

REGIONAL PARKS AUDIT

Program Evaluation and Audit

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DRAFT

February 23, 2021



Background

The Regional Parks System, supported by the Council in partnership with cities, counties, and special park districts, was established in 1974. Under state law, the Metropolitan Council is responsible for preparing a comprehensive development guide for the region. One of the three metropolitan systems plans' the Council is mandated to develop and administer is the Regional Parks Policy Plan (RPPP), part of the statewide Parks and Trails Legacy Plan. Developed with local parks agencies, the RPPP provides the metro area with a 30-year parks plan and shared vision for the regional parks.

Today, the Regional Parks System includes more than 54,000 public acres, 64 regional parks, park reserves, and special recreation features along with 49 regional trails spanning 389 open miles, which served more than 58 million visitors in 2017. These spaces represent large regional investments for land acquisition, capital investment, and operation/maintenance for the metropolitan area. While the Council provides support, the regional parks are operated by the implementing agencies of Anoka, Carver, Dakota, Ramsey, and Scott Counties; the cities of Bloomington, Minneapolis, and St. Paul; and the Three Rivers Park District.

The Council supports the regional park system through five different funding programs:

- Regional Parks Bonding Program,
- Parks Acquisition Opportunity Fund Program (PAOF),
- Parks and Trails Legacy Fund Program (PTLF),
- Operations and Maintenance Program (O&M), and
- Equity Grant Program.

These programs are financed through a variety of state, regional, and local funds, with different goals for each program—for instance, PAOF is intended to purchase new land, while the Equity Grant Program is meant to increase equitable use of park spaces. This complicated funding structure and the attendant statutory legal requirements means that the Council must ensure that funds are adequately tracked, and documentation requirements are being met, as each fund has different restrictions and requirements. Other funding program funds are awarded or passed through to the ten Regional Parks Implementing Agencies (Agencies) by either formula driven by state statutes or other state appropriations. Overall fund allocations are determined by the State Legislature, the Dept. of Natural Resources (DNR), the Legislative-Citizen Commission on Minnesota Resources (LCCMR), and the Parks and Trails Legacy Advisory Committee (PTLAC). These entities each have jurisdiction over different funding sources, and thus different Council fund programs.

Objectives

The purpose of this audit was to evaluate the key controls for Regional Parks funding programs including:

- Reviewing parks applications to confirm parks projects met their originating program's grant and statutory requirements.
- Ensure grant agreements reflect the cost and scope approved by the Council and that no agency exceeds its funding limit.
- Ensure fund allocations are correctly calculated and reconciliations occur per fund formulae for Bond, ENTRF, PTLF, and O&M funds.
- Evaluate the approval process for park master plans, their incorporation into the Regional Parks Master plan and Council approved 2040 Regional Parks Policy Plan.

- Inquire as to whether the Park's Equity Grant Program and the new Park Implementing Agency Guide are completed and operational.
- Identify steps the Council has taken to improve PAOF ENRTF grant program, given the findings in the *Environment and Natural Resources Trust Fund* Audit, conducted by the Office of the Legislative Auditor in 2016.
- Evaluate whether the Council is meeting and documenting its adherence to statutory bond requirements.

Additionally, Audit asked CD Parks staff about the impact of COVID-19, specifically if there had been any known impacts on the Parks and Trails Legacy fund that is supported through sales tax. Some impacts were noted at the time of the audit. Minnesota Management and Budget worked with CD Parks to estimate a reduction in revenues from the Legacy appropriation of around \$2.6 million dollars. At the time of the audit, the Parks State General Fund appropriations was not expected to be impacted by COVID 19. Parks Implementing Agencies were provided the opportunity to extend current grant agreements to accommodate project delays created by COVID.

This audit considered the Council's Thrive MSP 2040 outcomes and principles. Providing funding for acquisition of parks land and the operations and maintenance of regional parks reflected in Thrive MSP 2040's desired outcomes of stewardship, sustainability, and livability. The Thrive outcome of equity is reflected in the Parks Equity Grant program. Thrive MSP 2040's principle of collaboration is reflected in working with municipal Agencies to facilitate the administration of regional parks.

Scope

The period of review was the most recent two-year cycle for the Bonding and parks planning (2018 planning, 2019 funding) programs. A judgmental sample of 15 grant agreements was chosen to conduct testing described below.

Methodology

Over the course of the audit, interviews were conducted with Regional Parks Planning, Finance, and, Accounting staff to discuss how funds flow from various funding sources to the Parks Implementing Agencies. Testing around how the funds are tracked by funding program, required documentation, and the designations of roles and responsibilities. As part of a desk review, documentation was also reviewed which included but was not limited to state statute, grant applications, grant agreements, appraisals, committee meeting minutes and their related business items, share calculators, risk assessments, deeds, restrictive covenants, and funding declarations.

OBSERVATIONS

Equity Grant Pilot

The Competitive Equity Grant Program was established in early 2015 to strengthen equitable usage of regional parks and trails by all our region's residents across age, race, ethnicity, income, national origin, and ability. In 2019 a pilot program was launched which received 15 applications from nine implementing agencies, three of which were selected for funding. One of these (Bde Maka Ska Cloud Man Memorial) was included in this audit's sample. For the one grant in our sample, one documentation issue was noted for the grant application: specific line-item detail related to capital costs was not well documented.

In the pilot program, available funds per project were fairly small (between \$30,000 and \$200,000 per grant) and only available for capital projects. As an endcap to the pilot, parks staff sought feedback from implementing agency representatives, the Equity Advisory Council, MPOSC, and applicants. Many groups noted that for equity, it would be better to focus on programming and engagement, as well as to create multi-year grants to support relationship-building and hiring.

For the 2020 Notice of Funding Announcement draft, two major changes have been made: expanding the program to both capital and non-capital projects and increasing the overall amount of funding available. Parks staff and outreach indicate that these initiatives will further the outcome of equitable usage of regional parks.

Subrecipient Administrative Guide

The Subrecipient Administrative Guide is intended to help Parks Implementing Agencies by providing more detailed information about statutory requirements regarding grant applications, financial accounting and tracking, eligible costs, cost reimbursement processes, and required information or documentation. The guide was referenced in the 2019 Regional Parks Fund Distribution Policy and the 2040 Regional Parks Policy Plan as to be completed by the end of 2019; however, the guide is not yet complete. Without a detailed subrecipient administrative guide, Implementing Agencies may not know what documentation/information needs to be submitted to the Metropolitan Council to confirm compliance with statutory legal and financial requirements. Parks staff stated that a draft of the guide is currently being reviewed, but that Community Development (CD) Parks, Finance, and Grant staff turnover delayed the development of the guide.

Recommendations:

1. **(Essential)** Community Development should document guidance, gather stakeholder feedback on the Subrecipient Administrative Guide, and ensure the guide is reviewed, approved, and published by March 15, 2021.

Management Response: *Grant Administrative Manual has been drafted and reviewed by Regional Administration Finance and Communications. Final issuance is pending legal review.*

Staff Responsible: *Heather Giesel & Emmett Mullin*

Timetable: April 15, 2021

Risk Assessments

Risk assessments are critical in determining where resources should be allocated for monitoring Agencies' activities throughout the parks project grant award. The CD Finance and Administration group do perform annual risk assessments for all ten Agencies. For fiscal years 2018 and 2019, there is evidence of site visits and reviews of various financial reports are conducted by CD Parks staff, but there is no formal documentation of monitoring processes and how monitoring is tied to confirming specific controls that support business objectives¹. Without formal documented monitoring processes in place, the Council cannot systematically ensure that the Parks Implementing Agencies have adequately implemented controls to mitigate financial and compliance risk². Without documented monitoring procedures tied to specific controls and control objectives, it is difficult to document how monitoring confirms that subrecipients are executing allowable expenses, following required documentation processes to request reimbursements, and complying with grant agreements and state statutes.

Recommendations:

1. **(Essential)** CD Parks and CD Finance and Administration should develop grant management procedures and/or guides and document how risk assessments will link to oversight and monitoring processes to ensure financial and operational controls are reviewed to confirm parks fund objectives are met.

Management Response: *A program self-assessment identified the same concerns. An entire suite of program-based procedures, guides, practices and tools, with segregation of duties and multi-level controls were developed in 2018 and 2019 and implemented in 2019 and 2020. This work is not fully complete as there are tools developed in 2020 for full implementation in 2021. Tools and documents will be implemented throughout 2021 to align with routine grant cycle timelines.*

Staff Responsible: Heather Giesel

Timetable: December 31, 2021

Appraisal Reviews

Dissemination of eligible cost information, appraisals completed according to Uniform Standards of Professional Appraisal Practice (USPAP) and appraisal review processes are essential to show that the Council is being a responsible fiscal steward of state funds and ensures that cost reasonableness is documented prior to disbursing funds to Agencies. An appraisal review template in the WebGrants grants management system was updated to include the requirement to review for the age of the appraisal, the acreage, and the appraiser's method, and confirmation of the appraiser's credentials after the 2016 OLA audit of ENRTF funding projects. For the five PAOF grants reviewed in our sample, some fields in the appraisal review template that are normally required (including information on appraisal issues, appraiser name, appraisal company name, approved by, etc.), had no information entered by the CD Parks application reviewer. CD Parks staff stated it was unclear how the employee

¹ Comptroller General of the United States, Government Accountability Office, *Standards for Internal Control in the Federal Government*, (Washington D.C., September 2014), page 37 & 45.

² Ibid., page 45.

previously responsible for reviewing appraisals was handling the appraisal reviews, and no documented process was in place at the time of the grant application or the Audit.

Without oversight of appraisals and appraiser review process, the Council cannot assure that industry standard practices inform property value determinations prior to disbursement to Parks Implementing Agencies, in providing evidence that the Council is performing its oversight function.

In addition, grant awards for eminent domain land acquisitions are executed but there is no clear documentation of condemnation processes affect grant award procedures. For the eminent domain parks acquisition in our sample, the project and eventual court settlement took 5 years to complete, documentation of the appraisal value used to award the grant was difficult to track, and the acquisition spanned multiple iterations of guidance regarding how to process eminent domain acquisitions. No instances of non-compliance were noted within our sample. Documenting procedures for condemnations reduces confusion around how appraisal values affect eminent domain acquisitions and can reduce the reputational risks associated with such acquisitions, while providing a clearer picture for Agencies regarding what is required when exercising the power of eminent domain.

Recommendations:

1. **(Essential)** CD Parks should create a documented procedure, or guide to document how appraisal reviews are performed and maintain documentation that the appraisal conforms with USPAP. Additionally, the appraisal review process should establish in detail specific thresholds regarding how far above certified appraisal values the Council is willing to extend eligible grant expenses.

Management Response: *Staff will develop a procedure or guide clarifying how appraisal reviews are performed and documentation is maintained.*

Staff Responsible: *Jessica Lee*

Timetable: March 15, 2021

2. **(Essential)** CD Parks should create a documented procedure, or guide to improve documentation of how eminent domain land acquisitions affect grant application reviews and grant award procedures.

Management Response: *Staff will develop a procedure or guide clarifying how eminent domain land acquisitions affect grant application reviews and grant award procedures.*

Staff Responsible: *Jessica Lee*

Timetable: March 15, 2021

Grant Agreement Language

Language used in the Grant Agreements is important for ensuring that Parks Implementing Agencies are aware of statutory requirements. Five of the fifteen Grant Agreements sampled do not have robust language outlining statutory requirements for fund use, or do not have sufficient explanation of eligible costs. For example, Two ENRTF grants list stewardship costs as eligible expenses but do not otherwise detail the requirement to produce a Restoration and Management Plan. Additionally, two PTLF grants as well as one Bonding grant didn't restrict funding to specific project budgets that list eligible costs in detail in the grant agreement Attachment A.

Recommendations:

1. **(Essential)** CD Parks Staff should develop documented procedures, and/or guides as to how restoration and management plans should be developed, reviewed, and monitored. At a minimum, standard language in ENRTF grants should be updated to include requirements around preparation of a restoration and management plan and monitoring processes should be communicated to confirm said plans are accordingly implemented.

Management Response: *The Council has not had a restoration project in recent history and does not have any monitoring responsibilities for restoration and management plans. Monitoring occurs at the discretion of LCCMR.*

Staff will develop a procedure or guide clarifying how restoration and management plans are developed, reviewed, and documented. The procedure will include direction to include language in future ENRTF restoration grant agreements that restoration and management plans may be requested and monitored by LCCMR.

Staff Responsible: *Jessica Lee & Nicole Clapp*

Timetable: March 15, 2021

2. **(Essential)** CD Parks Grants administration staff should develop documented procedures, or guides to ensure that grant budgets included in grant agreements have more detailed budget and eligible cost information. More detailed eligible cost guidance will facilitate smoother grant administration and monitoring procedures and simplify reimbursement reviews of subrecipients.

Management Response: *Staff will develop a procedure or guide clarifying required grant application budget details. These budget details will be integrated into standard grant templates.*

Eligible cost details are included in the Grant Administrative Manual. The manual is complete and pending final internal stakeholder reviews.

Staff Responsible: *Nicole Clapp & Jessica Lee*

Timetable: April 1, 2021

Financial Tracking

Per State Statute, every \$3 in state bonds must be matched by \$2 in regional bonds for the Regional Parks Bonding Program, and Parks Acquisition Opportunity Fund (PAOF program) acquisitions that are not direct state appropriation projects. While it is Council policy to budget for the 3:2 match where required³, financial tracking processes to ensure 3:2 matching of state and regional bonds have not been documented consistently over time. CD Finance confirms the 3:2 match is budgeted within the Capital Improvement Program (CIP) and Authorized Capital Program (ACP) at the program and appropriation levels, but automated tracking of bond expenditures to parks implementing agencies was

³ CD Finance includes the match in the approval of the CIP, ACP, and budget amendments, complemented by RA Finance's work processing reimbursement payments to implementing agencies, and Treasury's work to maintain cashflow and track debt service.

only added to PeopleSoft in 2019. Treasury reviews bond spending on a regular basis, but not specifically with a lens to confirm that that 3:2 match is maintained and expended at the appropriation level over a specified timeframe.

Given the mix of Treasury, Regional Administration Finance, and CD Finance activities occurring, documentation of bond tracking activities is necessary. Specifically, tracking procedures are needed to confirm the 3:2 match is budgeted and expended in a timely fashion. Per the Council's Bond Counsel, bond funds must be at a minimum matched at the program and appropriation level and spent within 3 years of bond issuance. Further, Bond Counsel states that tracking the 3:2 match at the appropriation level can help to ensure the match is spent in a timely fashion. Tracking of bond expenditures should also ensure Met Council matching funds are equitably available to the 10 parks implementing agencies. Since state funds for these purposes are capped under a statutory formula, tracking documentation should note how the match is budgeted as well as how the match is expended to ensure equitable fund availability under given statutory formula requirements, and ensure that there have been sufficient qualified and eligible expenses to support the issuance of the bonds. Not ensuring Regional Bonds are matched to state bonds via a documented procedure or guide creates the risk the Council may not be equitably providing Met Council bonds to all parks implementing agencies. Though automated tracking processes were instituted in PeopleSoft in 2019, the automated financial reporting controls have not been mapped to Treasury bond spending reviews for a full 3-year bond spending timeline.

Additionally, for PAOF ENRTF and PTLF Accounts, CD Parks planners use a manual tracking spreadsheet to track PAOF account balances for each of the Agencies. While PAOF tracking does show total PAOF funds awarded at the agency level by PAOF account, it does not include transactions. CD Parks staff noted that they need to reconcile the Financial reports in PeopleSoft and WebGrants to confirm total PAOF ENRTF and PAOF PTLF grant award totals by implementing agency, which creates room for manual error. Automated, real-time financial tracking from the system of record is a best practice when budgeting and confirming account balances.

Recommendations:

1. **(Essential)** Bond Fund Program budgeting should create a documented procedure, or guide to ensure the mandated 3:2 bond match is adequately budgeted, tracked, spent within a specified timeframe, and that documentation is maintained.

***Management Response:** Staff will develop a procedure or guide documenting how the 3:2 match is budgeted, tracked, and spent, and how documentation is maintained and audited.*

***Staff Responsible:** Nick Hendrikson, Mohamed Omar, Mark Thompson*

***Timetable:** March 15, 2021*

2. **(Essential)** Parks staff should update PAOF account tracking processes, procedures, and/or guides to document financial controls that ensure fund balances and entries match to spending at the transaction level.

***Management Response:** The PAOF tracker is a Parks Unit based program planning tool that has not been used as a financial information source since early 2020. A procedure or guide will document that all financial data should be sourced from PeopleSoft, the Council's financial system.*

***Staff Responsible:** Nick Hendrikson*

Timetable: March 15, 2021

Grant Applications

Community Development Parks has drafted and been using the WebGrants application as a kind of “compliance checklist,” requiring that certain fields be entered before a parks project application can be submitted for approval. Audit noted that some applications were submitted without documenting key fund requirements have been met. These requirements include items such as documentation showing consistency with the Council-approved master plan, approval of projects when parks were added to the 2040 Regional Parks Policy Plan, and eligibility criteria for bond funded projects. Specifically, documentation was also not maintained regarding implementing agency and policy plan level approvals, and documentation was not maintained to establish capital costs for the Equity grant were greater than the required \$5,000.

1. **(Essential)** CD Parks, in conjunction with the CD Finance and Administration, should develop documented procedures, and/or guides to clearly note what grant application information and documentation is required and how documentation is to be maintained. CD Finance and Administration should consider any WebGrants system controls that may support gathering required documentation.

Management Response: *Staff will develop a procedure or guide documenting the grant application information documentation required, and how documentation will be maintained.*

Staff Responsible: *Jessica Lee & Nicole Clapp*

Timetable: March 15, 2021



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