

Managerial Summary

A. Objectives, Scope and Methodology

We have reviewed the City of Chesapeake Virginia's (City's) American Recovery & Reinvestment Act: Program Expenditures and Results for the period February 17, 2009 to December 31, 2010. The purpose of this audit was to 1) evaluate the City's operational expenditure practices related to the American Recovery and Reinvestment Act (ARRA) and 2) to the extent that ARRA programs were underway or have been completed, evaluate program compliance and results.

We conducted our work 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our objectives.

The American Recovery and Reinvestment Act was signed into law on February 17, 2009. It had five stated purposes:

- To preserve and create jobs and promote economic recovery;
- To assist those most impacted by the recession;
- To provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- To invest in transportation, environmental protection and other infrastructure that will provide long-term economic benefits; and
- To stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

ARRA included 23 title chapters covering appropriations, taxes, unemployment, health care, state fiscal relief, and other provisions. The \$787 billion stimulus package contained \$288 billion in tax credits, \$144 billion in state and local fiscal relief, and \$355 billion of federal spending programs.

Within the City of Chesapeake, as of December 31, 2010, there were eighteen grants totaling \$22,633,862 for which funds had been appropriated. Grant expenditures totaled \$16,009,260 or 70.73 percent of total grant awards. As many as 15.89 FTE positions had been funded utilizing City ARRA grants. Also, we noted that there were a total of 149 participants in the City's ARRA-funded Summer Youth Employment Programs in FY 2009 and FY 2010, and one participant was actually hired full-time by the City's Human Services Department. A summary of each program is included in Appendix B.

To conduct this audit, we reviewed citywide ARRA reporting practices to ensure that 1) the City was following applicable federal requirements and 2) City directives for financial operational reporting were being followed. We also evaluated whether program results were consistent with federal objectives.

Major Observations and Conclusions

Based upon our review, we found that the City was operating its programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

This report, in draft, was provided to the City's ARRA Compliance Team Leader and ARRA Program Managers for review and response. Their comments have been considered in the preparation of this report. These comments have been included in the Managerial Summary, the Audit Report, and Appendix A. All of the team members and ARRA program managers were very helpful throughout the course of this audit. We appreciated their courtesy and cooperation on this assignment.

B. Overview - City ARRA Programs

According to guidelines developed by the Federal Office of Management and Budget (OMB), the City was considered to be a primary recipient on four of its ARRA grants, totaling \$3,663,126, and a Sub-recipient on fourteen ARRA grants totaling \$18,970,736. Grant expenditures as of December 31, 2010 totaled \$16,009,260 or 70.73 percent of total grant awards of \$22,633,862. The City had also completed \$77,980,000 in bond issuances under several different ARRA Bond programs. Information on these programs is provided in Appendix B. In addition, the City had developed an extensive quality control program to help ensure the accuracy of reports submitted for ARRA.

C. Finding and Recommendation

Based upon our review, we found that the City was operating its ARRA programs in compliance with federal guidelines, and the programs were producing results consistent with their federal objectives. Consequently our sole recommendation was made predominantly for the purpose of improving future ARRA accountability processes rather than correcting a material weakness. We recommended that the City consider reallocating \$95,700 that had been allocated for water fixture retrofits to other clearly eligible grant expenditures, to prevent potential questioned costs.

1. EECBG Grant Utilization

Finding - The City had allocated \$95,700 to be used for water fixture retrofits as part of its Energy Efficiency and Conservation Block Grant (EECBG). There was some risk that expenditures against this allocation might not be considered eligible expenses by federal oversight authorities.

Recommendation - The City should consider reallocating the \$95,700 allocated for these water fixture retrofits to other clearly eligible grant expenditures.

Response - Since we were already considering reallocating those funds for reasons discussed, it won't be a problem for us to do it. There are certainly plenty of lighting or HVAC retrofits that we can do with those funds. Barbara and I will go ahead and reallocate with DOE at the same time we reallocate some of the training funds to additional solar PV work.