



CITY OF ATLANTA

City Auditor's Office
Leslie Ward, City Auditor
404.330.6452

April 2011

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

Performance Audit:

Assessment of Federal Recovery Act Grant Controls

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.