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## CITY COUNCIL AGENDA ITEM

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**TO:** Mayor & City Council                      **DATE:** January 5, 2011

**FROM:** John McDonough, City Manager

**AGENDA ITEM:** Presentation of the 2010 Comprehensive Annual Financial Report

**MEETING DATE:** For Submission onto the January 11, 2011, City Council Regular Meeting Agenda

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*BACKGROUND INFORMATION: (Attach additional pages if necessary)*

See attached:  
  
Memorandum  
Presentation

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APPROVAL BY CITY MANAGER:       J.M.       APPROVED

\_\_\_\_\_ NOT APPROVED

PLACED ON AGENDA FOR:       1/11/2011      

CITY ATTORNEY APPROVAL REQUIRED: (    ) YES (  ) NO

CITY ATTORNEY APPROVAL:       [Signature]      

REMARKS:



TO: John McDonough, City Manager

FROM: Amy Davis, Finance Director

DATE: January 5, 2011 for Submission on January 11, 2011 City Council Agenda

ITEM: Presentation of the 2010 Comprehensive Annual Financial Report

As required by State law, the City has completed an independent audit of our financial statements for the year ended June 30, 2010. The external audit firm of Mauldin & Jenkins, CPA, LLC was hired for this purpose. Attached herewith is a copy of the Single Audit Report which is required in addition to the audited financial statements for all governments with federal grants.

Complete financial statements for the City for fiscal year ended June 30, 2010 can be found on the City's website at:

<http://sandyspringsga.org/getmedia/05542632-0991-4108-9eb0-9432991c3abc/2010-CAFR;:.aspx;.html>

*Finance*

**CITY OF SANDY SPRINGS, GEORGIA**

**REPORT OF INDEPENDENT CERTIFIED  
PUBLIC ACCOUNTANTS IN ACCORDANCE  
WITH THE SINGLE AUDIT ACT AND  
*GOVERNMENT AUDITING STANDARDS***

**FOR THE YEAR ENDED JUNE 30, 2010**

# CITY OF SANDY SPRINGS, GEORGIA

FOR THE YEAR ENDED JUNE 30, 2010

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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**The Honorable Mayor and Members  
of the City Council of  
Sandy Springs, Georgia**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sandy Springs, Georgia (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs, as items 2010-1 through 2010-3, to be material weaknesses.

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A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2010-4, to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Sandy Springs, Georgia's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated December 17, 2010.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City Council, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 17, 2010



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

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**The Honorable Mayor and Members  
of the City Council of  
Sandy Springs, Georgia**

**Compliance**

We have audited the City of Sandy Springs, Georgia's (the "City's") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

As described in items 2010-5 and 2010-6 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding sub-recipient monitoring applicable to its Highway Safety Cluster (20.205 and 20.219), and requirements regarding allowable activities, allowable costs, cash management, matching, and period of availability that are applicable to its Disaster Grants – Public Assistance (Presidentially Declared Disasters – 97.036). Compliance with such requirements is necessary, in our opinion, for the City of Sandy Springs, Georgia to comply with the requirements applicable to each program.

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In our opinion, except for the noncompliance described in the preceding paragraph, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

#### **Internal Control Over Compliance**

Management of the City of Sandy Springs, Georgia is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, as items 2010-5 and 2010-6, to be material weaknesses.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.



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**Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Sandy Springs, Georgia, as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Sandy Springs, Georgia's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Mayor, members of the City Council, management of the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
December 17, 2010

**CITY OF SANDY SPRINGS, GEORGIA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass- through Grantor Number</b>	<b>Total Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Georgia Forestry Commission Urban and Community Forestry Grant	10.675	#09-26	\$ 12,500
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant	14.218	B-08-MC-13-0016	405,902
Community Development Block Grant - ARRA	14.218	B-09-MY-13-0016	110,213
Total U.S. Department of Housing and Urban Development			<u>516,115</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Bulletproof Vest Partnership	16.607	XHP-IIA.O	3,299
Passed through Criminal Justice Coordinating Council Project Safe Neighborhoods - Anit-Gant Initiative	16.609	P08-8-002	23,896
Edward Byrne Memorial Justice Assistance Grant Program Total U.S. Department of Justice	16.738	SE00-10-009	130 <u>27,325</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through Georgia Department of Natural Resources Recreational Trails Program	20.219	NRT-06(12)	74,197
Passed through Atlanta Regional Commission Livable Centers Initiative	20.205	STP-0005-00(910)	405,040
Passed through Georgia Department of Transportation Highway Planning and Construction	20.205	CSSTP-0006-00(267)	158,394
Highway Planning and Construction	20.205	CSCMQ-0006-00(817)	110,134
Highway Planning and Construction	20.205	CM-7533-00(000)	51,474
Highway Planning and Construction	20.205	STP00-9252-00(007)	72,645
Highway Planning and Construction	20.205	CM000-0000-00(640)	512,352
Total U.S. Department of Transportation Highway Safety Cluster			<u>904,999</u> <u>1,384,236</u>
Passed through Governor's Office of Highway Safety Georgia Highway Safety Grant (H.E.A.T.)	20.600	GA-2010-000-00386	30,712
Georgia Highway Safety Grant (H.E.A.T.)	20.600	GA-2009-000-00812	69,636
Total U.S. Department of Transportation			<u>100,348</u> <u>1,484,584</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Georgia Emergency Management Agency Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	FEMA-1858-DR-GA	397,709
Hazard Mitigation Grants - CERT	97.039	121-68516-99	1,254
Hazard Mitigation Grants	97.039	HGMP 1686-0051	1,468
Total U.S. Department of Homeland Security			<u>2,722</u> <u>400,431</u>
<b>U.S. DEPARTMENT OF ENERGY</b>			
Energy Efficiency and Conservation Block Grant Program - ARRA	81.128	DE-SC0001411	4,249
<b>Total Expenditures of Federal Awards</b>			<u>\$ 2,445,204</u>

See note to schedule of expenditures of federal awards.

**CITY OF SANDY SPRINGS, GEORGIA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2010**

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**BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Sandy Springs, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF SANDY SPRINGS, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2010

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SECTION I  
SUMMARY OF AUDIT RESULTS

**Financial Statements**

Type of auditor's report issued Unqualified

Internal control over financial reporting:  
Material weaknesses identified?  X  yes   no

Significant deficiencies identified not considered  
to be material weaknesses?  X  yes   no

Noncompliance material to financial statements noted?   yes  X  no

**Federal Awards**

Internal Control over major programs:  
Material weaknesses identified?  X  yes   no

Significant deficiencies identified not considered  
to be material weaknesses?   yes  X  no

Type of auditor's report issued on compliance for  
major programs

Qualified for sub-recipient monitoring for  
Highway Safety Cluster (CFDA  
20.205 and 20.219)

Qualified for allowable activities, allowable  
costs, cash management, matching  
and period of availability for the  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)  
(CFDA 97.036)

Unqualified for other requirements of the  
Disaster Grants – Public Assistance  
(Presidentially Declared Disasters)  
(CFDA 97.036) and other  
requirements of Highway Safety  
Cluster (CFDA 20.205 and 20.219)  
and for all requirements of  
Community Development Block  
Grants (CFDA 14.218)

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS (CONTINUED)**

Any audit findings disclosed that are required to  
be reported in accordance with OMB Circular  
A-133, Section 510(a)?

yes     no

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205 and 20.219	Highway Safety Cluster
14.218	Community Development Block Grant
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

yes     no

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2010 - 1. Restatement of Prior Year Balances -**

**Criteria:** Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect material misstatements in the City's financial statements for the year ended June 30, 2009.

**Context/Cause:** During our audit for the year ended June 30, 2010, a misstatement was identified that caused the need to restate opening net assets (equity) for the year ended June 30, 2009. The City provided us with a lease which was not previously reported and qualified as a capital lease. The long-term debt was restated by approximately \$2,564,000 and the associated carrying value of the capital asset was reduced by approximately \$170,000 in governmental activities.

**Effects:** An audit adjustment totaling approximately \$2,734,000 was needed to correctly report the opening balances of equity on the City's statement of net assets.

**Recommendation:** We recommend the City carefully review the financial statements and its applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is being properly reported.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that all financial data and information is properly recorded.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 2. Revenue and Receivable Recognition -**

**Criteria:** Internal controls should be in place to ensure that the amounts reported as receivables and revenues are appropriate and properly valued in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the City's revenues and related receivables.

**Context/Cause:** During our testing, audit adjustments were required to properly report the City's revenues and related receivables. The nature of these adjustments are as follows:

- Adjustments in the Federal Grant Fund totaling approximately \$191,000 were required to properly accrue receivables and revenues related to grant expenditures incurred as of June 30, 2010.
- An adjustment for approximately \$101,000 was required to properly report the year end receivables and related revenues in the Sandy Springs Hospitality Board.
- An adjustment for approximately \$117,000 was required to properly recognize grant revenues which were collected within the period of availability for the Capital Projects Fund.

**Effects:** Total misstatements related to revenue recognition were approximately \$409,000 for the year ended June 30, 2010.

**Recommendation:** We recommend the City carefully review all revenues to ensure they are reported in the proper reporting period and in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 3. Expenditure Recognition -**

**Criteria:** Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect certain misstatements in the reporting of the City's expenditures and related liabilities.

**Context/Cause:** During our testing of expenditures, certain audit adjustments were required to correct current year expenditures, as follows:

- In the General Fund, adjustments of approximately \$270,000 were required to accrue expenditures for the year ending June 30, 2010.
- In the E911 Fund, an adjustment of approximately \$344,000 was required to properly accrue expenditures incurred during the year ended June 30, 2010.
- In the Federal Grants Fund, an adjustment of approximately \$51,000 was required to properly accrue expenditures incurred during the year ended June 30, 2010.
- In the Capital Projects Fund, an adjustment of approximately \$566,000 was required to properly accrue expenditures incurred during the year ended June 30, 2010.
- For the Hospitality Board, adjustments of approximately \$24,000 were required to accrue expenditures incurred during the year ended June 30, 2010.

**Effects:** Audit adjustments totaling approximately \$1,255,000 were needed to correctly report expenditures and the related liabilities.

**Recommendation:** We recommend the City carefully review all expenditures and related balance sheet accounts to ensure all necessary transactions are reported in the proper period and in the proper fund.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that expenditures and related balance sheet accounts are properly recorded.



**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)**

**2010 - 4. Cash Reporting -**

**Criteria:** Accounting principles generally accepted in the United States of America (GAAP) requires a proper cutoff of cash for reporting in the City's financial statements.

**Condition:** During our audit, we noted management had not accurately posted general ledger adjustments associated with reconciling bank statements to the City's general ledger accounts, prior to providing us with the detailed information for our testing.

**Context/Cause:** During our testing of the City's bank reconciliations, certain audit adjustments were required to correct current year amounts. Several transactions were not properly reported on the general ledger thus causing the General Fund's cash balance to be overstated.

**Effects:** Audit adjustments totaling approximately \$550,000 were needed to correctly report the City's cash balances as of June 30, 2010.

**Recommendation:** The City should take the necessary steps to ensure that bank reconciliations are properly reconciled to the general ledger balances, on a monthly basis, and that cash transactions are timely posted to the City's general ledger.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that all financial data and information is properly recorded.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**2010 - 5. Subrecipient Monitoring -**

**Program:** CFDA No. 20.205 and 20.219

**CFDA Program Title:** Highway Safety Cluster

**Criteria:** A pass-through entity is responsible for:

- *Award Identification* – At the time of the award, identifying to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.
- *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.
- *Subrecipient Audits* – (1) Ensuring that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003 as provided in OMB Circular A-133 have met the audit requirements of OMB Circular A-133 (the circular is available on the Internet at <http://www.whitehouse.gov/omb/circulars/a133/a133.html>) and that the required audits are completed within 9 months of the end of the subrecipient's audit period; (2) issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report; and (3) ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the pass-through entity shall take appropriate action using sanctions.
- *Pass-Through Entity Impact* – Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable Federal regulations.

**Condition:** Internal controls were not sufficient to allow the City to properly comply with and adhere to the various requirements of a pass-through entity, although they manage the grant activity as a pass-through agency.

**Context/Cause:** During our testing of the Perimeter Community Improvement District ("PCID") projects for the Highway Construction and Planning program, we noted the City manages and accounts for the grant as a pass-through grant, however, did not have any monitoring controls in place which would allow them to ensure the subrecipient's compliance with requirements that could be considered direct and material to the program.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2010 - 5. Subrecipient Monitoring – (Continued)**

**Effects:** This weakness resulted in a compliance finding for the current year as the City was not performing any of the monitoring procedures noted above.

**Questioned Costs:** We identified \$320,002 of known questioned costs.

**Recommendation:** We recommend the City review all grant agreements closely to ensure that they understand all the applicable compliance requirements. The City should utilize the grant administrator for the City and allow them to be involved with the application and awarding of all grants to ensure that all the requirements which could be direct and material to the City are properly considered and controls are appropriately implemented to ensure compliance.

**Auditee's Response:** We concur with the finding. We will review our procedures for monitoring the grants and their requirements and implement the recommendations.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**2010 - 6. Records Maintenance -**

**Program:** CFDA No. 97.036

**CFDA Program Title:** Disaster Grants – Public Assistance (Presidentially Declared Disasters)

**Criteria:** Internal controls should be in place to ensure that funds expended on federally funded projects are appropriately documented and records are maintained to validate costs charged to a program.

**Condition:** Internal controls were not sufficient to allow the City's management to identify project activities or project costs which were incurred during the fiscal year on approved project worksheets (PWs).

**Context/Cause:** During our testing of the City's Disaster Grant, we noted nineteen (19) of the forty-three (43) PWs which were approved by the Federal Emergency Management Agency (FEMA) did not have directly identifiable invoices to support the costs or activities performed by the City.

**Effects:** The lack of documentation prevented the City from directly identifying the activities and costs incurred on the approved projects. The lack of documentation also resulted of the inability to support the expenditures made by the City to document their compliance with the cash management, matching, and period of availability requirements in accordance with OMB A-133 requirements.

**Questioned Costs:** We have identified \$86,589 of likely questioned costs.

**Recommendation:** We recommend the City set up a separate line item in the general ledger which will allow them to track expenditures related to the FEMA approved project worksheets. Additionally, FEMA recommends the creation of a separate file for each FEMA assigned project, which should house the FEMA approved PWs, copies of all expenditures incurred on the project, as well as all funds received from FEMA related to the project or PWs.

**Auditee's Response:** We concur with the finding. We will review our procedures for tracking and accounting for the grants and consider implementing the recommendations. The City identified the issues and created files specific to each FEMA approved project and implemented a reporting process which incorporates the elements cited above.

**CITY OF SANDY SPRINGS, GEORGIA**  
**SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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**2009 - 4. Davis Bacon Requirements -**

**Program:** CFDA No. 20.205

**CFDA Program Title:** Highway Planning and Construction

**Context/Cause:** During our testing of the Davis Bacon Requirements, we noted the City was not aware of the requirement to obtain weekly certified payrolls from the contractor, and any sub-contractors, working on projects which are funded with federal monies. While the City was receiving and reviewing payrolls throughout the year, they were not requiring weekly reports.

**Auditee's Response/Status:** The City is now obtaining all weekly certified payroll reports and the project managers are maintaining the reports in the project files.

**2009 - 5. Grant Reporting -**

**Program:** CFDA No. 20.205

**CFDA Program Title:** Highway Planning and Construction

**Context/Cause:** During our testing of the City's controls to monitor the expenditures to ensure that they are made within the grant award's period of availability, we noted that there was no documented tracking of the grant. As most of the City's projects will cover more than one fiscal year, we recommend the City develop a means to track the expenditures along with the relevant operating period for the grants.

**Auditee's Response/Status:** The City has centralized much of the accounting for the grants to the finance department and now requires the grant accountant to track and monitor the period of availability for the grant.