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Review of Broward County Challenge  
Grant for Coontie Hatchee Landing

**Report of Audit 09/10-XX-07**

**September 15, 2010**



Office of Management and Budget

Internal Audit

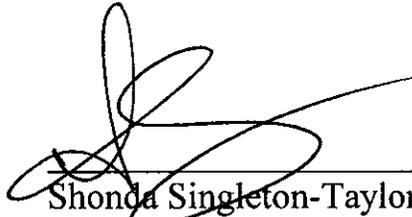
**MEMORANDUM NO. 10-59**

**DATE:** September 15, 2010

**TO:** Phil Thornburg, Parks and Recreation Director  
Albert Carbon, Public Works Director

**SUBJECT:** *Review of Broward County Challenge Grant for Coontie Hatchee Landing*

Enclosed is the "subject" Final Report of Audit.



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Shonda Singleton-Taylor  
Acting Director, Office of Management and Budget

Attachment - Final Report of Audit No. 09/10-XX-07

c: City Commission  
Allyson C. Love, Acting City Manager  
David Hebert, Assistant City Manager  
Ted Lawson, Assistant City Manager  
Lynda Flynn, Acting Director of Finance

SST/am

## REPORT OF AUDIT NO. 09/10-XX-07

**DATE:** May 28, 2010

**TO:** Phil Thornburg, Parks and Recreation Director  
Albert Carbon, Public Works Director

**FROM:** Renee C. Foley, Assistant Internal Audit Director/5851  
Diane N. Lichenstein, Financial Management Analyst/5427

**SUBJECT:** *Review of Broward County Challenge Grant for Coontie Hatchee Landing*

### **BACKGROUND**

The City of Fort Lauderdale (City) was awarded a Broward County (Grantor) Challenge Grant in the amount of \$404,510 pursuant to the 2000 Broward County Safe Parks Land Preservation Bond Program, for the development of Coontie Hatchee Landing Park. Coontie Hatchee Landing is located on the New River one block north of Davie Boulevard and east of SW 15<sup>th</sup> Avenue. The main purposes of the project were to restore and preserve 2.6 acres of remnant pine flatwoods and provide green space, outdoor recreational opportunities and environmental education to the public. Public access to waterways in this area of the City is very rare and acquisition and development of this site would provide much needed water access for the public. An Engineering and Architectural Services Contract was executed between the City and Leadex Corporation (Contractor) on January 21, 2009, for development of this project.

The Parks and Recreation Department was responsible for the overall administration and management for the City's compliance with the requirements of the terms and conditions in the grant agreement. The City's Public Works Department was responsible for the overall management of the public construction project.

### **SCOPE**

As part of the grant agreement between the City and Grantor, the City's Internal Audit Division is required to determine whether the revenues and amounts received from the Grantor were expended in accordance with the agreement and to determine compliance with the various requirements. To this end, we provided the Grantor with a special report together with a financial statement for the grant (**Exhibit**). As part of the grant review, our overall objective was to evaluate the

## REPORT OF AUDIT NO. 09/10-XX-07

effectiveness and adequacy of the City's internal control systems and procedures used for the project. We also performed a limited review to determine compliance with terms and conditions of the construction contract. We discussed policy and procedures, performed physical examinations, reviewed documentation/transactions, and performed analytical procedures for the grant period of December 14, 2006 through December 13, 2009. Judgmental sampling methods were used in reviewing documentation and transactions. The review was performed in accordance with generally accepted government auditing standards and included such tests of internal controls considered necessary.

### OVERALL EVALUATION

Improvement is needed in management's monitoring of compliance with the terms and conditions in the grant agreement and construction contract. Invoices submitted to the Grantor for reimbursement included disallowed expenditures. The City made modifications to the scope of services prior to receiving written approval from the Grantor, which was obtained subsequent to the expiration date. The City did not progressively invoice the Grantor at various stages of project completion. Quarterly Project Status Reports (PSRs) required by the Grantor were submitted unsigned/incomplete. An extension of time from June 2009 to October 2009 was not included in Change Order No. 1, nor was correspondence requesting an extension of time evidenced in the project folder. Furthermore, payments were issued to the Contractor without all of the required approvals.

### FINDING 1

***Invoices submitted to the Grantor for reimbursement included disallowed expenditures, including items purchased erroneously, services rendered prior to the grant period, and a credit for another grant that was applied to this project.***

*Grant Agreement, Exhibit B, Paragraph 3 states, "Physical improvements and amenities on the project site will include security lighting throughout the site, an asphalt or concrete nature/fitness trail at least 1/4 mile in length with 6 to 8 fitness stations on it, several interpretive signs along the trail describing the history of the area and life along the river, a picnic pavilion (400 sq. feet with 4 picnic tables), a 10' x 40" canoe dock placed parallel to the shoreline that will allow public access to the park from the New River, a small playground, bike racks (2), minimal car parking (6 spaces), and several garbage cans placed throughout the site."*

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*Broward County Administration Manual 2008-2009, Funding Restrictions, General Restrictions states, "...Grant funds may not be used for: Expenses incurred or obligated prior to or after the grant period."*

Our review to determine whether expenditures were allowed/eligible and in compliance with the grant agreement revealed (net) expenditures totaling \$13,703 were disallowed as follows.

| Qty   | Unit Cost/<br>Lump Sum | Unit | Item  | Reason Disallowed                                    | Total           |
|---|------------------------|------|---|--|-----------------|
| 3   | \$2,500.00             | each | Light poles                                   | Purchased erroneously                                | \$7,500.00      |
|   | 1,580.00               |      | Survey-appraisal                              | Expended prior to grant period                       | 1,580.00        |
|   | 5,139.00               |      | Survey  | Expended prior to grant period                       | 5,139.00        |
|   | 17.14                  |      | FY Ended 9/30/06 State                        | Expended prior to grant period for State of Florida, | 17.14           |
|   |                        |      | Single Audit Fee Allocation                   | Dept. of Community Affairs Grant Contract            |                 |
| <i>Credit should not have been applied to this project since unrelated; thus, amount should have been billed.</i> |                        |      |   |  |                 |
|   | (533.49)               |      | Credit for missing parts from Ann Herman Park | Unrelated project                                    | (533.49)        |
| <b>Net Expenditures Disallowed</b>  |                        |      |   |  | <b>\$13,703</b> |

Grant program guidelines were not enforced to determine allowability/eligibility of project expenditures. Furthermore, expenditures were not reviewed from the onset of the grant project in order to prevent, detect, and correct within the grant period and/or prior to close-out.

Enforcement of procedures to review all expenditures for eligibility throughout the grant period and prior to submission for reimbursement to the Grantor will assist in maximum utilization and ensure compliance with the grant requirements.

### RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Assistant Parks and Recreation Director* should require the *Grants Administrator (GA)* to:

**Recommendation 1.** *Review and determine eligibility of expenditures associated with each grant are in accordance with grant program guidelines from the onset and throughout the project/program in order to prevent, detect, and correct within the grant period.*

**Management Comment.** *Management concurred with the finding and recommendation and stated: "GA and Project Manager have been instructed to confirm final design at start of construction and review again at completion of*

## REPORT OF AUDIT NO. 09/10-XX-07

construction. This is to be effective immediately (July 2010).” **This item is closed.**

The *City Engineer* should require the *Assistant City Engineer* to:

**Recommendation 2.** *Verify with the Grants Administrator and grant agreement that the order “quantity” on the requisition for a purchase order agrees with the quantity required in the grant agreement prior to submission for processing/purchase order approval.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “Effective immediately, the Assistant City Engineer and Construction Management personnel will verify and confirm the final design requirements and that the quantity indicated on the purchase order agrees with the quantity required in the grant agreement prior to submission for processing and purchase order approval.” **This item is closed.**

### **FINDING 2**

***Changes were made to the scope of services prior to receiving required written approval from the Grantor, which was obtained subsequent to the expiration date.***

*Grant Agreement, Article 1 Definitions and Identifications, 1.6 Project states, "The Project consists of the services described in Article 2." Article 2 Scope of Services, Section 2.1 states, "Contractor shall perform all services identified in this Agreement, the Grant Program Guidelines attached hereto as Exhibit "A," the Grant Project Description,...attached hereto as Exhibit "B,"...." Section 2.2 states, "The Contract Administrator may approve changes to the Scope of Services, Project description, unit of services, and changes within the categories of expenditures listed in Exhibit "A", provided that the total grant dollars awarded to Contractor remains unchanged, the revisions are consistent with the grant application and the Grant Program guidelines, and the revisions do not diminish the quantity or quality of services to be provided."*

*Exhibit "A" Grant Program Guidelines, Section II.C. Scope of Project states, "Contractor shall erect a permanent sign acceptable to the Contract Administrator identifying the 2000 Broward County Safe Parks and Land Preservation Bond Program and County as a funding source of Project construction...."*

## REPORT OF AUDIT NO. 09/10-XX-07

*Exhibit "B" Grant Project Description, Paragraph 3 states, "... Physical improvements and amenities on the project site will include security lighting throughout the site, an asphalt or concrete nature/fitness trail at least 1/4 mile in length with 6 to 8 fitness stations on it, several interpretive signs along the trail describing the history of the area and life along the river, a picnic pavilion (400 sq. feet with 4 picnic tables), a 10' x 40' canoe dock placed parallel to the shoreline that will allow public access to the park from the New River, a small playground, bike racks (2), minimal car parking (6 spaces), and several garbage cans placed throughout the site. ...The city will complete the following activities and be reimbursed for the activities up to the cost of the grant award...."*

*Report of Audit No. 08/09-XX-12, "The Parks and Recreation Director should require the Grants Administrator to: Recommendation 1. Request and receive the required written approval(s) from the Grantor prior to any changes to scope of services. Management Comment. Management concurred with the finding and recommendation and stated: Grants staff has been instructed to obtain written documentation from the Grantor of any changes to scope of services (August 2009). This item is closed."*

On February 23, 2010, we conducted a walkthrough to determine compliance with scope of services requirement in the grant agreement revealed the following.

| <b>Scope of Services Work Items Completion Status</b>   |
|---|
| <b><i>Completed:</i></b>  |
| Gazebos (2), Playground Equipment/Resurfacing, Fitness Trail (ADA Mulch), Light poles (11), 5' x 65' walkway in front of parking spaces, Bike racks (1), Playground (ADA Mulch), Wood Fence around playground 3' Ht., Trash cans (7), Landscaping up to, Permanent sign identified Broward County Safe Parks and Land Preservation Bond Program and County as funding source of project but did not include the bond year "2000." |
| <b><i>Partially Completed:</i></b>  |
| Fitness station workout signs (3), Parking spaces (5), Water Fountains (1), Picnic tables (8), Park bench (5).  |
| <b><i>Not Completed:</i></b>  |
| Several interpretive signs along the trail describing the history of the area and life along the river, flag pole (1), 10' x 40' canoe dock placed parallel to the shoreline that will allow public access to the park from the New River.  |
| <b><i>Additional/Not in Scope:</i></b>  |
| Standard park rules sign (2); 10x8x6 chain link fence.  |

All required scope of service work items were not completed upon grant project expiration date and others were done in addition that were not in the scope. The Grants Administrator redefined the scope of services; however, no written approval was obtained from the Grantor during the grant period.

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On March 25, 2010, the Grants Administrator sent a letter to the Grantor subsequent to the project completion date, requesting approval for changes to the scope of services as a result of this audit. On March 26, 2010, written confirmation was obtained from the Grantor approving requested changes to the scope of services; and on April 7, 2010, approval of the financial assistance sign without the bond year not being an issue.

Enforcement to request and obtain written approval from the Grantor for changes to the scope of services prior to modifications to agreed project elements will maintain compliance with grant agreement and City requirements.

### **RECOMMENDATIONS AND MANAGEMENT COMMENTS**

The *Assistant Parks and Recreation Director* should require the *Grants Administrator* to:

**Recommendation 3.** *Request and receive the written approval(s) from the Grantor prior to any changes to the scope of services/project.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “GA is to obtain approvals in writing from the Grantor prior to any changes to scope of services. GA is to be notified by Project Manager before design changes are implemented. This is to be effective immediately (July 2010).” **This item is closed.**

**Recommendation 4.** *Include/upload all grant change request(s) (i.e., scope of service work items) and approval(s) received from the Grantor into the Grants Management and Tracking System.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “GMTS is to be kept current. This is to be effective immediately (July 2010).”

## REPORT OF AUDIT NO. 09/10-XX-07

### FINDING 3

***The Grants Administrator did not progressively invoice the Grantor at various stages of project completion as allowed in the grant agreement. Furthermore, quarterly Project Status Reports (PSRs) submitted to the Grantor were not always signed/complete.***

*Grant Agreement, Article 4 Compensation, Section 4.3.1 states, "Contractor may submit an invoice(s) for payment on this Project after the Project has been completed in each of four (4) segments as follows: Twenty-five Percent (25%) of the total County payment set fourth in Section 4.1 above after completion of Twenty-five Percent (25%), Fifty Percent (50%), Seventy-five Percent (75%) and One Hundred Percent (100%) of the Project's development, minus the retainage amount described in Section 4.4 below. The amounts withheld, including retainage, shall not be subject to payment of interest by County."*

*Exhibit "A," Section III, Paragraph A. Required Documentation for Services Rendered states, "Contractor shall submit to the Contract Administrator signed quarterly Project status reports on a calendar basis summarizing work accomplished, problems encountered, percentage of completion, and other appropriate information."*

The City did not progressively bill the Grantor at the various stages of completion permitted by the grant agreement. Although contract work pertaining to the grant had reached 25% completion in May 2009, the City did not invoice the Grantor until project completion (100%) in December 2009. Furthermore, 7 of 12 (58%) quarterly PSRs for the project from December 2006 through December 2009 were not signed by the Grants Administrator. Other criteria, including problems encountered and percentage of completion was not recorded on the first quarterly even if there were no problems encountered and 0% completion.

The Grants Administrator did not have a system in place to progressively bill the Grantor when each stage of completion was reached; and quarterly PSR forms were not reviewed for completion and signed prior to submission to the Grantor.

By not billing progressively, the City did not maximize its investment earnings potential. Furthermore, PSRs that are signed/complete communicate to the Grantor assurance that the project is on schedule, any problems encountered, and corrective action taken.

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### RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Assistant Parks and Recreation Director* should require the *Grants Administrator* to:

**Recommendation 5.** *Track and monitor the project's completion status to invoice progressively in the future, stages of completion permitted in the grant agreement in order to fully maximize the City's investment/earnings potential.*

**Management Comment.** *Management concurred with the finding and recommendation and stated: "Submit all Contractors' invoices upon payment by the City in a timely manner for reimbursement from the Grantor. This is to be effective immediately (July 2010)." This item is closed.*

**Recommendation 6.** *Sign off on PSRs after reviewing that all information required has been recorded/completed prior to submission to the Grantor.*

**Management Comment.** *Management concurred with the finding and recommendation and stated: "All PSR's are to be signed by GA, with a copy to Asst. Parks and Recreation Director. This is to be effective immediately (July 2010)." This item is closed.*

### FINDING 4

*An extension of time from the original completion date June 12, 2009 to October 2009 was not included in Change Order No. 1 to the original contract with Contractor (Leadex Corporation), nor was correspondence from the Contractor requesting the extension of time evidenced in the project folder.*

*Construction Standards and Specifications, Section 5, General Conditions, 5-18 Extension of Time states, "The Contractor shall not be entitled to any claim for damages for any hindrances or delay from any cause whatsoever, but such hindrances or delay may entitle him to an extension of time for completing work. Said extension shall be, as determined by the Owner, sufficient to compensate for the extension, provided it shall have immediate notice from the Contractor, in writing, of the cause and the probable length of detention; however, neither an extension of time for any reason beyond the date set herein, nor the acceptance of any work subsequent to said*

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*date, shall be deemed a waiver by said party of the first part of the right to abrogate the contract for delay.”*

During our review of compliance with insurance requirements in the construction contract, we noticed that a formal request for an extension of time of the project completion date from June 12, 2009 (original expiration date) to October 2009 was not evidenced in the Engineering project folder, nor was it included in Change Order No. 1 dated October 1, 2009 and approved March 31, 2010. A memorandum was provided to Internal Audit as a result of this review, which was dated June 25, 2010, subsequent to the time extension granted and issued to “The File.”

According to the Project Manager/Architect, the reason for the extension of the project completion date was due to additional work and rain delays, permitting inspection, and other construction. However, the project folder did not evidence any correspondence with the Contractor requesting an extension of time and/or the City formally approving same. It was further stated that the change order for the extension of time would be included with the additional work; however, had not been drafted to date and would be after the fact.

Enforcement of provision to obtain extension request in writing and to document approval/authorization will prevent unauthorized changes to the existing contract from occurring.

### **RECOMMENDATION 7**

*The City Engineer should require the Construction Manager to enforce the provision to obtain any extension of time request from the Contractor in writing prior to any changes to the existing contract and to document same in the project folder.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “Effective immediately, Construction Management will require that any requests for any extension of time from the contractor be in writing and whether approved or disapproved, all responses, approvals and/or authorizations, with respect to those requests, will be in writing as well. Additionally, copies of all correspondence with respect to any time extension will be placed in the permanent project file.” **This item is closed.**

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### FINDING 5

***Engineering and Project Management Division's internal controls were inadequate to detect whether required approvals were obtained prior to issuance of payments to the Contractor. Furthermore, current billing percentages of work completed were not evidenced on periodic estimates for partial payment.***

*According to Public Works/Engineering and Project Management Division's Project Payment Processing Procedures the following positions are required to sign/approve the Contractor's Progress Draw/Periodic Estimate for Partial Payment/Estimate for Payment.*

- Contractor
- Project Inspector
- Inspector Supervisor
- Project Engineer
- Construction Manager/Supervising Engineer
- City Engineer

Our review of support documentation for 3 of 3 (100%) partial payments to the Contractor totaling \$264,000 for the period April 6, 2009 through September 30, 2009 revealed missing authorizations although payments were issued.

| Title                      | Partial 1 | Partial 2 | Partial 3 | Total |
|----------------------------|-----------|-----------|-----------|-------|
| Supervising Inspector      |           |           |           | 1     |
| Project Engineer/Architect |           |           |           | 2     |
| Total Signatures Missing   |           |           |           | 3     |

**Legend:**

 Signature Missing

Furthermore, current billing percentages of work completed were not evidenced on periodic estimates for partial payment.

The Engineering and Project Management Division did not adequately monitor Contractor progress draws to validate all required reviews/signatures had been obtained and percentages of completion evidenced prior to issuance of payment.

Properly documented verifications/authorizations reduce the risk of paying the Contractor for substandard/incomplete work that could result in liability issues and the need for corrective action; thus, creating additional cost to the City.

## REPORT OF AUDIT NO. 09/10-XX-07

### RECOMMENDATION 8

*The City Engineer should require the Construction Manager to conduct a final review of Contractors' progress draws to ascertain that all required authorizations are evidenced and current billing percentages of work items completed are evidenced prior to issuance of payments to Contractors.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* "Effective immediately, for all new projects, prior to the pre-construction meeting held before the commencement of work, the Payment Application to be used for that specific project will be reviewed by the City Engineer and Construction Manager and if required due to the nature of that specific project, the Pay App signature lines will be revised to reflect only the authorizations required for that specific project. Additionally, Construction Management will verify and insure that accurate percentages of all work completed are evidenced prior to the approval and issuance of any payment." **This item is open.**

### EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.



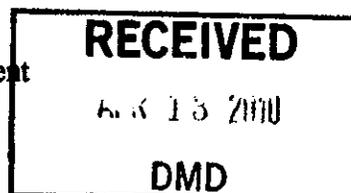
Venice of America

CITY OF  
FORT LAUDERDALE

April 13, 2010

Hand Delivered

Jennifer Jurado, Ph.D., Director  
Broward County Environmental Protection Department  
Biological Resources Division  
1 North University Drive, Suite 301  
Plantation, Florida 33324



**Subject:** Special Report – Agreement Between Broward County and the City of Fort Lauderdale for Coontie Hatchee Landing through the Broward County Challenge Grant Program

Dear Dr. Jurado:

The Internal Audit Division has applied certain audit procedures, as discussed below, to the accounting records of the City of Fort Lauderdale (City) in order to determine compliance with the requirements applicable to the **Challenge Grant for Coontie Hatchee Landing**, as detailed in the accompanying schedule of revenues and expenditures for the period ending December 13, 2009. The management of the Parks and Recreation Department is responsible for the City's compliance with those requirements. Our responsibility is to determine whether the revenues and amounts received from Broward County were expended in accordance with the agreement and to determine compliance with those requirements based on our review.

We conducted our audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance with regard to whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements.

The results of our tests indicate that with respect to the items tested, the City generally complied with the provisions of the agreement and the revenues and amounts due from Broward County were expended in accordance with the agreement with the exception of \$13,702.65 (net) expenditures invoiced that were disallowed as detailed in the attached **Schedule**.

With respect to the items not tested, nothing came to our attention that caused us to believe the City had not complied, in all material respects with those other provisions. Additionally, it was determined that there were no funds, including interest earned on such funds, due back to the County.

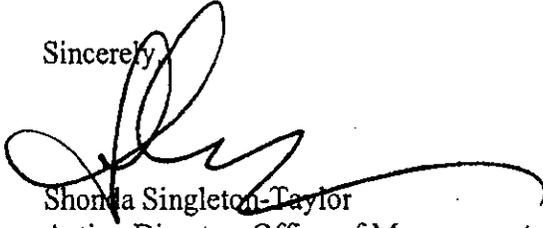


Dr. Jennifer Jurado

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4/13/10

Sincerely,



Shonda Singleton-Taylor  
Acting Director, Office of Management and Budget

SST/RF/am/10-10/ROA No. 09/10-XX-06

Enclosure -- Schedule

- c: Paul Krashefski, Grant Administrator for Land Stewardship Program, Broward County  
Environmental Protection Department  
George Gretsas, City Manager  
Allyson C. Love, Assistant City Manager  
David Hebert, Assistant City Manager  
Ted Lawson, Assistant City Manager  
Phil Thornburg, Parks and Recreation Director  
Kathleen Gunn, Director of Grants and Legislative Affairs  
Lynda Flynn, Interim Director of Finance  
Dawn Johnson, Treasury Accountant II  
Lori Dimeolo, Parks and Recreation Administrative Assistant I

City of Fort Lauderdale  
Broward County Challenge Grant - Coontie Hatchie Landing  
Schedule of Revenues and Expenditures  
For the Period Ending 02/28/10

|   | <b>Broward<br/>County<br/>Contract</b> | <b>Total<br/>Program</b> |
|---|--|--------------------------|
| <b>REVENUES:</b>  | <b>P11016.129</b>                      |                          |
| <i>Intergovernmental</i>                                  |  |                          |
| Received from Broward County                              | \$351,574                              | \$351,574                |
| Due from Broward County                                   | 38,561                                 | 38,561                   |
| <b>Total Revenues</b>                                     | <b>\$390,134</b>                       | <b>\$390,134</b>         |
| <b>EXPENDITURES:</b>                                      |  |                          |
| Construction  | \$292,753                              | \$292,753                |
| Testing Svcs  | 2,050                                  | 2,050                    |
| Admin   | 396                                    | 396                      |
| Permits   | 250                                    | 250                      |
| Equipment   | 94,686                                 | 94,686                   |
| <b>Total Expenditures</b>                                 | <b>\$390,134</b>                       | <b>\$390,134</b>         |
| <b>Excess of Revenues Over -<br/>(Under) Expenditures</b> |  | <b>\$0</b>               |

## Note:

| Qty  | Unit Cost/<br>Lump Sum | Unit | Item   | Reason Disallowed  | Total        |
|--|------------------------|------|--|--|--------------|
| 3  | \$ 2,500.00            | each | Light poles  | Not installed  | \$ 7,500.00  |
|  | 1,580.00               |      | Survey-appraisal   | Expended prior to grant period   | 1,580.00     |
|  | 5,139.00               |      | Survey   | Expended prior to grant period   | 5,139.00     |
|  | 17.14                  |      | FY Ended 9/30/06 State<br>Single Audit Fee<br>Allocation | Expended prior to grant period for State<br>of Florida, Dept. of Community Affairs<br>Grant Contract | 17.14        |
| Credit should not have been applied to this project since unrelated; thus, amount should have been billed. |                        |      |  |  |              |
|  | (533.49)               |      | Credit for missing parts<br>from Ann Herman Park         | Unrelated project  | (533.49)     |
| Net Expenditures Disallowed  |                        |      |  |  | \$ 13,702.65 |

|                                      |               |
|--------------------------------------|---------------|
| Invoice (AR1000392)                  | \$ 403,837.00 |
| Less: Net Expenditures Disallowed    | (13,702.65)   |
| Revised Invoice Total                | \$ 390,134.35 |
| Less: Revenue received February 2010 | (351,573.81)  |
| Total Due                            | \$ 38,560.54  |