.

Management Response: Agree [See full response beginning on page 73.]

Target Implementation Date: December 2025

Finding 3

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

Finding Summary

Since our last grants audit, the City of San Diego (City) has made significant progress in evolving the Grants Program, including onboarding two Grants Program Coordinators to assist departments in researching and applying for grants. While these changes have helped progress the City's Grants Program, certain gaps remain.

We found that the City's grants policy as set forth in Administrative Regulation (AR) 1.80 does not clearly define the roles and responsibilities of the two Grants Program Coordinators hired in FY2023. However, the Grants Program Framework document, created in FY2024, clarified responsibilities of the Grants Team, but was created and circulated after the Grants Program Coordinators were onboarded, leaving roles undefined during the interim period. We found that since the onboarding of the Grants Program Coordinators, some department staff are still unsure of the Grants Team's roles and division of responsibilities. Additionally, as stated earlier, capacity is a primary issue affecting the City's ability to seek and apply for grants, and clarifying roles of the Grants Team for staff can help ensure grant-seeking efforts are intentional.

City policy should formally establish roles and responsibilities for the entire Grants Team.

While Administrative Regulation (AR) 1.80 defines how City's Grants Program should work and identifies responsible parties in the process, it has not been updated since FY2019 to reflect how the program is today. Specifically, it has not been updated to identify that Government Affairs succeeded the original oversight body—Corporate Partnerships and Development Program—in FY2020 as the new leader over the Grants Program. It also does not incorporate the Grants Program Coordinator positions as a co-lead with Government Affairs over the Grants Program.¹⁴ The roles of the Grants Program Coordinator positions, according to the Grants Program Framework, include the following duties shown in **Exhibit 22**:

¹⁴ The Corporate Partnerships and Development Program no longer oversees the Grants Program.

Exhibit 22

The Roles of Grants Program Coordinators are Listed in the Grants Program Framework (Published in 2023)

| | |
|---|--|
|  | 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.

Without a policy to follow that reflects the current organizational structure and process, some City departments we interviewed claimed that it was unclear to them how the current Grants Program operates and who oversees which duties. For example, several management-level staff stated that they believed the Grants Program Coordinators were to act as grant writers. According to others, the Grants Program Coordinators were to assist in creating a Grants Program for the City, which was already in existence. The disconnect between these perspectives limited a common understanding of what role the Grants Program Coordinators were to play within the City’s Grants Program.

As the City’s Grants Program evolves, clear delegation of responsibilities should be routinely assessed and assigned to encourage cohesive collaboration and prevent duplication of efforts as well as siloed actions between Government Affairs and the Grants Program Coordinators.

The specific roles and responsibilities of Government Affairs and the Grants Program Coordinators should be clarified for the benefit of the Grants Team themselves and City departments.

Because the Grants Program Coordinators have not been fully and formally incorporated into the City's Grants Program, as outlined in AR 1.80, we found unclear expectations impaired the Grants Program Coordinators and Government Affairs' ability to perform as a team when assisting City departments to prepare grant applications.

One complicating factor in the relationship amongst the Grants Team is with the organizational placement as supposed equals in leading the Grants Program, when, Government Affairs—as a Mayoral office—takes precedence. According to both parties, the Grants Program Coordinators were to represent departments and explicitly perform grant research and aid departments in developing grant applications. Because of this directive, they were not positioned under Government Affairs. And while both parties are designated as co-leads over the Grants Program in the Grants Program Framework document, in practice, the Grants Program Coordinators—positioned under a Deputy Chief Operating Officer—must defer to Government Affairs.

The uncertainty over each members' roles has also led to confusion when coordinating on certain high priority grant opportunities. Specifically, while the Grants Program Coordinators are responsible for helping departments seek and develop grant applications, Government Affairs also occasionally performs this function. As a result, both parties within the Grants Team, as well as departments, are unclear who is leading the effort. Several management-level staff stated that on some high priority grant opportunities, Government Affairs may assemble a "Tiger Team" comprised of many high-level City staff to collaborate on the opportunity without clearly delegating duties or expectations.¹⁵ The Grants Program Coordinators stated that sometimes a department may reach out to them during the application process for assistance; however, the Grants Program Coordinators were uncertain of how much of a role they should and/or are expected to play in this process. Due to the time-sensitive nature of funding opportunities that may only be available for 30 to 90 days, poor coordination within the Grants Team and with City departments over a high-priority application may risk the quality of the application and/or its timely submission to the grantor.

¹⁵ Tiger Teams for larger grants typically involve a heavier interest in the project or program from the Mayor, which increases Government Affairs' involvement in a grant application.

The United States Government Accountability Office recommends that agencies define and agree on roles and responsibilities to organize efforts and facilitate decision-making. When roles and responsibilities are clearly defined, team members are more productive, there is less duplication of effort; less confusion, disappointment, and frustration; and greater productivity.

While multiple parties search for grant opportunities, the searches could be more targeted to maximize staff's limited time.

City staff's bandwidth for grant research, application, and management is currently maximized, and staff are responsible for other job duties in addition to grants.

We found that City departments, Grants Program Coordinators, and Government Affairs all spend time searching for grant opportunities. As stated in **Finding 1**, City staff's bandwidth for grant research, application, and management is currently maximized, and staff are responsible for other job duties in addition to grants. Formally adding the Grants Program Coordinators' job duties to AR 1.80 would help solidify their role in seeking grants for City departments. However, like all other City staff who work on grants, they have other competing job duties and their bandwidth to seek out grant opportunities is limited.

Subscribing to a service that seeks funding opportunities targeted to each department's priority areas would potentially free up capacity for grants staff to focus on managing grant awards and attend to other job responsibilities. Government Affairs stated that the process of seeking grants is time-consuming and has investigated software to address this issue. According to some City staff, the City used to subscribe to eCivis, a service that filters state, federal, and private funding opportunities depending on the requirements requested. The service also stored previous grant applications and allowed for them to be reused for another grant. Storing grant applications in a central place with the ability to reuse them would reduce staff's time in tracking applications and preparing new ones, as discussed more in **Finding 4**. However, this service has since been discontinued.

To lessen workloads across the City, we recommend considering re-subscribing to a grant service that can filter opportunities based on department preferences and project eligibility. We found that the City of Los Angeles, for example, subscribes to a service that filters grant opportunities based on criteria catered to the agency's grant needs.

Contracted grant writers can support the City's grant application efforts and help relieve capacity strain.

An internal review report of the Grants Program found that departments' applications and award performance is determined by their capacity and resources.

According to Government Affairs, some grants are extremely sophisticated and highly specialized, and department staff may not have the bandwidth to put forward grant applications that can compete with other jurisdictions at a statewide or national scale. A FY2023 Government Affairs' internal review report of the Grants Program found that departments' applications and award performance is determined by their capacity and resources. It also stated that many departments do not have dedicated grant staff to utilize for the onerous tasks of writing, reviewing, compiling, and form-filling for the average grant application. And lastly, it stated that the City could be more successful if it frequently used consultant contracts to support large grant applications and recommended exploring contract capacity for high priority grant applications.

When needed, Government Affairs stated that some departments will pay for a grant writer out of their operational budget or ask another department to lend funds for a contract. When the City previously employed third-party grant writers to assist in creating competitive applications for larger grant opportunities, these applications were more successful in obtaining an award, according to Government Affairs. We also found that other cities in California, such as Fresno, Los Angeles, and Sacramento, use contracted grant writers to assist in drafting applications for some grant opportunities. Furthermore, all these cities also obtain more grants per capita than the City of San Diego, as described in the **Background**.

Recommendations

To assist in evolving the grants process to clarify the roles and responsibilities of the Grants Team, and to provide more clarity for all City staff involved in the grant application process, we recommend:

Recommendation 3.1

(Priority 2)

The Department of Government Affairs (Government Affairs), in collaboration with the City's Grants Program Coordinators and other relevant departments, should discuss and formally document the agreed upon duties and positions of the Grants Program Coordinator positions in Administrative Regulation 1.80. Specifically, Administrative Regulation 1.80 should incorporate the following current roles and responsibilities of the Grants Program Coordinators in the Grants Program as identified in the Grants Program Framework and recommendations in this report, and any other duties as necessary:

- a. Assist with grant application development;
- b. Research and analyze grant opportunities;
- c. Support strategic project development;
- d. Support grants reporting, compliance, and implementation, as needed;
- e. Support cross-department collaboration;
- f. Assist City departments with composing their annual grant priority memos as recommended in Recommendation 1.1;
- g. Assist Government Affairs in creating the annual Citywide grants strategic plan as recommended in Recommendation 1.2;
- h. Assist with the creation of grant planning tools and training opportunities; and
- i. Assist in the creation and management of a grants resource library to preserve historical grant records and institutional knowledge.

Management Response: Agree [See full response beginning on page 73.]

Target Implementation Date: December 2025

Recommendation 3.2

(Priority 2)

The Department of Government Affairs (Government Affairs) should consider subscribing to a service that filters grant opportunities based on curated specifications. This consideration should include a return-on-investment analysis. If Government Affairs determines a positive return on investment, then that analysis should be communicated to the City Council, Mayor, and other stakeholders such as a through the annual Citywide grants strategic plan, as recommended in Recommendation 1.2b.

Management Response: Agree [See full response beginning on page 74.]

Target Implementation Date: TBD – Dependent on funding

Recommendation 3.3

(Priority 2)

The Department of Government Affairs (Government Affairs) should consider retaining an as-needed contract with a grant writer(s) to assist with high priority and/or large-scale grant applications to increase the competitiveness of the City's applications. This consideration should include a return-on-investment analysis. If Government Affairs determines a positive return on investment, it should be communicated to the City Council, Mayor, and other stakeholders such as through the annual Citywide grants strategic plan, as recommended in Recommendation 1.2b.

Management Response: Agree [See full response beginning on page 74.]

Target Implementation Date: TBD – Dependent on funding

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.

Finding Summary

Training grants staff on the City of San Diego's (City's) Grants Program can help better prepare them for when grant opportunities arise. While grant-active City departments are required to maintain their own internal training materials for grants they specifically oversee, we found that the City has not assessed departments' grants training needs and developed a training program to address them. The Department of Government Affairs (Government Affairs) hosts a quarterly Grants Working Group to address questions and concerns from grant-active departments and provides training; however, this group does not necessarily include all grant-active departments. Therefore, Government Affairs cannot fully assess and address all common issues with the City's grants process via its meetings.

Additionally, as the Grants Program has evolved over time, many independent websites with grants educational tools have been developed but are not linked to the City's designated internal grants website. Furthermore, the designated website is not comprehensive and contains outdated materials that do not reflect the current Grants Program. As a result, several City departments stated they must comb through various websites to find the materials they need for reference.

Consolidation and improvement of grants tools and resources can help preserve institutional knowledge, strengthen efforts to plan and apply for grants, and help train and support department staff in learning the City's grants process.

Assessing the City's grants training needs can improve department grant readiness and familiarity with the City's Grants Program.

Government Affairs noted in its FY2023 internal review report that by investing in grant training programs for department staff—covering grant writing, post-award monitoring, and compliance—the City could submit higher-quality grant applications, leading to greater success. With an effective training program, City grants staff would be more prepared to plan for new grant opportunities as they arise.

The Grants Team—comprised of the Department of Government Affairs and the Grants Program Coordinators—provides some outreach to departments but does not currently assess department needs and training gaps. Government Affairs hosts Grants Working Group meetings that serve as a forum for updates, questions, and training for the City’s grant active departments. At least three City departments we interviewed, however, were not aware not aware of these meetings. Some departments stated they have also independently pursued grants training outside of the City. Additionally, the Department of Finance (Finance) stated that it also provides routine grants support to departments and hosts routine quarterly meetings for outreach, discussions, and trainings on all grant-related tasks.

A common theme we heard across the City was limited institutional knowledge which demonstrates the need for more training on grants.

Despite these offerings, a common theme we heard across the City was limited institutional knowledge which demonstrates the need for more training on grants. Several departments expressed a desire for the City to provide general training on the City’s processes for seeking, applying for, and managing grants. Prior to COVID-19, the City provided several grants training opportunities, generally through contractors. Some departments stated that due to the absence of training instruction and the decentralization of training tools, onboarding new department staff without grants experience can be time-consuming.

To improve the grants application and management processes, several agencies we benchmarked with provide training to grant-seeking departments on topics such as how to research grant opportunities, what makes a fundable project, and requirements for grant reporting and audits. Other cities provide the following grant training opportunities to staff:

- Internal peer mentoring;
- On-the-job training;
- Free webinars put on by grantors;
- Grant-writing classes; and
- Formal training on the city’s or agency’s grants process.

The City's Grants Program should perform a training needs assessment to determine grants training priorities and evaluate the effectiveness of current grants training offerings.

The U.S. Office of Personnel Management (OPM) recommends the use of a training needs assessment to identify the performance requirements and the knowledge, skills and abilities needed to achieve the goals of an organization. The results of the needs assessment allow an organization to set training objectives. Based on the maturation of the City's Grants Program since the last OCA audit in FY2018,¹⁶ and the feedback received from City departments for the present audit, the City's Grants Program would benefit from surveying departments on their grant training priorities and their feedback on existing grant training offerings. The feedback could then be used to inform and improve the City's grants training resources.

For example, we identified two areas of needed training: requesting and documenting debriefs; and creating unique identifier numbers (UEI) to receive federal grant awards. In our discussions with City departments, we found that training on debriefs—conversations with funders regarding why a grant application was not funded—is needed. Although the City does request debriefs when not awarded funds, many departments reported confusion over which party is required to request the debrief from funders. While the City's grants manual requires departments to request a debrief from funders, members of the Grants Team also typically request debriefs and document takeaways. As a result, it was not clear to departments when the Grants Team should be involved, who should request the debriefs, how they should be conducted, and where debrief notes should be stored. A training on the debrief process would reduce confusion in this area and possibly result in stronger future grant applications.

The need for training on how to obtain and renew UEI numbers highlight an area for improvement. Department staff we interviewed relayed how onerous it was for them to find out information on how to apply for and/or renew the UEI number. According to City staff, it is unclear which department—Government Affairs, Finance, or the Grants Program Coordinators—should provide training and assistance. These identifiers, required by the federal government for grant applicants, must be obtained and renewed annually by each department. During a Grants Working Group meeting, Government

¹⁶ OCA's Performance Audit of the City's Grant Management: https://www.sandiego.gov/sites/default/files/18-011_grants_management.pdf

Affairs reviewed this process; however, Finance continues to receive questions about UEI numbers. Additionally, one department specifically requested UEI training during an interview. This persistent confusion underscores the importance of establishing a central grants resource library to provide clear guidance and support for navigating City and funder grant processes.

An updated centralized grants website would help grant-active departments find the resources they need to support grant application development and grant management.

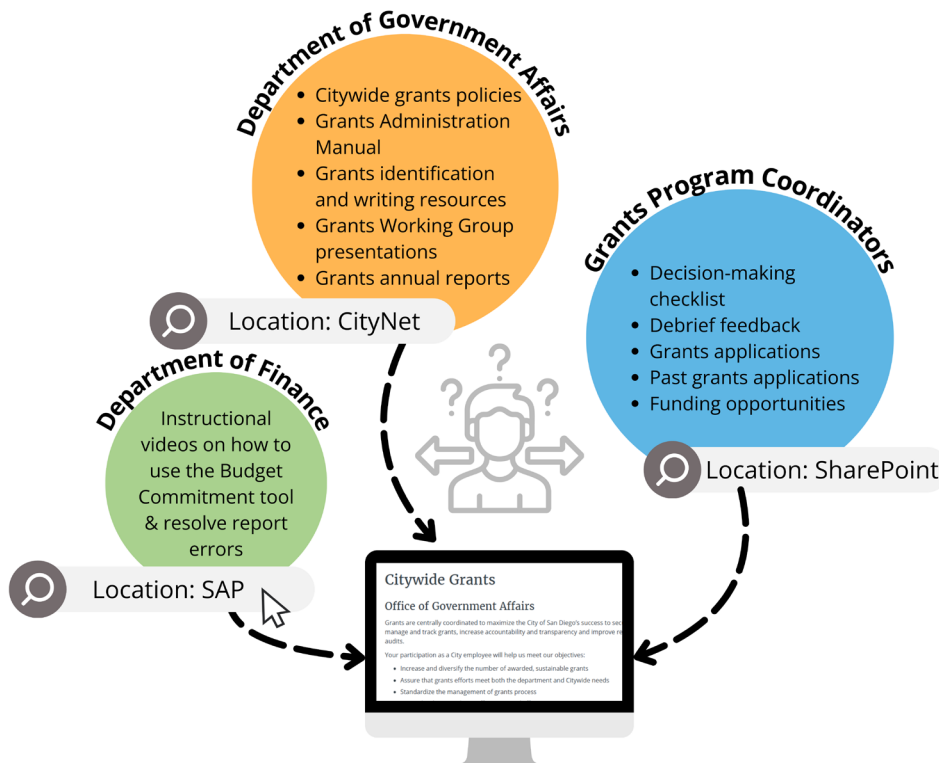
The designated grants website is not comprehensive and contains some outdated materials that are approximately 15 years old.

Outside of assessing needs and formal training, some City departments expressed the need for a comprehensive, designated website to host educational grant application tools. While Government Affairs has a designated grants website, we found that the site is not comprehensive and contains some outdated materials, such as grant application tips that are approximately 15 years old. These materials range from websites to help identify grant opportunities and grant application tips, to the previous presentations from the Grants Working Group. Furthermore, we found that as the Grants Program has evolved, other sites from Finance and the Grants Program Coordinators have been created to host additional materials that are not linked to the central site, as shown in **Exhibit 23**.

Updated training materials would help guide City staff through the grant application process more effectively and ensure that their applications align with current standards. In its internal analysis of the Citywide annual grants report process, Government Affairs found that many City departments were not clear on parts of the City's grants process.

Exhibit 23

The City’s Grant Resources and Tools are Distributed Across Multiple City Sites and Locations, Which Can Lead to Confusion



We recommend that the grants Citynet page retain all resources and grants-related links are kept updated and can all be accessed through this central site.

Source: OCA generated based on interviews and CityNet, SAP, and SharePoint resources.

Over time, Finance and the Grants Program Coordinators have each independently developed training materials for departments, but they are stored in several places that do not link to the designated website. Finance maintains SAP-related training on its Enterprise Resource Planning website. Separately, the Grants Program Coordinators maintain an internal SharePoint site that captures a subset of previous grant applications, summaries of funding opportunities, and debrief notes for grants in which they played a direct role in assisting or managing the development process. This site also hosts the draft decision-making checklist as discussed in **Finding 2** for departments to use when evaluating new funding opportunities. According to the Grants Program Coordinators, they use this site to manage their daily workload and thus have not shared it or been directed to share it with all City departments.

Although training materials continue to be developed and posted to various internal City sites, including the designated grants website, the Grants Team and Finance have not coordinated their efforts to ensure all materials are on one site or that the central site contains links to other sites. Administrative Regulation (AR) 1.80 likely contributes to some of the separation of websites because it requires Government Affairs to post grant writing and management training opportunities to the designated grants website, but requires Finance to post its training materials related to grants management on the City's internal site for SAP training (since grants, once awarded, are managed in SAP). And, as discussed in **Finding 3**, the Grants Program Coordinators' roles have not been outlined in AR 1.80 and as such, there is no requirement for them to share resources on the designated grants website. Furthermore, as the Grants Program has expanded over the last five years, Finance, the Grants Program Coordinators, and Government Affairs have not coordinated to update the websites and to formally determine grants training needs.

The City should retain historical grant information in a centralized library to improve future grant award pursuit efforts.

The inability of departments to review Citywide grant application history (including debrief notes) can impede cross-departmental collaboration and result in a steep learning curve for new staff that may impact the quality or quantity of grant applications.

We found that the City should create a centralized library to host previously submitted grant applications and debrief notes for staff to reference to improve the quality of future grant applications. Previous applications can form the template for a new, similar application and can save staff's limited time. Debrief conversations often provide valuable feedback and can help inform future grant applications. As discussed in **Finding 2**, the City does not have a centralized application tracking system, and as mentioned above, some debrief notes and applications are stored in the Grants Program Coordinators' SharePoint website. Therefore, these applications and notes are not readily accessible to all grant-active departments for review and reference. The inability of departments to review Citywide grant application history, including debrief notes, can impede cross-departmental collaboration and result in a steep learning curve for new staff that may impact the quality or quantity of grant applications.

Because department staff balance grant duties with other responsibilities, some departments may only have bandwidth to pursue a limited number of grant opportunities per year. Due to the inconsistent nature of grants, many staff stated that it would be helpful to have documented examples to aid them in the grant writing process.

Institutional knowledge can be lost with frequent personnel turnover if there is no mechanism to capture and relay grant process information to new staff.

Additionally, institutional knowledge can be lost with frequent personnel turnover if there is no mechanism to capture and relay grant process information to new staff.

Other agencies, such as SANDAG and the Port of San Diego, store historical records and training materials in a centralized grants library for staff to reference. These materials include old applications, debrief notes from grants not awarded, and decision-making tools. SANDAG grants staff reported that they keep a robust record of every grant applied for and awarded available to all agency staff. Similarly, the Port of San Diego maintains an internal SharePoint site to house all grant submission packages, including draft materials, which are available to the Port's staff. The Port's current and future grant applications leverage relevant data and information from historical grant submissions. The City of San Jose also uses historical grant applications as a guide in the grant planning process to anticipate the kinds of questions the funder might ask. If they received debrief feedback on a historical grant application, staff implement the feedback in the new grant proposal.

We also found that our benchmarking agencies retain debriefs in a central location. The City of Los Angeles, for example, stores debrief feedback on its grants management software, eCivis, that is reviewed by the City Administrative Officer. Based on interviews with the cities of Oceanside, Sacramento, Fresno, and Los Angeles, SANDAG, and the Port of San Diego, a consistent best practice we found is the archival of debrief information if the grant was not awarded.

The absence of centralized grants training resources leaves City departments unclear on the City's grants process and priorities, and where to locate grant-related tools and resources. While individual departments may have their own grant-related policies and procedures, resources, and tools, it is important for the City to have a centralized site for general resources that pertain to the City's Grants Program.

Recommendations

To help centralize and expand on the City's grants tools and resources, we recommend:

Recommendation 4.1

(Priority 2)

The Department of Government Affairs (Government Affairs), in collaboration with the City's Grants Program Coordinators and the Department of Finance (Finance), should update the City's designated internal Citywide grants website to host all grants training materials relevant to the City's general grants application and management process. This website should either host a library of previous grant applications and debrief notes or contain a link to where these materials are located and maintained. The designated internal Citywide grants website should also contain links to Finance's grants management training materials.

Additionally, Government Affairs, in collaboration with the Grants Program Coordinators and Finance, should update the designated internal Citywide grants website with the following training materials related to the following topics, at a minimum:

- a. Broad overview of the City's grants application process to assist in training and onboarding new staff on the City's grants procedures, expectations, and resources;
- b. Several examples of successful grant applications submitted by the City;
- c. Guidelines for departments on creating the annual grants planning memo, as referenced in Recommendation 1.1;
- d. Documented resources for requesting and renewing Unique Entity Identifier number(s), including any relevant City information required for the application(s);
- e. The grants decision-making checklist as recommended in Recommendation 2.3;
- f. Guidance for departments on requesting, conducting, and documenting debrief meetings with funders when a grant is not awarded;
- g. Grant writing training materials; and
- h. Recordings of any live trainings provided on the City's grants process.

Management Response: Agree [See full response beginning on page 75.]

Target Implementation Date: September 2025

Recommendation 4.2

(Priority 3)

As part of Recommendation 1.1 regarding the grant priority memos, the Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require that all grant-active Mayoral departments include a statement on their grants training needs and priorities in their annual grant planning memos.

Additionally, as part of the Citywide grants strategic plan recommended in Recommendation 1.2, Government Affairs should assess departments' training needs from their grant planning memos, include a summary of these needs in the plan, and outline the training plan for the year to address these needs.

Management Response: Agree [See full response beginning on page 75.]

Target Implementation Date: September 2025

Recommendation 4.3

(Priority 3)

To ensure a comprehensive grant application library, the Grants Program Coordinators should establish a process for City departments to contribute submitted grant applications and debrief notes to a centralized library hosted on or linked to the designated grants training website referenced in Recommendation 4.1.

Management Response: Agree [See full response beginning on page 76.]

Target Implementation Date: December 2025

Appendix A

Definition of Audit Recommendation Priorities

The Office of the City Auditor maintains a priority classification scheme for audit recommendations based on the importance of each recommendation to the City, as described in the table below.

While the City Auditor is responsible for providing a priority classification for recommendations, it is the City Administration’s responsibility to establish a target date to implement each recommendation, taking into consideration its priority. The City Auditor requests that target dates be included in the Administration’s official response to the audit findings and recommendations.

| PRIORITY CLASS* | DESCRIPTION |
|-----------------|---|
| 1 | Fraud or serious violations are being committed. Significant fiscal and/or equivalent non-fiscal losses are occurring. Costly and/or detrimental operational inefficiencies are taking place. A significant internal control weakness has been identified. |
| 2 | The potential for incurring significant fiscal and/or equivalent nonfiscal losses exists. The potential for costly and/or detrimental operational inefficiencies exists. The potential for strengthening or improving internal controls exists. |
| 3 | Operation or administrative process will be improved. |

* The City Auditor is responsible for assigning audit recommendation priority class numbers. A recommendation that clearly fits the description for more than one priority class shall be assigned the higher priority.

Appendix B

Audit Objectives, Scope, and Methodology

Objective

In accordance with the Office of the City Auditor's Fiscal Year (FY) 2024 Audit Work Plan, we conducted a performance audit of the City of San Diego's (City's) Grants Program. Our audit included the following objectives:

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

Scope

Our analysis focused on the City of San Diego's grant research and application process, from FY2019 through FY2023. The audit examined the City's organizational structure, policies, and procedures related to grant planning and application but did not investigate grant management or compliance. To address our objectives, the audit compared the City's grant competitiveness and reliance to other large cities in California.

The audit focused on the City's internal grants research and application approval process for the City's Mayoral departments. The scope included all grants, regardless of dollar thresholds

Methodology

To determine if the City of San Diego is competitive in planning for and pursuing grant funding, we:

- Reviewed strategic planning and internal control best practices.
- Reviewed annual grants reports published by the Department of Government Affairs.
- Attended a quarterly Grants Working Group meeting.
- Surveyed City staff on grant application processes.
- Reviewed and analyzed California State and federal grant data.
- Reviewed prior OCA audits and reviews conducted by the City of San Diego.
- Analyzed grant awards across large California cities to compare grant awards per capita adjusted for cost of living, grant awards as a percent of total government revenue, and capital grant awards per capita. Cities compared against included:

- Los Angeles;
 - Bakersfield;
 - Fresno;
 - Sacramento;
 - Anaheim;
 - San Jose;
 - Oakland;
 - San Francisco; and
 - Long Beach.
- Interviewed 10 City departments to learn their internal processes for seeking, applying for, and obtaining grants, including:
 - Department of Homelessness Strategies and Solutions;
 - Public Utilities Department;
 - San Diego Police Department;
 - Transportation Department;
 - Parks and Recreation Department;
 - Stormwater Department;
 - Library Department;
 - Department of Arts and Culture;
 - Environmental Services Department; and
 - Office of Emergency Services.
- Benchmarked grants programs in large California cities, and with other cities and agencies local to San Diego, including:
 - Los Angeles;
 - San Jose;
 - Sacramento;
 - Fresno;
 - Oceanside;
 - San Francisco;
 - San Diego Association of Local Governments; and
 - Port of San Diego.
- Reviewed grants audits and reviews conducted by:
 - San Jose, California;
 - Fort Worth, Texas;
 - Seattle, Washington;

- Los Angeles County, California;
 - Sacramento County, California;
 - Atlanta, Georgia;
 - The State of Michigan;
 - New York, New York; and
 - Denton, Texas.
- Interviewed key staff involved in the City's Grants Program, including:
 - Department of Government Affairs staff;
 - Department of Finance staff;
 - Grants Program Coordinators; and
 - Deputy Chief Operating Officers.

To determine if the City of San Diego's policies and processes for grant research and application are followed and align with industry best practices, we:

- Reviewed City grants grant application policies and process narratives.
- Reviewed Government Affairs' internal review reports of the City's Grants Program.
- Compared the City's strategies and policies for grant research and application to other benchmark cities.
- Reviewed internal grants resources and training materials.
- Interviewed the Office of the Independent Budget Analyst regarding City grant policy.
- Analyzed best practices on knowledge preservation and sharing.

Data Reliability

We relied on data pulled directly from the Annual Comprehensive Financial Reports (ACFR) from the most populated cities in California (San Francisco, Long Beach, San Jose, Los Angeles, Sacramento, Anaheim, Fresno, Oakland, San Diego, and Bakersfield) for FY2019 through FY2023. Each ACFR is audited for accuracy, therefore, we determined that the data were sufficiently reliable for the purposes of responding to our objectives.

Internal Controls Statement

We limited our review of internal controls to specific controls relevant to our audit objectives, described above. We reviewed the City's grant application policies and procedures, process narratives, oversight bodies, and reporting methods.

Compliance Statement

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.



THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: February 14, 2025

TO: Andy Hanau, City Auditor, Office of the City Auditor

FROM: Walt Bishop, Director, Government Affairs Department
Kris McFadden, Deputy Chief Operating Officer

SUBJECT: Management Response to the Office of the City Auditor's Performance Audit of the City's Grants Program

This memorandum serves as the management response to the City Auditor's Performance Audit of the City's Grants Program (Performance Audit). Management appreciates the Performance Audit prepared by the Office of the City Auditor and thanks the staff involved.

Management agrees with the finding recommendations within the Performance Audit and is committed to implementing them where possible and as resources are identified. Management would like to comment on a few characterizations made throughout the findings that point to a "disconnect" and "pressuring" from the Department of Government Affairs to other City departments to apply for and/or accept grants that were not of top priority. Management disagrees with these assertions and has provided some additional context and clarification to the Auditors which unfortunately have not been included in the draft of the audit that was provided to Management.

Recommendation 1.1: To facilitate the development of an annual grants strategic plan for the City of San Diego (City), the Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require all grant-active Mayoral departments to create and submit an annual grant planning memo to Government Affairs. Grant-active is defined as departments applying for a grant or currently managing a grant.

Grant planning memos are a summary of a department's anticipated grant activity and are meant to act as a guide; however, this should not preclude departments from applying to other opportunities if they arise outside of the Citywide grants strategic plan. Each grant priority memo should include the following elements, and any others that Government Affairs deem essential:

- a. Listing of the department's currently active grants and their closing dates;
- b. Grant-ready projects and programs listed in order of priority;
- c. Major projects and programs that the department wants to fund, and the amount of funding needed for the projects to be completed;

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- d. Matching funds capability;
- e. Anticipated grants and/or grant priority areas the department intends to seek and apply for in the upcoming fiscal year;
- f. Staff capacity for applying for and managing grants; and
- g. Grant training needs, as discussed in Finding 4.

(Priority 1)

Management Response: The Department of Government Affairs (DGA) agrees with the Auditor's recommendation that Grants Strategic Planning Memos would be a helpful planning tool to streamline the grant development process and a way to prioritize projects throughout the fiscal year.

Target Implementation Date: July 2025

Recommendation 1.2: The Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require Government Affairs to publish an annual Citywide grants strategic plan, informed by City departments' grant planning memos.

Government Affairs, in collaboration with the City's Grants Program Coordinators, should review departments' grant planning memos, as required in Recommendation 1.1, and use the memos to inform the City's overall grant goals, priorities, and strategies. The plan should, at minimum, contain the following elements, and any others Government Affairs and the Grants Program Coordinators deem essential:

- a. The City's grants vision, goals, and objectives; priority projects and programs that need funding; and grants and grant types that will be prioritized in the upcoming year.
- b. A summary of departments' staff capacity to apply for and manage grants and identified strategies to address any limitations. These strategies should also include the issues addressed in the following recommendations: 1.3, 3.2, 3.3.
- c. Summaries of recommendations on the Grant Review Team tracking timelines and assessment of departments' training needs as described in recommendations 2.1 and 4.2, respectively.

The Grant Review Team members should use the Grants Strategic Plan as a reference when reviewing and approving grant application requests from departments. (Priority 1)

Management Response: DGA agrees with the Auditor's recommendation that the Grants Strategic Plan would be a helpful tool in streamlining the grant development process and identifying priority projects to focus on throughout the fiscal year. DGA is concerned about current staff capacity to manage the department-by-department production of these strategic plans and would need operational management support to produce timely work products.

Target Implementation Date: September 2025

Recommendation 1.3: The Department of Government Affairs, in collaboration with the Department of Finance, and the City's Grants Program Coordinators, should assess departments' staff capacity needs and matching funds capabilities, as outlined in their annual

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memos, and create a strategy to address them. This strategy should be included in the annual Citywide grants strategic plan as recommended in Recommendation 1.2. (Priority 1)

Management Response: DGA agrees with the Auditor's recommendation about the importance of capturing matching funds and department staff management capacity. DGA would also like to acknowledge that the main roadblock it often faces when applying for federal and state grants is the lack of matching funds. DGA agrees whole heartedly about the need for setting aside revenue to serve as match to assist with applying for grants especially for projects with no funding currently attached to them.

Target Implementation Date: September 2025

Recommendation 2.1: The Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require that Government Affairs track and report on the Grant Review Team approval process timeline. Government Affairs should use the reporting capabilities of OnBase to, at minimum, include the following data:

- a. 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; and
- b. Any other data deemed necessary.

Government Affairs should annually evaluate this data, include evaluation results in the Citywide grants strategic plan as recommended in Recommendation 1.2, and use it to inform changes to the Grant Review Team process. (Priority 3)

Management Response: DGA agrees with the Auditor's recommendation to ensure timely reviews of GRTs. DGA is concerned about staff capacity in manually tracking the approval timeframe of each GRT. DGA recommends a digital way to provide these tracking and approval timeframes that do not require large sums of staff time committed to implementing this recommendation.

Target Implementation Date: TBD - Dependent on funding.

Recommendation 2.2: To improve the City's grant application tracking and reporting process and ensure that all the City's grant application activity is accurately captured, the Department of Government Affairs (Government Affairs) should determine a way to centrally track its grant application activity. As part of its determination, Government Affairs may consider the adoption of a standard tracking and compliance software tool that all departments can use to standardize grant applications.

Additionally, Government Affairs should update Administrative Regulation 1.80 to require that all Mayoral departments use its identified central application tracking mechanism to ensure that all City departments' grant application activity is captured. (Priority 3)

Management Response: DGA agrees with the Auditor's recommendation for the need for a grant tracking software to standardize applications, capture institutional knowledge, and a create a central point of reference for staff to store grant applications. DGA acknowledges the City's current fiscal state and the lack of funding availability limits the department's ability to procure new software and/or enter into new contracts.

Target Implementation Date: TBD – Dependent on funding.

Recommendation 2.3: The Department of Government Affairs, (Government Affairs) in collaboration with the Grants Program Coordinators, should finalize, publish, and inform departments of the decision-making checklist tool to aid City departments in considering grant opportunities during the strategic planning process and as grant opportunities arise. The checklist can be used as a tool to gauge department preparedness to begin the Grant Review Team process but is not required. The checklist should include consideration of the following areas, at minimum, when applying for a grant:

- a. Alignment with the City’s goals and department priorities;
- b. Capital Improvement Program projects, if relevant;
- c. Funding;
- d. Matching funds availability;
- e. Staff capacity;
- f. Timing; and
- g. Any other details deemed necessary.

Government Affairs should publish this checklist with the above-listed elements on the City’s designated internal grants website, as recommended in Recommendation 4.1. (Priority 3)

Management Response: DGA agrees with the Auditor’s recommendation that a checklist tool will allow departments to self-assess their readiness for a particular funding opportunity.

Target Implementation Date: May 2025

Recommendation 2.4: The Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to reflect the current Grant Review Team process, which has transitioned to OnBase. (Priority 3)

Management Response: DGA agrees with the Auditor’s recommendation.

Target Implementation Date: December 2025

Recommendation 3.1: The Department of Government Affairs (Government Affairs), in collaboration with the City’s Grants Program Coordinators and other relevant departments, should discuss and formally document the agreed upon duties and positions of the Grants Program Coordinator positions in Administrative Regulation 1.80. Specifically, Administrative Regulation 1.80 should incorporate the following current roles and responsibilities of the Grants Program Coordinators in the Grants Program as identified in the Grants Program Framework and recommendations in this report, and any other duties as necessary:

- a. Assist with grant application development;
- b. Research and analyze grant opportunities;
- c. Support strategic project development;
- d. Support grants reporting, compliance, and implementation, as needed;
- e. Support cross-department collaboration;

- f. Assist City departments with composing their annual grant priority memos as recommended in Recommendation 1.1;
- g. Assist Government Affairs in creating the annual Citywide grants strategic plan as recommended in Recommendation 1.2;
- h. Assist with the creation of grant planning tools and training opportunities; and
- i. Assist in the creation and management of a grants resource library to preserve historical grant records and institutional knowledge.

(Priority 2)

Management Response: DGA agrees with the Auditor's finding that all jobs at the City should have a clear delineation of responsibilities and the AR should be updated to reflect the new operational grant roles. While management has agreed to implement all of the Auditor's recommendations, we disagree with the characterization of confusion felt by staff around the roles that they are expected to take as part of the grants process (Finding 3.) DGA, the Grants Program Coordinators, and operational grant leads meet weekly to delineate responsibilities and roles and responsibilities are also discussed with all grant-holding departments as part of the quarterly Grants Working Group."

Target Implementation Date: December 2025

Recommendation 3.2: The Department of Government Affairs (Government Affairs) should consider subscribing to a service that filters grant opportunities based on curated specifications. This consideration should include a return-on-investment analysis. If Government Affairs determines a positive return on investment, then that analysis should be communicated to the City Council, Mayor, and other stakeholders such as a through the annual Citywide grants strategic plan, as recommended in Recommendation 1.2b. (Priority 2)

Management Response: DGA agrees with the Auditor recommendation for the procurement of a grant filtering service. DGA acknowledges the City's current fiscal state and lack of funding availability that limits the department's ability to procure new software and/or services.

Target Implementation Date: TBD – Dependent on funding.

Recommendation 3.3: The Department of Government Affairs (Government Affairs) should consider retaining an as-needed contract with a grant writer(s) to assist with high priority and/or large-scale grant applications to increase the competitiveness of the City's applications. This consideration should include a return-on-investment analysis. If Government Affairs determines a positive return on investment, it should be communicated to the City Council, Mayor, and other stakeholders such as through the annual Citywide grants strategic plan, as recommended in Recommendation 1.2b. (Priority 2)

Management Response: DGA agrees with the Auditor's recommendation for the contracting of as needed grant writers, especially for larger, more technical grant funding opportunities. DGA has seen positive results when utilizing this approach in the past on larger grants such as the U.S Department of Transportation Bridge Investment Program grant that provided \$24 million in funding to the City. DGA acknowledges the City's current fiscal state, and the lack of funding availability that limits our ability to procure new contracts and/or services.

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Target Implementation Date: TBD – Dependent on funding.

Recommendation 4.1: The Department of Government Affairs (Government Affairs), in collaboration with the City's Grants Program Coordinators, and the Department of Finance (Finance), should update the City's designated internal Citywide grants website to host all grants training materials relevant to the City's general grants application and management process. This website should either host a library of previous grant applications and debrief notes or contain a link to where these materials are located and maintained. The designated internal Citywide grants website should also contain links to Finance's grants management training materials.

Additionally, Government Affairs, in collaboration with the Grants Program Coordinators, and Finance should update the designated internal Citywide grants website with the following training materials related to the following topics, at a minimum:

- a. Broad overview of the City's grants application process to assist in training and onboarding new staff on the City's grants procedures, expectations, and resources;
- b. Several examples of successful grant applications submitted by the City;
- c. Guidelines for departments on creating the annual grants planning memo, as referenced in Recommendation 1.1;
- d. Documented resources for requesting and renewing Unique Entity Identifier number(s), including any relevant City information required for the application(s);
- e. The grants decision-making checklist as recommended in Recommendation 2.3;
- f. Guidance for departments on requesting, conducting, and documenting debrief meetings with funders when a grant is not awarded;
- g. Grant writing training materials; and
- h. Recordings of any live trainings provided on the City's grants process. (Priority 2)

Management Response: DGA agrees with the Auditor's recommendation.

Target Implementation Date: September 2025

Recommendation 4.2: As part of Recommendation 1.1 regarding the grant priority memos, the Department of Government Affairs (Government Affairs) should update Administrative Regulation 1.80 to require that all grant-active Mayoral departments include a statement on their grants training needs and priorities in their annual grant planning memos.

Additionally, as part of the Citywide grants strategic plan recommended in Recommendation 1.2, Government Affairs should assess departments' training needs from their grant planning memos, include a summary of these needs in the plan, and outline the training plan for the year to address these needs. (Priority 3)

Management Response: DGA agrees with the Auditor's recommendation. In addition, DGA will communicate with City departments to remind them that they can contact GA if they are interested in additional training or insight.

Target Implementation Date: September 2025

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Andy Hanau, City Auditor, Office of the City Auditor
February 14, 2025

Recommendation 4.3: To ensure a comprehensive grant application library, the Grants Program Coordinators should establish a process for City departments to contribute submitted grant applications and debrief notes to a centralized library hosted on or linked to the designated grants training website referenced in Recommendation 4.1. (Priority 3)

Management Response: DGA agrees with the Auditor's recommendation.

Target Implementation Date: December 2025

Thank you for the opportunity to provide responses to these recommendations.

Thank you,



Walt Bishop
Director
Government Affairs Department



Kris McFadden
Deputy Chief Operating Officer

WB/KM

cc: Paola Avila, Chief of Staff, Office of the Mayor
Eric K. Dargan, Chief Operating Officer
Charles Modica, Independent Budget Analyst
Matthew Vespi, Chief Financial Officer
Scott Wahl, Chief, Police Department
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Alia Khouri, Deputy Chief Operating Officer
Kristina Peralta, Deputy Chief Operating Officer
Casey Smith, Deputy Chief Operating Officer
Christiana Gauger, Chief Compliance Officer, Compliance Department
Matt Yagyagan, Director of Policy, Office of the Mayor
Rolando Charvel, Director, Department of Finance

Appendix D

OCA's Comments on Management's Response

We appreciate the efforts and cooperation of the Department of Government Affairs, Deputy Chief Operating Officers (DCOOs), and the Grants Program Coordinators, who were cooperative, accessible, and responsive throughout this audit. We are pleased that Management generally agrees with the findings and substantively agrees to implement all 13 recommendations set forth in this report.

The written response to the audit, co-signed by the Director of Government Affairs and the Deputy Chief Operating Officer who coordinates the Grants Program, indicated their disagreement with our characterization of circumstances wherein there is an apparent disconnect between Government Affairs and grant-active departments' respective grant priorities. Further, the Management Response asserted that they provided clarifications and contextual information to the audit team, which they stated was not incorporated into the final report.

Respectfully, we disagree with these assertions, and government auditing standards require us to respond. As a general framing comment, our audit processes are intentionally structured to obtain and synthesize input from cognizant stakeholders and decisionmakers on every issue that we audit, and do so at multiple points during the audit to ensure all parties' views are represented in a fair and balanced manner in our audits, as required by government auditing standards.

Regarding Management's disagreement with the audit's characterization of a programmatic "disconnect": In the specific case of this audit, input obtained in more than 30 interviews with representatives from Government Affairs, the City's Executive Management Team, and senior management and line-level staff from grant-active departments was foundational to building our understanding of their roles, responsibilities, processes, and associated challenges. As is frequently the case with cross-departmental programs that we audit, we found that stakeholder perspectives differed in many ways. Specifically, management and staff from many grant-active departments indicated perceived pressure from Government Affairs to apply for grants that in some instances did not align with the operating departments' project priorities or capacities, communication gaps between the Grants Team and departments, and confusion regarding roles and responsibilities. It is important to note that our conclusions are not based solely on staff interviews, and are supported by a careful evaluation of sufficient and appropriate evidence, such as process documents, benchmarking, program data, and other sources.

Regarding Management's statement that the audit did not fully incorporate their input

and context: We had multiple touchpoints with Grants Program leadership and staff to discuss preliminary findings and conclusions. Specifically, we provided Government Affairs, the DCOOs, and the Grants Program Coordinators with multiple iterations of the draft report to obtain stakeholder input and ensure that our audit recommendations were appropriate and actionable. Consistent with government auditing standards, we maintain that the audit incorporated their views fairly into the final, published report. For example, the report notes that the perspectives of Government Affairs and grant-active departments are both legitimate. The Mayor is the City's chief executive, and should continue to push City departments to apply for grants to supplement the City's limited budget and help achieve City priorities. At the same time, City departments are most familiar with their own operations and grant capacities, and should continue to communicate to Government Affairs how certain grants may not align with operations or exceed the department's capacity to apply for and manage grants. Our recommendations are intended to enhance this two-way communication via the development of a grants strategic plan so these perspectives can be synthesized into a forward-looking plan to align grants efforts across all levels of the City, and ensure that City leadership is aware of capacity issues that may limit departments' ability to seek and manage additional grant funding.

Notwithstanding the minor areas of disagreement described above, we again thank Management and their teams for their partnership during the audit and for their dedication to improving the City's grants processes. Their input and the results of our evaluation of the City's Grants Program inform our recommendations, which ultimately serve to strengthen the City's Grants Program to effectively and efficiently seek and obtain more grants in the future.



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