

Memorandum



CITY OF DALLAS
(Report No. A10-004)

DATE: October 9, 2009

TO: Honorable Mayor and Members of the City Council

SUBJECT: Risk Assessment of City of Dallas Implementation of the American Recovery and Reinvestment Act

The City of Dallas (City) is making significant progress in developing internal controls to implement the American Recovery and Reinvestment Act (ARRA). City management is establishing an operating environment that ensures management accountability and is continuing to develop processes and procedures. The City anticipates receiving over \$100 million in funding through ARRA.

The City, however, faces increased risks because:

- ARRA funds must be quickly expended, often as new Federal government requirements and guidance are being developed
- Mandatory reports must be completed within short time frames (10 days), and the Federal government has never before required federal fund recipients to report to this degree
- ARRA funds are being received by some City departments that have not previously administered grants
- ARRA funded positions are being filled with employees affected by the City-wide reduction-in-force procedures and the employees may not be familiar with grant administration requirements.

ARRA includes specific requirements to ensure funds are used for authorized purposes and the recipients and uses of funds are transparent to the public. Our preliminary assessment of risk is included as:

- Attachment 1 – Key ARRA Requirements and Related City Internal Controls
- Attachment 2 - Status of Fiscal Years (FY) 2004 through 2008 Federal Single Audit Findings and Recommendations. Corrective actions have been taken on findings for FY 2004 through 2007. The FY 2008 City of Dallas Single Audit Report was dated July 15, 2009.

The Office of the City Auditor will follow the City's progress in implementing controls that are still being developed. Further, the City Auditor will determine whether the City's internal controls are functioning as intended by conducting audits of ARRA expenditures and the City's compliance with ARRA requirements. ARRA funding will also be subject to the Single Audit Act at the end of each fiscal year.

The objective of this audit was to provide a preliminary risk assessment of the internal control systems to ensure compliance with the ARRA requirements. To determine the City's internal controls relevant to ARRA, we reviewed City memoranda, proposed policies and procedures, and the City's ARRA website. We also reviewed the City's FY 2004 through 2008 Single Audit reports. In addition, we met with City senior staff and staff from City departments involved with ARRA program funding. We reviewed selected ARRA compliance requirements and general provisions, and the City's proposed internal controls to meet those requirements. Specifically, we checked to see whether internal controls were in place or whether they were still being developed.

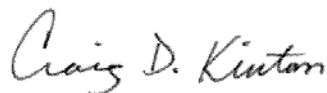
We conducted our work under authority of the City Charter, Chapter IX, Section 3, and in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective. The risk assessment was conducted between August 20, 2009 and September 18, 2009.

We discussed the risk assessment results and this report with the City Manager's staff. City Management agreed with the report and a written response was not required.

The City Auditor's Office thanks City management and staff for their time, information, insight, and cooperation during the risk assessment.

If you have any questions, please contact me at 214-670-3222 or Gary Lewis, Assistant City Auditor, at 214-670-5347.

Sincerely,



Craig D. Kinton
City Auditor

Attachments

- C: Mary K. Suhm, City Manager
- Jack Ireland, Executive General Manager – City Manager's Office
- Brett Wilkinson, Director – Intergovernmental Services

Key ARRA Transparency and Accountability Requirements and Related City of Dallas Internal Controls

A. Funds are awarded and distributed in a prompt, fair, and reasonable manner

Compliance Requirement ¹	City Internal Control ²	Status
<p>A1.</p> <p>- Mayors (or designee), governors, and other grantees must certify that ARRA infrastructure investments have been fully reviewed and vetted, and that projects are an appropriate use of taxpayer dollars.</p> <p>- Certifications will be posted on a website and linked to the federal website created for accountability and transparency.</p>	City Manager is authorized by City Charter to be certifying officer on behalf of the Mayor.	Established
	Standard certification form for all grant submissions. If grant does not involve infrastructure, City has option to certify that infrastructure is not part of project.	Established
	Certification signed either electronically (through www.grants.gov or www.fedconnect.net or submitted to granting agency with City Manager's signature.	Established
	Suggest written policies and procedures for Mayor Certification to include certifying official's authority and review process before submitting certification.	Recommended
<p>A2.</p> <p>Preference for "quick-start" activities.</p>	"Quick start" activities identified as part of solicitation and application of the ARRA grants and departments aware of preference for "quick start" activities.	In Progress
	Suggest including the preference for "quick start" activities in the proposed AD 2-50 (ARRA Grant Identification, Solicitation, Application Accounting Administration and Reporting Procedures) or an ARRA Contracting Policy.	Recommended
<p>A3.</p> <p>All ARRA funds will be obligated by September 30, 2010 unless expressly provided otherwise in ARRA and must be completed within the required deadlines.</p>	Process to identify required ARRA grants deadlines.	In Progress
	Templates in the Performance Measurement System to track progress on ARRA funds use.	In Progress
	Budget process implemented according to contract awarded and used to plan and monitor project progress.	In Progress
	Departments monitor the contractor performance to ensure on-time project delivery.	In Progress
	Contracts include procedures to timely cut-off contractors for non-performance.	In Progress
	City Auditor's Office will conduct audits during FY 2010 to evaluate compliance with ARRA requirements.	In Progress

¹ **Source:** The American Recovery and Reinvestment Act of 2009, Code of Federal Regulations (CFR), and relevant legislation, regulation and guidance from Office of Management and Budget, Government Accountability Office, and other federal agencies.

² **Source:** City Auditor's Office identified relevant internal controls.

Compliance Requirement ¹	City Internal Control ²	Status
<p>A4.</p> <ul style="list-style-type: none"> - Consider weighting selection criteria to favor grant applicants with demonstrated ability to deliver programmatic results and accountability objectives in the Recovery Act. - Give special attention to contractor responsibility determinations in awarding contracts. 	<p>Before contract award, departments use weighting selection criteria that are prioritized and scored in accordance with bidder's capacity to carry out the ARRA project and meet the accountability and transparency requirements.</p>	<p>In-Progress</p>
<p>A5.</p> <p>Policies and procedures in place to identify criteria and guidance for each individual ARRA program and ensure that funds are awarded and distributed in a prompt, fair, and reasonable manner.</p>	<p>Responsibility for coordinating ARRA grant identification, solicitation, and application assigned to Intergovernmental Services.</p>	<p>Established</p>
	<p>Continuously research www.recovery.gov and other federal agency websites for guidance on ARRA compliance requirements to ensure that funds are awarded and distributed in a prompt, fair, and reasonable manner.</p>	<p>In-Progress</p>
	<p>Suggest proposed AD 2-50 show responsibility and process to follow for continuously monitoring federal stimulus program requirements, communicating the information to departments and sub-recipients, and ensuring implementation of any new or revised requirements.</p>	<p>Recommended</p>

B. The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner

Compliance Requirement	City Internal Control	Status
<p>B1.</p> <p>Website to provide transparency and accountability of the use of ARRA funds to the public.</p>	ARRA webpage created on City's website and responsibility for webpage development assigned to Intergovernmental Services.	Established
	Webpage will tie in with City's reporting to www.federalreporting.gov and link to City's ARRA performance measurement system.	In Progress
	ARRA intranet site created to post ARRA program/project managers and sub-recipients information.	In Progress
	Suggest written policies and procedures to formalize and streamline City's ARRA web development process, such as how to identify and meet citizen's needs for ARRA related information in a timely manner and how to ensure accurate and reliable data and information are posted.	Recommended
	Suggest process to ensure City does not include the State reported ARRA funds when reporting to www.federalreporting.gov .	Recommended
<p>B2.</p> <p>RECIPIENT REPORTS.</p> <p>Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a Federal agency shall submit a report to that agency that contains—</p> <p>(1) Total amount of recovery funds received from that agency;</p> <p>(2) Amount of recovery funds received that were expended or obligated to projects or activities; and,</p> <p>(3) Detailed list of all projects or activities for which recovery funds were expended or obligated, including—</p> <p>(A) Name of the project or</p>	Reporting process framework being developed and training sessions being conducted.	In Progress
	Expenditures in report will reconcile to City financial system. Chart of accounts has been updated to segregate ARRA funds.	In Progress
	Departments will forward the required data for reporting to Intergovernmental Services for single point of data entry to www.federalreporting.gov .	Ongoing
	Performance measurement system and ARRA webpage will be updated with the data from Intergovernmental Services.	Ongoing
	ARRA reports should reconcile with individual grant reports that have different time-frames.	In Progress
	Data Integrity Review Team has been created to perform high level overview and verify data prior to report submission.	In Progress
	Suggest tracking mechanisms for all ARRA funds on the City master list. Not all these expenditures will be reported by the City through www.federalreporting.gov , such as State recipient funds for City highways and City administrative and indirect costs.	Recommended
	Suggest written procedures that identify authorities, roles, responsibilities and members of Data Integrity Review Team.	Recommended

Compliance Requirement	City Internal Control	Status
<p>activity;</p> <p>(B) Description of the project or activity;</p> <p>(C) Evaluation of the project or activity completion status;</p> <p>(D) Estimate of the number of jobs created and the number of jobs retained by the project or activity; and,</p> <p>(E) Infrastructure investments made by State and local government's shows the purpose, total cost, and rationale of the agency for funding the infrastructure investment with funds made available under this Act, and name of the person to contact at the agency if there are concerns with the infrastructure investment.</p> <p>(4) Detailed information on any subcontracts or sub grants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109-282), allowing aggregate reporting on awards below \$25,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.</p>	<p>Suggest disseminating record-keeping, reporting, and monitoring procedures as soon as possible.</p> <p>Suggest document any formal or informal Federal ARRA guidance.</p> <p>Suggest communication network from Federal government to vendors to quickly disburse information.</p>	<p>Recommended</p> <p>Recommended</p> <p>Recommended</p>
<p>B3.</p> <p>City, sub-recipient, and vendors must ensure that all funds appropriated shall be established in separate funding accounts (there should be no comingling of Recovery Act and non-Recovery Act funds).</p>	<p>Separate funding accounts established for ARRA funds.</p> <p>Contracts include the requirement of establishing separate funding accounts. Department staff will review and monitor sub-recipients and vendors' accounting records.</p> <p>City Auditor's Office will include in audits during FY 2010.</p>	<p>Established</p> <p>In Progress</p> <p>In Progress</p>

Compliance Requirement	City Internal Control	Status
<p>B4.</p> <p>Compliance with National Environmental Policy Act (NEPA)</p>	<p>Departments to implement procedures for compliance with NEPA requirements or file exemptions appropriately.</p>	<p>In Progress</p>
	<p>Suggest NEPA included in the standard ARRA contract language and the checklist/package of standard contract requirements (Contract Exhibits/Addendums).</p>	<p>Recommended</p>
<p>B5.</p> <p>Policies and procedures in place to identify criteria and guidance for each individual ARRA program and ensure that the recipients and uses of all funds are transparent to the public and the public benefits of these funds are reported.</p>	<p>Continuously research www.recovery.gov and other federal agency websites for guidance on ARRA compliance requirements to ensure the recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported.</p>	<p>Ongoing</p>
	<p>Responsibility assigned to Intergovernmental Services for ARRA Section 1512 reporting.</p>	<p>Established</p>
	<p>Responsibility assigned to departments for reporting to federal/state grantor agencies mandated in the Grant Agreement.</p>	<p>Established</p>
	<p>Suggest proposed AD 2-50 show responsibility and process to follow for continuously monitoring federal stimulus program requirements, communicating the information to departments and sub-recipients, and ensuring implementation of any new or revised requirements.</p>	<p>Recommended</p>
	<p>Suggest monitoring emphasis on departments not familiar with Federal reporting requirements.</p>	<p>Recommended</p>
	<p>Suggest record-keeping requirements be in writing and communicated to the fund recipients before the expenditures occur.</p>	<p>Recommended</p>
	<p>Suggest finalizing contract attachments applicable to ARRA reporting requirements.</p>	<p>Recommended</p>
	<p>Suggest departments be given time deadlines to prepare and develop grant contract compliance manuals.</p>	<p>Recommended</p>

C. Funds are used for authorized purposes and instances of fraud, waste, and abuse are mitigated

Compliance Requirement	City Internal Control	Status
<p>C1.</p> <p>Funds may not be used for any casino or gambling establishment, aquarium, zoo, golf course or swimming pool.</p>	<p>Responsibility for coordinating ARRA grant identification, solicitation, and application assigned to Intergovernmental Services.</p>	<p>Established</p>
	<p>Departments are responsible for ensuring that projects and programs are implemented consistent with applicable grant requirements and regulations.</p>	<p>Established</p>
	<p>City Auditor's Office will include in audits during FY 2010.</p>	<p>In Progress</p>
<p>C2.</p> <p>"Buy American" provisions – All iron, steel, and manufactured goods used for a public building or public work must be produced in the United States, with limited exceptions which require a waiver from the federal agency providing the funding.</p>	<p>Include "Buy American" provisions in the package of standard contract requirements (Contract Exhibits / Addendums).</p>	<p>In Progress</p>
	<p>City Attorney's Office works with Purchasing department and specific departments to determine applicability of "Buy American" provision for projects.</p>	<p>In Progress</p>
	<p>City Auditor's Office will include in audits during FY 2010.</p>	<p>In Progress</p>
<p>C3.</p> <p>Prevailing wage rate requirements – Ensure that all laborers working on projects funded by the Recovery Act are compensated fairly. Require that Federal agencies ensure standard Davis-Bacon contract clauses (in 29 CFR 5.5) are included in all contracts in excess of \$2,000.</p>	<p>Davis Bacon prevailing wage requirements to be included in the package of standard contract requirements (Contract Exhibits/Addendums).</p>	<p>In Progress</p>
	<p>City Attorney's Office works with Human Resources department and specific departments to determine applicability of "Davis-Bacon" requirements by projects.</p>	<p>In Progress</p>
	<p>City Auditor's Office will include in audits during FY 2010.</p>	<p>In Progress</p>
<p>C4.</p> <p>Employment Eligibility Verification (E-Verify) covers federal contractors and subcontractors, including those who receive ARRA funds.</p>	<p>E-Verification Employment Eligibility Verification requirements to be included in standard contract requirements (Contract Exhibits/Addendums).</p>	<p>In Progress</p>
	<p>City Attorney's Office works with Human Resources department to ensure City complies with E-Verification requirements.</p>	<p>In Progress</p>
	<p>City Auditor's Office will include in audits during FY 2010.</p>	<p>In Progress</p>
<p>C5.</p> <p>Appropriate and allowable administrative cost allocations. In general, Recovery Act funds should not be used for telecommunications services or IT desktop support, or for incidental administrative costs.</p>	<p>Budget process controls to ensure appropriate and allowable administrative cost allocation for ARRA projects/programs.</p>	<p>In Progress</p>
	<p>Contracts to define administrative cost allocations allowed for sub-recipients/vendors.</p>	<p>In Progress</p>
	<p>Departments monitor the contractor financial records to ensure only allowable administrative costs are charged.</p>	<p>In Progress</p>
	<p>City Auditor's Office will include in audits during FY 2010.</p>	<p>In Progress</p>

Compliance Requirement	City Internal Control	Status
<p>C6. Establish a senior management council to oversee Recovery Act performance.</p>	Bi-weekly ARRA Interdepartmental Team Meeting led by City Manager and department heads that are assigned ARRA oversight responsibilities.	Established
	Bi-Weekly ARRA Intergovernmental Team Meeting led by City Manager and City Auditor's Office is in advisory role.	Established
	Suggest City clearly define in writing the establishment of a senior management council to oversee ARRA performance.	Recommended
<p>C7. Whistleblower protections for non-federal employees.</p>	Whistleblower Protection to be included in the standard contract requirements (Contract Exhibits/Addendums).	In Progress
	Suggest City include ARRA whistleblower protection information on the City ARRA webpage.	Recommended
	Human Resources Department posts information on how to report fraud, waste and abuse.	In Progress
	City Auditor's Office will include in audits during FY 2010.	In Progress
<p>C8. Mitigate instances of fraud, waste and abuse.</p>	Management accountability has been established and written procedures are being developed.	In Progress
	Auditor serves as an independent evaluator of City activities on behalf of the City Council and citizens of Dallas.	Established
	City Council authorizes the Office of the City Auditor to implement and operate the City of Dallas Fraud Hotline to create an environment to encourage early reporting of fraud, waste and abuse discovered by others.	Established
	City Council approved changes to FY 2009 Audit Plan to include ARRA risk assessment project and approved FY 2010 Audit Plan to include audits of ARRA.	Established
	City Auditor gives fraud, waste and abuse presentation at various training and seminars offered to City staff and contractors/vendors that are involved in ARRA and grant administration.	In-Progress
	Suggest City link ARRA webpage to the Office of City Auditor Fraud Hotline webpage.	Recommended
	Suggest City inform sub-recipients/vendors that City Auditor's Office staff is available for fraud, waste and abuse presentations.	Recommended

Compliance Requirement	City Internal Control	Status
<p>C9.</p> <p>Policies and procedures in place to identify criteria and guidance for each individual ARRA program and ensure that funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated.</p>	<p>Continuously research www.recovery.gov and other federal agency websites for guidance on ARRA compliance requirements to ensure to ensure that funds are used for authorized purposes.</p>	<p>In-Progress</p>
	<p>City Auditor's Office continuously monitors the progress of ARRA implementation.</p>	<p>In-Progress</p>
	<p>Departments assigned responsibility to keep up with the changes and new regulations and requirements by the federal agencies and ensure that funds are used only for authorized purpose.</p>	<p>In Progress</p>
	<p>Suggest proposed AD 2-50 show responsibility and process to follow for continuously monitoring federal stimulus program requirements, communicating the information to departments and sub-recipients, and ensuring implementation of any new or revised requirements.</p>	<p>Recommended</p>

D. Projects funded under this Act avoid unnecessary delays and cost overruns

Compliance Requirement	City Internal Control	Status
<p>D1.</p> <p>To the maximum extent possible, contracts shall be fixed-price through the use of competitive procedures. A summary of any contract awarded that is not fixed price and not awarded using competitive procedures shall be posted in a special section of the federal www.recovery.gov website.</p>	<p>Departments follow AD 4-5 Contracting Policy, which covers competitive procedures for procurement of goods and services.</p>	<p>Established</p>
	<p>Contract bid process are based on fixed-price through competitive procedures when applicable.</p>	<p>In Progress</p>
	<p>Suggest City establish written policies and procedures to address the ARRA preference for fixed-price contracts and reporting of contract awarded that are not fixed price and not awarded using competitive procedures.</p>	<p>Recommended</p>
<p>D2.</p> <p>Monitor contracts to ensure that performance, cost, and schedule goals are met.</p>	<p>Templates in the Performance Measurement System to track progress on ARRA funds use.</p>	<p>In Progress</p>
	<p>Departments monitor expenditure benchmarks and other performance measures to ensure that performance, cost, and scheduled goals are met.</p>	<p>In Progress</p>
	<p>Contracts include procedures to timely cut-off contractors for non-performance.</p>	<p>In Progress</p>
	<p>Suggest written policies and procedures on ARRA contract monitoring.</p>	<p>Recommended</p>
	<p>Suggest departments develop supplemental procedures to monitor the grant expenditures according to the specific requirements for determining reasonableness, allocation, and allow ability of costs in accordance with the provisions of the cost principles and conditions of the award.</p>	<p>Recommended</p>
<p>D3.</p> <p>Policies and procedures in place to identify criteria and guidance for each individual ARRA program and ensure that projects funded under this Act avoid unnecessary delays and cost overruns.</p>	<p>Intergovernmental Services and individual department management continuously research www.recovery.gov and other federal agencies website for guidance on ARRA compliance requirements to ensure that projects funded under ARRA avoid unnecessary delays and cost overruns.</p>	<p>In-Progress</p>
	<p>Departments are required to keep up with the changes and new regulations and requirements by the federal agencies and avoid unnecessary delays and cost overruns.</p>	<p>In Progress</p>
	<p>Suggest proposed AD 2-50 show responsibility and process to follow for continuously monitoring federal stimulus program requirements, communicating the information to departments and sub-recipients, and ensuring implementation of any new or revised requirements.</p>	<p>Recommended</p>

E. Program goals are achieved, including specific program outcomes and improved results on broader economic

Compliance Requirement	City Internal Control	Status
<p>E1.</p> <p>Compliance with OMB guidelines for reporting jobs creation or retention estimates by recipients.</p>	<p>Written jobs calculator instructions provided to ARRA contractors.</p>	<p>Established</p>
	<p>Clarifications and guidance sought from federal agencies on recipients reporting of jobs created and retained.</p>	<p>In-Progress</p>
	<p>Suggest written policies and procedures to ensure consistency in reporting jobs creation and retention.</p>	<p>Recommended</p>
	<p>Suggest process established to verify the accuracy of jobs created and retained.</p>	<p>Recommended</p>
<p>E2.</p> <p>Policies and procedures in place to identify criteria and guidance for each individual ARRA program and ensure that program goals are achieved, including specific program outcomes and improved results on broader economic indicators.</p>	<p>Continuously research www.recovery.gov and other federal agency websites for guidance on ARRA compliance requirements to ensure that program goals are achieved.</p>	<p>In-Progress</p>
	<p>Departments required to keep up with the changes and new regulations and requirements by the federal agencies and ensure that specific program outcomes are achieved.</p>	<p>In Progress</p>
	<p>Opportunities within the ARRA package are identified that are consistent with the City Council's Key Focus Areas.</p>	<p>Established</p>
	<p>Suggest proposed AD 2-50 show responsibility and process to follow for continuously monitoring federal stimulus program requirements, communicating the information to departments and sub-recipients, and ensuring implementation of any new or revised requirements.</p>	<p>Recommended</p>

Summary of City of Dallas Single Audit Grant Related Findings

FY 2004 – FY 2008 (Federal and State Awards)

Year	Area	Finding ¹
FY 2008	Equipment and Real Property Management	There is no distinguishing identifier associated with the equipment purchased by Edward Byrne Memorial Justice Assistance Grant (JAG) in the Dallas Police Department's fixed asset system. As a result, auditor could not determine whether physical inventory performed at least every two years, equipment records were reconciled, and the equipment was properly safeguarded and maintained.
	Sub-Recipient Monitoring	The City did not adequately monitor its sub-recipients of Edward Byrne Memorial Justice Assistance Grant (JAG) program. There were no formal documentation of management visits and what was examined. The City did not obtain copies of Single Audit reports from the sub-recipients.
	Cash Management	The City has received advances in Urban Areas Security Initiative (UASI). The City has not calculated nor repaid any earned interest on the fund held as required by the Grant Management Common Rule.
	Suspension and Debarment Certification	In Urban Areas Security Initiative (UASI) and Community Development Block Grants/Entitlement Grants (CDBG) programs, the City did not verify whether the vendors were suspended or debarred in several transactions.
	Davis-Bacon Act	In Highway Planning and Construction Cluster projects, the City did not receive weekly certified payrolls from the contractors, perform and/or document the comparisons between the certified payrolls and wage determinations, nor perform and/or document employee interviews on a consistent basis.
FY 2007	Basic Financial Statements	The City did not perform reconciliations of grant revenue and expenditures periodically. As a result, the Grant revenue and expenditure amounts did not agree in some cases. (Corrective Actions Taken)
	Suspension and Debarment Certification	In Community Development Block Grant (CDBG) program, HOME Investment Partnership program, and Air Pollution Control Inspection and Enforcement program, the following issues were found: City's search of the Excluded Parties list System (EPLS) did not include the principle employees/stakeholders or sub-contractors of the bidders; City's search of EPLS was performed after the date of transaction; and, the City did not obtain debarment certification or search the Excluded Parties List System (EPLS) for the vendors of federal-funded open purchase orders. (Corrective Actions Taken)
	Allowable Activities/Allowable Cost	In Community Development Block Grant (CDBG), the City did not have semi-annual wages certification of the employees who worked solely on that program as Federal regulation required. The timesheets make no reference to the actual activity being changed other than the department. (Corrective Actions Taken)

¹ Source: KPMG (FY 04-06) and Grant Thornton (FY 07-08)

Attachment 2

Year	Area	Finding¹
FY 2007 (continued)	Cash Management	The City has not implemented HUD Section 3 Policies and Procedures for HUD financed program compliance, nor has the City filed required HUD Form 60002 in Community Development Block Grant (CDBG) program, Home Investment Partnership Program and Housing Opportunities for Persons with AIDS (HOPWA) program. (Corrective Actions Taken)
FY 2006	Eligibility	In Women, Infants, and Children (WIC) program, the City did not properly maintain documentation of participant eligibility. A Quality Assurance review was not always performed. (Corrective Actions Taken)
	Reporting	The total expenditures per the general ledger and reported on the Schedule of Federal Expenditures Awards for the WIC program was significantly higher than the grant funds received. (Corrective Actions Taken)
	Cash Management	- In WIC program, there were reimbursement requests without approval of the EHS Assistant Director as the City's policy required. (Corrective Actions Taken) - In HOME Investment Partnership program and Public Assistance Grant, there are instances found the expense was not paid or paid on the same date as the cash draw-downs from HUD's IDIS system, which was not in compliance with the federal regulation. The program's actual income was not reconciled with the budgeted income entered in IDIS system. This could lead to City obtaining more funds from HUD than what the City should receive. (Corrective Actions Taken)
	Davis-Bacon Act	In Community Development Block Grant (CDBG), there were instances found that the actual rate of pay was below the wage rate determination as agreed in the contract. (Corrective Actions Taken) In Airport Improvement Program, the City did not receive weekly certified payrolls from the contractors, perform and/or document the comparisons between the certified payrolls and wage determinations, nor perform and/or document employee interviews on a consistent basis. (Corrective Actions Taken)
	Suspension and Debarment Certification	In Urban Area Security Initiative (UASI) program, there was no documentation of obtained debarment certifications or verification of the vendors who supplied goods or services over \$25,000 prior to contract. (Corrective Actions Taken)
	Activities Allowed / Allowable Costs, Special Tests and Provisions-Project Accounting	The City did not have adequate controls over administration of the Public Assistance Grant related to Hurricane Katrina evacuation relief efforts. The lack of adequate control activities to review expenditure and recorded transactions of the grant resulted in unallowable costs and unreliable financial statements and Federal reports. (Corrective Actions Taken)
FY 2005	Cash Management	In Community Development Block Grant (CDBG), the expense was paid on the same date or after the date of cash draw-downs from HUD's IDIS system. (Corrective Actions Taken)
	Sub-Recipient Monitoring	In Community Development Block Grant (CDBG), the administrative department did not follow up the findings in Grant Compliance Group's written reports. (Corrective Actions Taken)
	Eligibility	In Women, Infants, and Children (WIC) program, the City does not properly maintain documentation of participant eligibility. (Corrective Actions Taken)
	Procurement	Instances found in WIC program that the coordinator did not obtain quotes to choose the lower price for the purchases greater than \$1,000 as required by the City code. Some purchases were not approved by the appropriate managers. (Corrective Actions Taken)

Attachment 2

Year	Area	Finding¹
FY 2005 (continued)	Suspension and Debarment Certification	In WIC program, there was no documentation of obtained debarment certifications or verification of the vendors who supplied goods or services over \$25,000 prior to contract. (Corrective Actions Taken)
	Allowable Activities/Allowable Cost	Instances found in Community Development Block Grant (CDBG) that the City did not charge employees' salaries base on actual time worked on the grant, timesheets submitted into payroll without supervisor approval and semi-annual certification for the employees funded by the grant were not completed as required. (Corrective Actions Taken)
	Davis-Bacon Act	In Airport Improvement Program, the City did not receive certified payrolls from the contractors weekly, perform and/or document the comparisons between the certified payrolls and wage determinations, nor perform and/or document employee interviews on a consistent basis. (Corrective Actions Taken)
	Reporting	The Schedule of Expenditures of Federal Awards (SEFA) base on Grant general ledgers did not match the expenditure reimbursement requests. City's matching portion is not a federal expenditure but was wrongly included in the draft SEFA. (Corrective Actions Taken)
FY 2004	Allowable Activities/Allowable Cost	-In Women Infant and Children (WIC) program and Commercial Auto Theft Interdiction Squad (CATIS) program, the semi-annual certifications for the employees who worked exclusively for the grants were not completed. <i>(Corrective Actions Taken)</i> -In Community Development Block Grant (CDBG) program, some reimbursements did not have adequate support documentation from the sub-recipients. <i>(Corrective Actions Taken)</i> -In Confiscated Monies Federal and State programs, there were expenses found without appropriate supervisors' approvals. Some expenses had no documentation to support the charges were "necessary and reasonable". (Corrective Actions Taken)
	Suspension and Debarment Certification	In Women Infant and Children (WIC) program and Local Law Enforcement Block Grant, Business and Procurement Services did not obtain debarment certifications from the vendors of the purchases over \$25,000 nor reviewed the Excluded Parties List System (EPLS) prior to contract with vendors. (Corrective Actions Taken)
	Reporting	In Women Infant and Children (WIC) program, some B-13 reimbursement request forms were prepared, signed and submitted by a former program manager but had no supervisor review. (Corrective Actions Taken)
	David-Bacon Act	In Community Development Block Grant (CDBG), the City did not receive certified payrolls weekly and had no evidence of contract manager's review on the certified payrolls. (Corrective Actions Taken)
	Sub-Recipient Monitoring	In Community Development Block Grant (CDBG), there was no sufficient documentation in the file indicating the reason why a Single Audit was not required for the sub-recipient and no evidence that the department followed up the findings reported by Grant Compliance Group. (Corrective Actions Taken)
	Special Test and Provisions: Environmental Reviews	Some projects in Community Development Block Grant (CDBG) program have no written documentation to indicate the environmental review was not required for the project. (Corrective Actions Taken)