



Sesquicentennial Celebration
1859-2009



Celebrating People, Pride & Progress

CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SECTION II: FINDINGS AND QUESTIONED COSTS
MAJOR FEDERAL AWARD PROGRAMS AUDIT

December 31, 2008

U. S. DEPARTMENT OF TRANSPORTATION

2008-1 Federal Transit Formula Grant – CFDA No. 20.507; Grant period – Year ended December 31, 2008.

Statement of Condition: Charges totaling \$199,170 were requested for reimbursement in the amount of \$155,480 that was unallowable due to being either duplicated or unallowable charges.

Criteria: Request for reimbursement should accurately reflect activity of the grant.

Effect of Condition: Future grant awards could be denied.

Cause of Condition: Management neglected to reconcile requests for reimbursement to the accounting records.

Recommendation: Management should review accounting records to assure that any requests for reimbursement are supported by expenditures recorded in the accounting records.

View of Responsible Officials:

The City of Jonesboro has reorganized staff to provide management overview of all grant accounting under the oversight of the Finance Department. This position of accounting specialist in the JETS will be moved to Finance, but will also be under general supervision of the Grants Administrator. It will not be necessary to move the position physically; but all grant draw downs and requests, including the documentation will be approved by the Grants Administrator, with accounting reviewed by the Financial Accountant.

In an effort to improve grants accounting, the city has started utilizing the project management module within Springbrook. This will allow for more efficient and easier tracking of grant revenues to expenditures. By the end of the year, the implementation of the project management accounting for grants activity will be complete.

On November 17, 2009, the council approved our new financial policies, which included specifically grants policies and procedure, which all department heads will be required to learn and comply with. Furthermore, at month-end, all grants activities will be review for proper documentation by the Compliance Officer in conjunction with the Grants Administrator. The Compliance Officer will prepare a monthly report of "findings and recommendations" for the Mayor and Administration.

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CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SECTION II: FINDINGS AND QUESTIONED COSTS
MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

December 31, 2008

U. S. DEPARTMENT OF TRANSPORTATION (CONTINUED)

2008-2 Metropolitan Planning Grant - 20.505; Grant No. AR-81-X013; Grant period – Year ended December 31, 2008.

Statement of Condition: Charges totaling \$11,470 were requested for reimbursement in the amount of \$9,176 for expenditures that were subsequently reduced.

Criteria: Expenditures requested for reimbursement should be actual expenditures.

Effect of Condition: Future grant awards could be denied.

Cause of Condition: The expenditure accounts were reduced by the stated amounts but subsequent requests for reimbursement were not adjusted to reflect the reductions.

Recommendation: Management should reconcile accounting records to assure that any reductions in expenditures are appropriately reflected.

View of Responsible Officials:

The City of Jonesboro will add reconciliation of grants accounting to its end of month procedures. Between the grants oversight and compliance review, we can prevent accounting and reimbursement errors like these from recurring.

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CITY OF JONESBORO, ARKANSAS
FEDERAL GRANTS

SECTION II: FINDINGS AND QUESTIONED COSTS
MAJOR FEDERAL AWARD PROGRAMS AUDIT (CONTINUED)

December 31, 2008

U. S. DEPARTMENT OF HOMELAND SECURITY

2008-3 Disaster Grants – Public Assistance - 97.036; Grant No. FEMA 1751-DR-AR; Grant period – Year ended December 31, 2008.

Statement of Condition: Charges totaling \$51,866 were requested for reimbursement in the amount of \$38,900 for expenditures that the supporting documentation could not be provided by management.

Criteria: Expenditures requested for reimbursement should be adequately documented.

Effect of Condition: Future grant awards could be denied.

Cause of Condition: Retention of required documents was not monitored by management.

Recommendation: Management should supervise the employee responsible for retaining documentation pertinent to grant management. Management should continue to monitor this process to ensure retention of documents required for proper grant management.

View of Responsible Officials:

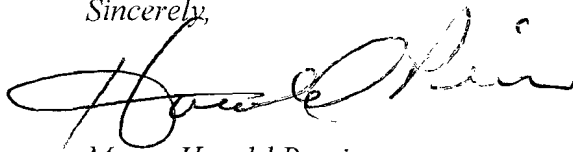
By having both the Grants Administrator and the Compliance Officer review these processes and reports, in addition to the department head managing the grants activity, it should prevent this "unqualified draw-downs" finding in the future.

The change in staffing noted in the response to item #1 above will give the City compliance with the principles of "separation of duties" and "proper management oversight" of all grants activities.

In addition to your review and findings, we had already begun additional review and audits of several areas including JETS. Our staff reviewed internal controls, cash handling and have already made similar recommendations as your audit, in an effort to strengthen controls and give granting agencies the confidence that the City takes its record keeping responsibilities seriously.

Should you have any further questions or concerns, please contact me at 870-932-1052.

Sincerely,

A handwritten signature in black ink, appearing to read "Harold Perrin". The signature is fluid and cursive, with a large initial "H" and a distinct "P" at the end.

Mayor Harold Perrin

Mayor Perrin's Talking Points for December 1 City Council Meeting

Item #1 - Grants Audit Findings

GIVEN:

1. J.E.T.S. received reimbursements from FTA (Federal Transit Administration) of \$155,480.35 that were considered "unqualified" as either duplicate requests or simply unallowed.
2. The same problem occurred for the 2007 audit year. The estimated cost incurred in 2008 ranged from \$285K to \$456K. (see Attached)
3. The estimated actual cost incurred to the General Fund, ranges from a minimum of \$320K to \$363K per year. (see Attached)

RECOMMENDATION:

- 1) Repay FTA \$155,480.35 before 12-31-09. At the next Council Meeting, a 2009 Budget Amendment will be required to appropriate funds to make this payment!
- 2) Implement the new grants policies and procedures.
- 3) Review 2009 reimbursements to ensure no current year "unqualified draw downs" exist.

Item #2 - Repayment of JETS Loans

GIVEN:

1. In part due to the items mentioned above, JETS needed to borrow \$100K in 2009 from the General Fund to operate.
2. This loan must be repaid before the end of 2009.
3. The loan repayment is not included in the proposed \$300K J.E.T.S. Subsidy budgeted for 2010.

RECOMMENDATION:

- 1) Forgive the loan before 12-31-09. At the next Council Meeting, a 2009 Budget Amendment will be required to appropriate funds to cover this cost. If the loan is forgiven, the loan will have to be reclassified as an expense to the General Fund!



Total Costs to Subsidize J.E.T.S.

Since Inception in 2006

	Cost
Subsidy paid from General Fund	\$ 520,000.00
Pension, Insurance & Worker's Comp Paid from General Fund	\$ 220,859.36
Cost of Unqualified Draw Downs for 2007 Audit Year <i>(JETS had to forego reimbursement on \$228,201)</i>	
<i>Estimated Cost @ 50% Reimbursement Rate</i>	\$ 456,402.00
<i>Estimated Cost @ 80% Reimbursement Rate</i>	\$ 285,251.25
Cost of Unqualified Draw Downs of \$155,480.35 for 2008 Audit Year <i>(Assume reimbursement to FTA in 2009)</i>	
	\$ 155,480.35
Assume Loans in 2009 Forgiven <i>(Becomes Subsidy to General Fund)</i>	
	\$ 100,000.00
TOTAL @ Maximum Reimbursement 80%	
<i>Average per Year</i>	\$ 320,397.74
TOTAL @ Minimum Reimbursement 50%	
<i>Average per Year</i>	\$ 363,185.43

NOTE: Some operating expenditures are reimbursed at 50 cents on the dollar. However, some operating and capital expenditures are reimbursed at 80 cents on the dollar.