



Certified Public Accountants

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Members of:
American Institute of Certified Public Accountants
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Center for Public Company Audit Firms
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May 8, 2009

To the Mayor and Council
City of Jonesboro, Arkansas

I am providing a written weekly update as to our progress on the various projects that the City of Jonesboro, Arkansas has engaged Alexander Thompson Arnold PLLC to perform. All current projects are detailed below.

1st Project – Chart of Accounts Revisions

Project Description

- A complete revision of the chart of accounts was deemed necessary based on the chart of accounts that the City is currently using.

Problems Encountered

- None at this time.

Project Completion:

- Will have recommendations to Jim by the 1st of the week regarding a preliminary revision of the chart of accounts.
- The revision will need to be discussed and changed as needed.
- Once everyone agrees on a final product, the new chart will be ready to implement.
- The new chart will take time to get implemented going forward.

2nd Project – 2008 Bank Reconciliations

Project Description

- For the fiscal year 2008, none of the City's bank accounts had been reconciled for the entire year.
- The City engaged us to reconcile the accounts and provide adjusting journal entries to correct the accounts.
- We began with the auditor's reconciled December 31, 2007, statements.

Problems Encountered

- There were a multitude of accounts not on the books. We will provide a full list of the accounts that were not recorded once the reconciliations are complete.

Martin, TN
Milan, TN
McKenzie, TN
Paris, TN
Trenton, TN

Dyersburg, TN
Fulton, KY
Henderson, TN
Jackson, TN
Union City, TN

- The main problems associated with the bank reconciliations are noted below:
 - A multitude of bank accounts were not recorded on the books,
 - Deposits and transfers were recorded incorrectly,
 - No accurate outstanding check listings,
 - Voided checks were handled incorrectly and partial entries were done to remove them,
 - Cross fund activity was not always recorded accurately,
 - Pass-through accounts were not booked, and
 - Items were left in clearing accounts and those accounts were never cleared out.

Project Completion:

- As of now all bank accounts that we are aware of are reconciled for the year 2008.
- We have sent Jim the journal entries for all bank accounts other than the Flex Account.
- Once all journal entries are posted we will need to review 2008 and make sure that everything balances after the entries.
- We will provide all bank reconciliations to the City once the above items are complete and we are sure that everything reconciles.
- The 2008 bank reconciliation project will be complete at that time.

3rd Project – Accounts Payable Listing for 2007 and 2008

Project Description

- For fiscal years 2007 and 2008, a year end accounts payable listing needed to be prepared for the audit, so the City could present modified accrual financial statements.
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Problems Encountered

- The City had accrued some payables at year end, but the system would not provide the detail of what was recorded
- The recorded payables were reversed and new accruals were posted.

Project Completion:

- The Accounts Payable listings for 2007 and 2008 have been completed at this time.
- A complete accounts payable listing and journal entry will be sent to Jim Barksdale by Tuesday of next week for him to review.
- Once reviewed the journal entries can be posted and the accounts payable project will be complete.

4th Project – Accounts Receivable Listing for 2007 and 2008

Project Description

- For fiscal years 2007 and 2008, a year end accounts receivable listing needed to be prepared for the audit, so the City could present modified accrual financial statements.
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Problems Encountered

- There was no attempt by the City to record accounts receivable at year end.
- There is some uncertainty as to when several revenue streams become recognizable to the City.

Project Completion:

- There is a preliminary accounts receivable listing prepared that has not been finalized at this time.
- When we come back to Jonesboro to finalize some of the other projects, we will complete the accounts receivable listing at that time.

5th Project – 2009 Bank Reconciliations

Project Description

- For the fiscal year 2009, bank accounts have not been reconciled.
- The City engaged us to reconcile the accounts and provide adjusting journal entries to correct the accounts.
- This project will be started when the 2008 bank reconciliation project has been completed.

Project Completion:

- Assuming the 2008 bank reconciliation project is complete the first of next week, we will start 2009 at that time.
- It will take 2-3 weeks depending on our schedule for us to complete this project.

6th Project – Internal Control Evaluations and Recommendations

Project Description

- This project will involve interviewing all accounting related staff for the City of Jonesboro to determine the accounting related functions they perform.
- From the interviews we will accumulate the information needed to determine what controls are in place for the City
- We will take that and recommend changes that the City of Jonesboro should implement to tighten up internal controls.
- This will likely also involve a recommendation to centralize the accounting function to some extent.

Project Completion:

- Interviews will start next week and will last 2-3 weeks.
- Once the interviews have been completed, we will discuss recommendations with Jim Barksdale and Harold Perrin before finalizing this project.

If you have any additional questions regarding anything noted above, feel free to contact me at your convenience.

With Regards,

John Whybrew, CPA, CFE
Alexander Thompson Arnold PLLC

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74923
May 5, 2009

City of Jonesboro
515 West Washington
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For Professional Services Rendered:

Chart of Accounts Revision:

Consulting - John Whybrew (31.25 hours)	\$ 5,312.50
Consulting - Mike Hewitt (31.00) hours	6,200.00
Travel	<u>947.12</u>
	<u>\$ 12,459.62</u>

Consulting Regarding Accounting Issues and Internal Control:

General consulting (40 hours)	\$ 6,800.00
Identification of 12/31/08 liabilities (85 hours)	7,375.00
Reconciliation of bank accounts from 1/1/08 (413.75 hours)	33,989.10
Travel	<u>6,558.68</u>
	<u>\$ 54,722.78</u>

Total	<u>\$ 67,182.40</u>
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