11- C-0553

First Reading

Committee
Date
Chair
Referred To

FINAL COUNCIL ACTION

☐ 2nd ☐ 1st & 2nd ☐ 3rd

Readings

☐ Consent ☐ V Vote ☑ RC Vote

A COMMUNICATION BY CITY AUDITOR LESLIE WARD:

SUBMITTING THE PERFORMANCE AUDIT REPORT REGARDING THE ASSESSMENT OF FEDERAL RECOVERY ACT GRANTS CONTROLS.

Filed

MAY 16 2011

Committee	Date	Chair	Action	Other	Members	Refer To
Finance / Executive	4/27/2011		Fav, Adv, Hold (see rev. side)			

CERTIFIED

CERTIFIED
MAY 16 2011
ATLANTA CITY COUNCIL PRESIDENT

CERTIFIED
MAY 16 2011
Rhonda Dauphin Johnson
MUNICIPAL CLERK

Committee	Date	Chair	Action	Other	Members	Refer To
Finance / Executive	5-11-11	Yadrian	Fav, Adv, Hold (see rev. side)	File		

MAYOR'S ACTION

☐ CONSENT REFER
☐ REGULAR REPORT REFER
☐ ADVERTISE & REFER
☐ 1ST ADOPT 2ND READ &REFER
☐ PERSONAL PAPER REFER

Date Referred: April 18, 2011
Referred To: ~~C.H.~~ Finance Executive
Date Referred:
Referred To:
Date Referred:
Referred To:

RCS# 1043
5/16/11
3:23 PM

Atlanta City Council

REGULAR SESSION

11-C-0553

SUBMITT.PERFORMANCE AUDIT REPORT REGARDING ASSESSMENT OF FED.RECOVERY ACT GRAN
FILE

YEAS:	14
NAYS:	0
ABSTENTIONS:	0
NOT VOTING:	0
EXCUSED:	0
ABSENT	2

Y Smith	Y Archibong	Y Moore	Y Bond
B Hall	Y Wan	Y Martin	Y Watson
Y Young	Y Shook	Y Bottoms	Y Willis
Y Winslow	Y Adrean	Y Sheperd	B Mitchell

11-C-0553

CITY OF ATLANTA

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AUDIT COMMITTEE
Fred Williams, CPA, Chair
Donald T. Penovi, CPA, Vice Chair
Marion Cameron, CPA
C.O. Hollis, Jr., CPA, CIA
Ex-Officio: Mayor Kasim Reed

TO: Mayor Reed, President Mitchell, and City Council members

FROM: Leslie E. Ward

DATE: April 13, 2011

SUBJECT: **Performance Audit: Assessment of Federal Recovery Act Grants Controls**

The report listed above is attached for your review. Feel free to contact me if you have questions or want to discuss the report.

Cc:
Peter Aman, Chief Operating Officer, Mayor's Office
Duriya Farooqui, Deputy Chief Operating Officer, Mayor's Office
Candace Byrd, Chief of Staff, Mayor's Office
Katrina Taylor, Deputy COS, Mayor's Office
Sonji Jacobs Dade, Director of Communications, Mayor's Office
David Bennett, Senior Policy Advisor, Mayor's Office
Cathy Hampton, City Attorney
Peter Andrews, Deputy City Attorney
Angela Hinton, Senior Assistant City Attorney
Joya C. De Foor, Chief Financial Officer
Stefan Jaskulak, Deputy Chief Financial Officer
Lee Hannah, Director of Grants Services, Department of Finance
Richard Mendoza, Commissioner, Department of Public Works
Adam Smith, Chief Procurement Officer
David Chapman, Deputy Chief Procurement Officer
George Turner, Chief of Police
Peter Andresen, Assistant Chief of Police
Shawn Jones, Deputy Chief of Support Services, Police
Deborah Lum, Executive Director, AWDA
James Shelby, Commissioner, Planning and Community Development
Terri Lee, Deputy Commissioner, Planning and Community Development
Ginny Looney, Ethics Officer

Rhonda Dauphin Johnson, Municipal Clerk
Dexter Chambers, Director, City Council Office of Communications
Larry Stokes, Committee Analyst
LaShawn Gardiner, Committee Analyst
Audit Committee

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Performance Audit: Assessment of Federal Recovery Act Grants Controls

April 2011

City Auditor's Office

City of Atlanta

File #10.03

CITY OF ATLANTA
City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

April 2011

Performance Audit:

Assessment of Federal Recovery Act Grant Controls

Why We Did This Audit

We undertook this audit because use of federal recovery act (American Recovery and Reinvestment Act) funds is subject to special procurement, tracking, reporting, and transparency requirements. We previously reviewed the Department of Aviation's controls over its two recovery act grants. This report focuses on controls to comply with the act requirements for the remainder of the city's recovery act grants.

What We Recommended

The Chief Financial Officer should:

- periodically review and document whether departments are ensuring compliance with recovery act and grant-specific requirements, including expected project completion dates
- monitor draw down of grant funds from awarding agencies to ensure that funds are received and recorded promptly
- provide department guidance for monitoring sub-recipients at least quarterly
- establish standard procedures for departments to record and track administrative hours spent on grants as work progresses
- ensure that administrative costs are allocated to grants promptly as grant-funded projects progress

For more information regarding this report, please contact Eric Palmer at 404.330.6455 or epalmer@atlantaga.gov

What We Found

City departments require stronger controls to mitigate the risks of fraud, ensure timely drawdown of grant funds, monitor sub-recipient performance, meet project completion dates, and ensure compliance with construction, service, and sub-recipient contracts. While vendor selections were consistent with recovery act requirements, most contracts lack specific required provisions. The Departments of Law and Procurement agreed in June 2010 to provide provisions and guidance on requirements for procurements and contracts to be funded with recovery act grants, but neither department did so.

Central oversight would strengthen citywide grant management. The Department of Finance should monitor drawdown of grant funds and provide departments guidance to effectively monitor projects and sub-recipients. Such oversight could ensure proper accounting of city grant expenditures, ensure timely completion of grants, and provide better assurance that projects are complying with grant provisions and meeting intended goals.

The city's compliance with federal guidelines for allocating administrative costs is unclear. Three grants are directly funding administrative positions in the Police Department and the Office of the Mayor. The staff members in these positions oversee more than one grant. Federal regulations prohibit charging costs allocable to a particular federal award to other federal awards, and amounts not recoverable as indirect or administrative costs under one federal award may not be shifted to another federal award unless specifically authorized.

Using the grant funds to hire 73 additional police officers will increase general fund operating costs once the grant funding periods are over. The city is obligated to fund 50 of the police officer positions for one year after the end of fiscal year 2013 and eliminating the other 23 grant-funded positions after the funding period ends in February 2013 may be difficult. Grant funding for all 73 officers amounts to about $5.5 million per year.

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1:	**The Chief Financial Officer should periodically review and document whether departments are adequately ensuring compliance with recovery act and grant-specific requirements, including expected project completion dates.**	
Response & Proposed Action:	Implementation of this recommendation would require additional resources which may already exist in a decentralized fashion among the departments. It would also require the formal assignment of this activity to the Department of Finance (Office of Grant Services).	**Agree**
Timeframe:	Fiscal year 2012	
Recommendation #2:	**The Chief Financial Officer should monitor draw down of grant funds from awarding agencies to ensure that funds are received and recorded promptly.**	
Response & Proposed Action:	Review current draw down procedures and increase monitoring to ensure grant funds are received and recorded promptly.	**Agree**
Timeframe:	Immediately	
Recommendation #3:	**The Chief Financial Officer should provide departments guidance for monitoring sub-recipients at least quarterly.**	
Response & Proposed Action:	Federal regulations may require more frequent monitoring. Implementation of the monitoring/compliance responsibility would require additional resources and the formal assignment of this activity to the Department of Finance (Office of Grant Services).	**Agree**
Timeframe:	Fiscal year 2012	
Recommendation #4:	**The Chief Financial Officer should establish standard procedures for departments to record and track administrative hours spent on grants as work progresses.**	
Response & Proposed Action:	Procedures should be established. However, full implementation of the monitoring/compliance responsibility would require additional resources and the formal assignment of the activity to the Department of Finance (Office of Grant Services).	**Agree**
Timeframe:	Fiscal year 2012	
Recommendation #5:	**The Chief Financial Officer should ensure that administrative costs are allocated to grants promptly as grant-funded projects progress.**	
Response & Proposed Action:	Procedures should be established. Implementation of the monitoring/compliance responsibility to ensure that administrative costs are allocated to grants promptly as grant-funded projects progress would require additional resources and the formal assignment of the activity to the Department of Finance (Office of Grant Services).	**Agree**
Timeframe:	Fiscal year 2012	