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CERTIFIED PUBLIC ACCOUNTANTS

A PROFESSIONAL LIMITED LIABILITY COMPANY

CLIENT BULLETIN – SEPTEMBER 2009

American Recovery and Reinvestment Act of 2009 **(also known as “Recovery Act” or “ARRA”)**

By now, you most likely have heard about the Recovery Act, signed into law on February 17, 2009. The purpose of this bulletin is to

- Provide a brief description of the Recovery Act,
- Alert you to important websites,
- Provide tips for meeting the requirements of the Act, and related audits, and
- Communicate key items from the implementation guidance.

According to provisions of the Act, its purpose is to create and save jobs, jumpstart our economy, and build the foundation for long-term economic growth. The Act includes measures to modernize the nation’s infrastructure, enhance America’s energy independence, expand educational opportunities, increase access to health care, provide tax relief, and protect those in greatest need.

To find more information:

1. Visit Recovery.gov – a user-friendly, public-facing website to foster greater accountability and transparency in the use of covered funds. The website shall be a portal or gateway to key information relating to the Act and provide connections to other government websites with related information.
 - a. In order to accomplish the mission set out in the Recovery Act, and provide information for the public to monitor the progress of the stimulus package, Recovery.gov features:
 - i. Weekly updates of the agencies’ funding notifications and financial and activity reports
 - ii. Map presenting state-by-state funding
 - iii. Graphs charting the weekly progress of agencies’ made available and paid-out funds
 - iv. Map showing the recipients of funds and the resulting projects
 - v. Written reports on the agencies’ plans for where and how they’ll spend the funds
 - vi. Information on Federal contracts, grants and loans
 - vii. A map illustrating the estimates of jobs to be created or saved and links to job information sites
 - viii. Links to State Recovery sites and other government Recovery sites
 - ix. Tools for the public to report for waste, fraud and abuse of recovery funds
 - x. Oversight audits by the Inspectors General of each Agency

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- b. Will include links to and information about how to access job and registered apprenticeship opportunities, local employment agencies, and State Job Banks as required by the Act.
 - c. Will provide unprecedented transparency into how and where federal funds are spent.
 - i. Each recipient is required to report on a number of data elements.
 - ii. Detailed information on the data elements will be provided by Federal agencies to funding recipient in the standard terms and conditions of individual award agreements.
 - d. Recovery.gov will continue to evolve to reflect additional data as it is collected.
2. Become familiar with “Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009”
- a. Outlines necessary enhancements to standard processes for awarding and overseeing funds to meet accelerated timeframes and other unique challenges posed by the Recovery Act’s transparency and accountability framework.
 - b. Provides clarity on the information to be reported on Recovery.gov and the information required to be reported on agency websites.

Impact on You:

This section includes the potential impact on your organization and steps that should be taken immediately to address the requirements of the Recovery Act. This information has been compiled from a review of the Implementation Guidance (key excerpts of which can be found below this section) and research of and correspondence from a variety of state and federal agencies.

- 1. Appoint someone within your organization to track Recovery funds.
- 2. Review grant and loan agreements for specific requirements related to funds you have received or will be receiving.
- 3. Review your general ledger or accounting system to determine that Recovery Act funds have been segregated from non-Recovery Act funds.
 - a. To the extent possible, this includes separately identified revenue and expenditure accounts for Recovery Act funds (for each program).
- 4. If you have received \$25,000 or more in Recovery Act funds you are required, under Section 1512 of the Recovery Act, to report on the expenditure of those funds. Register at FederalReporting.gov in preparation for October 1 when the reporting process begins.
 - a. The reporting deadline for funds expended through September 30, 2009 is October 10, 2009.
 - b. Quarterly reporting will then be required by the 10th day of the month following each quarter.
 - c. If funds have been passed through the State, review correspondence from State agencies to determine who is responsible for reporting requirements.
 - i. For instance, the Compensation Board designated a portion of funds distributed between February and May 2009 as ARRA funds. Correspondence from the Compensation Board states that they are responsible for reporting requirements related to these funds. That being said, the Compensation Board may request and compile information from each organization that received these funds, in order to report back to the Federal government on Recovery.gov.
- 5. Audit Impact:
 - a. The receipt and expenditure of the Recovery Act funds will receive great scrutiny from a variety of sources, including federal agencies, state agencies, independent auditors, etc.
 - b. Notify your auditor of Recovery Act funds received and spent during fiscal year 2009.

- c. If you expended more than \$500,000 in total federal awards, you are required to have a Single Audit.
 - i. If you expended more than \$300,000 in Recovery Act funds for individual programs, then each program must be audited as a major program.
 - ii. Recovery Act funds must be separately identified in your Schedule of Expenditures of Federal Awards so be prepared to provide relevant information, such as CFDA numbers.

Key Excerpts from OMB's "Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009"

What reporting will be collected from recipients of Federal funding for reporting on Recovery.gov?

The Recovery Act and implementation guidance require extensive reporting from recipients of Federal funding. The Recovery Act defines "recipient" as any entity that receives Recovery Act funds directly from the Federal Government (including Recovery Act funds received through grant, cooperative agreement, loan, or contract) other than an individual and includes a State that receives Recovery Act funds. See Section 1512 of the Recovery Act.

These reporting requirements apply to the prime non-Federal recipients of Federal funding. The prime recipient is responsible for reporting on their use of funds as well as any sub-awards (i.e. sub-grants, subcontracts, etc.) they make. This level of reporting, as required by the Recovery Act, will provide unprecedented transparency into how and where Federal funds are spent.

In limited circumstances, recovery funds will go from a Federal agency to a State, and then to a local government or other local organization. In this case, the current reporting model will not track funds to subsequent recipients beyond these local governments or other organizations. OMB plans to expand the reporting model in the future to also obtain this information, once the system capabilities and processes have been established.

When will the recipient reporting required by Section 1512 begin?

Section 1512(f) of the Recovery Act requires recipient reporting to begin 180 days after enactment, and for reports to be submitted by recipients 10 days after the end of each calendar quarter. This results in an initial statutory reporting deadline of October 10, 2009, with quarterly reports due 10 days after the end of each calendar quarter thereafter.

Agencies should instruct recipients to submit reports by October 10, 2009, which cover cumulative activity since the passage of the Recovery Act, including all sub-awards (or modifications to existing awards) made which utilize Recovery Act funding. Therefore, agencies must require recipients to maintain cumulative data through the October 10th reporting period.

Detailed reporting instructions will be made available at www.FederalReporting.gov no less than 45 days before the October 10, 2009 reporting deadline.

Will OMB publish standardized guidance on the recipient reporting required by Section 1512 of the Recovery Act that will apply across all federal agencies?

Yes. Recovery Act reporting requirements must be consistent across agencies, and OMB has coordinated the development of standard terms and conditions for Federal grants, loans, contracts and other awards. While Federal agencies will continue to have discretion in the data they choose to collect for their programs, the information required for display on Recovery.gov will be standardized to the extent possible.

What are the requirements for reporting the number of jobs created?

For recipients: submitted for each project or activity, as required by Section 1512(c)3(D) of the Recovery Act. These reporting requirements only apply to non-Federal recipients who receive funding provided through discretionary appropriations. In order to ensure recipient reporting of estimated jobs created or retained, OMB has worked with agencies to include job reporting requirements in the terms and conditions of contract, grant, and loan agreements.

At a minimum, each recipient shall provide:

1. A brief description of the types of jobs created or jobs retained in the United States and outlying areas.
 - a. “Jobs created” means those new positions created and filled, or previously existing unfilled positions that are filled, as a result of Recovery Act funding.
 - b. “Jobs or positions retained” means those previously existing filled positions that are retained as a result of Recovery Act funding.
 - c. Recipient descriptions may rely on job titles, broader labor categories, or the recipients existing practice for describing jobs as long as the terms used are widely understood and explain the general nature of the work.
 - d. Note that a job cannot be reported as both created and retained.
2. An estimate of the number of jobs created and jobs retained in the United States and outlying areas.
 - a. At a minimum, this estimate shall include
 - i. Any new positions created and any existing filled positions that were retained to support or carry out Recovery Act projects or activities managed directly by the recipient, and if known, by sub-recipients.
 - ii. The number shall be expressed as “full-time equivalent” (FTE), calculated cumulatively as all hours worked divided by the total number of hours in a full-time schedule, as defined by the recipient. For instance, two full-time employees and one part-time employee working half days would be reported as 2.5 FTE in each calendar quarter. Because FTE is calculated based on aggregate hours worked, temporary or part-time labor is not overstated. Recipients are encouraged to include information in their narrative used to calculate the FTE figure.

Prime Recipients are also encouraged to work closely with their Governors and State Workforce Investment Boards to facilitate the listing of all jobs generated through the Recovery Act on their State Job Banks. Links to State job banks are available at the Department of Labor’s Employment and Training Administration sponsored CareerOneStop website (www.jobbankinfo.org).

Can agencies co-mingle Recovery Act and non-Recovery Act funds?

No. To maximize transparency of Recovery Act spending required by Congress and the Administration, agencies must not co-mingle Recovery Act funds with other funds in apportionment requests they prepare for OMB; and, SF 133 budget execution reports.

Within their financial systems, agencies must establish an internal fund code and separately track apportionments, allotments, obligations, and gross outlays related to Recovery Act funds.

Agencies in some cases may need to use Recovery Act funds in conjunction with other funds to complete projects. They may do so, but they must separately track and report the use of Recovery Act funds for these projects.

Are Federal agencies expected to initiate additional oversight requirements for grants, such as mandatory field visits or additional case examinations for error measurements, to comply with grant rules and regulations?

Yes. Agencies must take steps, beyond standard practice, to initiate additional oversight mechanisms in order to mitigate the unique implementation risks of the Recovery Act. At a minimum, agencies should be prepared to evaluate and demonstrate the effectiveness of standard monitoring and oversight practices.

1. Performance Management and Accountability

- a. Agencies must adapt current performance evaluation and review processes to include the ability to report periodically on completion status of the program or activity, and program and economic outcomes, consistent with Recovery Act requirements.
- b. Agencies in consultation with the Inspectors General, shall establish procedures to validate the accuracy of information submitted on a statistical basis and/or risk based approach as approved by OMB.

2. Internal Controls Assessment

- a. Consistent with normal practices, agencies must use appropriate internal control assessments to assess the risk of program waste, fraud, and/or abuse. Using the aforementioned risk assessments, agencies must have defined strategies, developed with input from the Inspector General for the agency, to prevent or timely detect waste, fraud, or abuse.
- b. Also, consistent with Section 3 of this Guidance, agencies should initiate additional measures, as appropriate, to address higher risk areas.

What audit tools will be used to drive accountability for Federal awards and ensure accountability for Federal loans and loan guarantees under the Recovery Act?

- Non-Federal entities (States, local governments, tribes, and non-profit organizations) are required by the Single Audit Act Amendments of 1996 (Single Audit) and OMB Circular A-133 to have an annual audit of their Federal awards (e.g., grant programs).
- Consistent with Section 3 of this Guidance, Federal agencies will perform a risk analysis of Recovery Act programs and request OMB to designate any high risk programs as Single Audit major programs, i.e., programs which must be tested in a particular year.

- In addition to single audits, OIGs will use risk assessment techniques where data is available to identify high risk programs and non-Federal entities to be targeted for priority audits, inspections, and investigations with faster turnaround reporting.
- OIGs will perform audits and inspections of their respective agencies awarding, disbursing, and monitoring of Recovery Act funds to determine whether safeguards exist for funds to be used for their intended purposes.

What steps will be taken to make Single Audits effective in promoting accountability of Recovery Act grants?

- OMB will use the OMB Circular A-133 Compliance Supplement to notify auditors of compliance requirements which should be tested for Recovery Act awards. OMB will issue interim updates as necessary to keep Recovery Act requirements current.
- Offices of Inspectors General (OIGs) will reach out to the auditing profession and provide technical assistance and training as well as perform quality control reviews to ensure single audits are properly performed and improper payments and other non-compliance are fully reported. OIGs will perform follow-up reviews of Single Audit quality with emphasis on Recovery Act funds and report the results on Recovery.gov.

How will transparency be provided for the results of Single Audits?

- For fiscal years ending September 30, 2009 and later, all Single Audit reports filed with the Federal Audit Clearinghouse (FAC) will be made publicly available on the internet. A link will be provided from Recovery.gov.
- Federal agencies will prepare and submit to OMB synopses of single audit findings relating to obligations and expenditures of Recovery Act funding.

