



## 2009 American Recovery and Reinvestment Act (ARRA)

*Understanding Compliance and Reporting Requirements  
Associated with ARRA Stimulus Funds*

November 19, 2009

*2009 American Recovery & Reinvestment Act*

## Today's Topics

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- Overview of ARRA
- Section 1512 Reporting Requirements
- Data Quality & Related Internal Control for Section 1512 Reporting
- ARRA Impact on Internal Controls and Single Audits

*Overview of the American Recovery  
and Reinvestment Act (ARRA)*

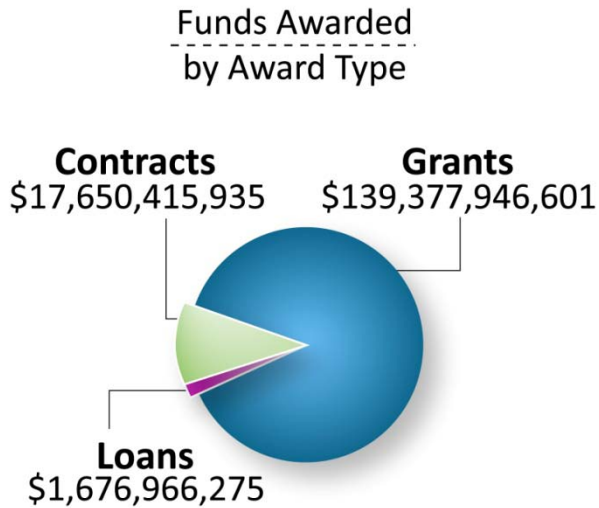
## Overview of ARRA

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- \$787B stimulus initiative (including over \$580B in additional spending) signed February 17, 2009
- Purposes:
  - ✓ preserve and create jobs
  - ✓ assist those most impacted by the recession
  - ✓ invest in science and health-care technology
  - ✓ invest in infrastructure
  - ✓ stabilize state and local government budgets
- Unprecedented Oversight and Accountability:
  - ✓ ARRA Section 1512
  - ✓ Single audit requirements

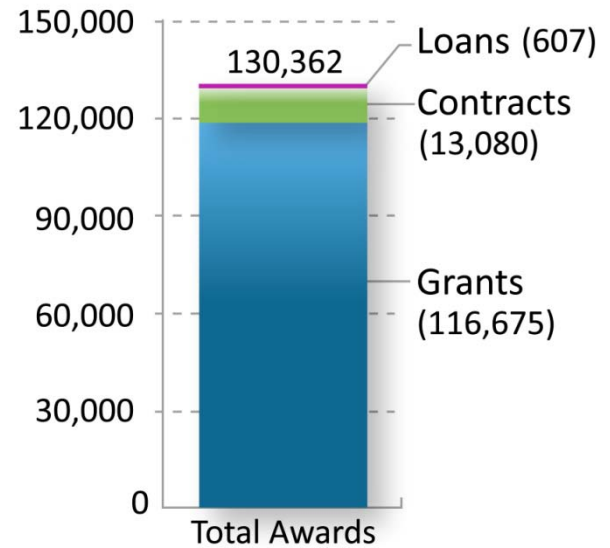
# Overview of ARRA Fund Allocations

## Overall ARRA Funding



## Texas ARRA Funding

As reported by prime and sub-recipients



Grants Contracts Loans Updated 10/30/2009

## Overview of ARRA Funding Opportunities



- Contracts: An award made directly to an independent recipient (not a state or government) by a federal agency - [www.FedBizOpps.gov](http://www.FedBizOpps.gov)
- Grants: Financial assistance awarded by a federal agency to a recipient to carry out a public project or service authorized by a law of the United States - [www.Grants.gov](http://www.Grants.gov)
- Loans: Funds provided to a recipient by a federal agency that will eventually be paid back to the government by the recipient - [www.GovLoans.gov](http://www.GovLoans.gov) & [www.SBA.gov](http://www.SBA.gov)

## Overview of ARRA

# Accountability and Transparency

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### ARRA Section 1512 | Outlines Reporting and Transparency Requirements of ARRA

- Establishes oversight and accountability process
- Mandates quarterly reporting by recipient on ARRA-funded program activities.

### Accountability and Transparency Board

- Provide transparency in relation to the use of ARRA funds
- Prevent and detect fraud, waste, and mismanagement

#### *The Board Can:*

- Audit and review stimulus spending
- Issue subpoenas to carry out its audit and review responsibilities
- Refer instances of fraud, waste, and mismanagement to federal Inspectors General
- Submit quarterly and annual reports to the President and Congress as well as "flash reports" on potential problems that require immediate attention
- Make recommendations to federal agencies on measures to prevent fraud, waste, and mismanagement of Recovery Act funds

## *Overview of ARRA*

# FederalReporting.gov

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- Central government-wide data collection system for Federal Agencies & Recipients of Federal awards under Section 1512 of ARRA.
- Recipients and Federal Agencies will have the ability to:
  - Register on the site and manage their account(s)
  - Submit reports
  - View and comment on reports
  - Update or correct reports when appropriate

# *Section 1512 Reporting Requirements*

## *Section 1512 Reporting Requirements*

# Who is Required to Report?

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### **The following entities are required to report on Funding:**

- Federal agencies (i.e. recipients) that have awarded and/or disbursed ARRA funds.
- Prime Recipients that have received ARRA awards directly from a federal agency. Prime recipients must also track and monitor reporting delegated to their sub-recipients.

#### *General exceptions include:*

- Entitlement/mandatory programs, except as specifically required by OMB
  - Programs described in Division B of the Recovery Act
  - Programs providing awards to individuals (not sole Proprietorships)
  - Recipients of loan guarantees (unless 100% FFB financed)
- Sub-Recipients - that have received Recovery Act awards from prime recipients and are delegated by the prime recipient to report on Recovery Act projects. If the prime recipient is reporting on your behalf, you do not need to register

## *Section 1512 Reporting Requirements*

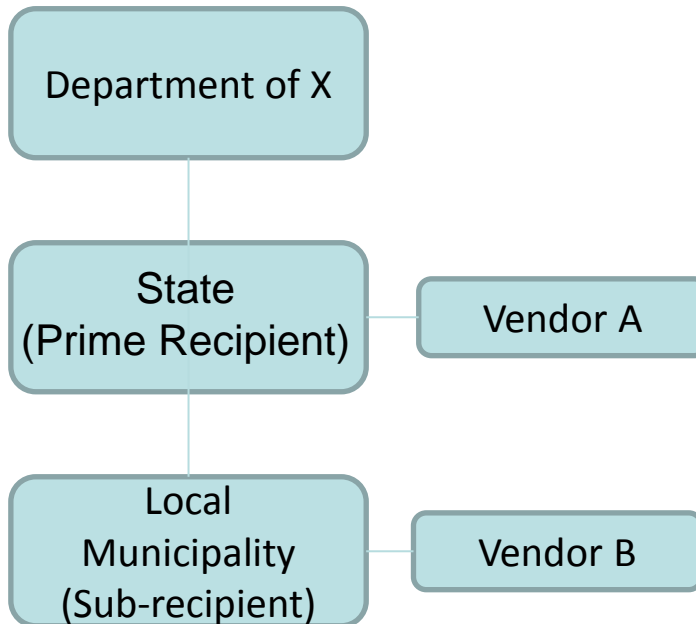
# What Reporting is Required?

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- Total amount of funds received - cumulative from enactment of ARRA
- ARRA funds obligated and expended to projects and activities
- Unobligated ARRA funds allotment balances
- ARRA funded projects and activities including:
  - The name of the project or activity
  - A description of the project or activity
  - An evaluation of the completion status of the project or activity
  - An estimate of the number of jobs created and the number of jobs retained by the project or activity;
- Detailed information on any subcontract or sub-award, including required data elements.

## Section 1512 Reporting Requirements

# Prime Recipients

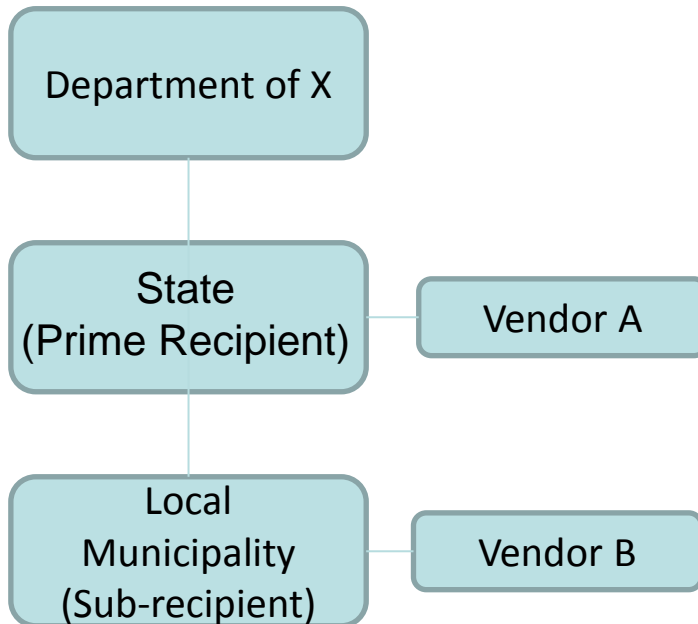


### Information Requested

- Federal Funding Agency Name
- Award identification
- Recipient D-U-N-S
- Parent D-U-N-S
- Recipient CCR information
- CFDA number, if applicable
- Recipient account number
- Project/grant period
- Award type, date, description, and amount
- Amount of Federal Recovery Act funds expended to projects/activities
- Activity code and description
- Project description and status
- Job creation narrative and number
- Infrastructure expenditures and rationale, if applicable
- Recipient primary place of performance
- Recipient area of benefit
- Recipient officer names and compensation (Top 5)
- Total number and amount of small sub-awards, less than \$25,000

## Section 1512 Reporting Requirements

# Sub-Recipients



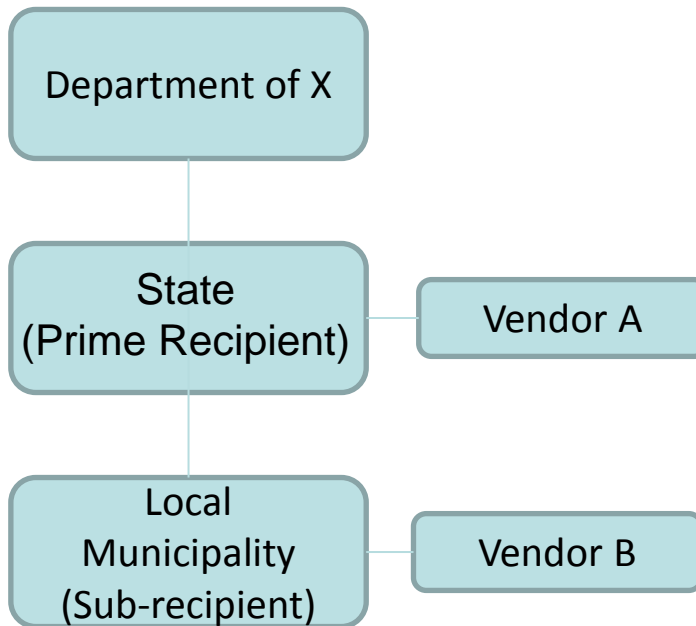
### Information Requested

(also referred to as FFATA Data Elements)

- Sub-recipient D-U-N-S
- Sub-recipient CCR information
- Sub-recipient type
- Amount received by sub-recipient
- Amount awarded to sub-recipient
- Sub-award date
- Sub-award period
- Sub-recipient place of performance
- Sub-recipient area of benefit
- Sub-recipient officer names and compensation (Top 5)

## Section 1512 Reporting Requirements

# Vendors



### Recipient Vendor Information Required

- D-U-N-S or Name and zip code of Headquarters (HQ)
- Expenditure amount
- Expenditure description

### Sub-recipient Vendor Information Required

- D-U-N-S or Name and zip code of Headquarters (HQ)

## *Section 1512 Reporting Requirements*

# How Are Reports Submitted

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**Initial reports were due October 10, 2009 (even if no money had been spent)**

- Report via [www.FederalReporting.gov](http://www.FederalReporting.gov)
- Centralized repository for ARRA Section 1512 Recipient Reporting

### **Importing/Entering Data for Section 1512 Reporting:**

- Online data entry in a Web-based browser
- Excel spreadsheet – downloadable and uploaded to site
- Custom software system extract in XML

# Section 1512 Reporting Requirements

## Section 1512 Reporting Requires Registration with FederalReporting.gov

The screenshot shows the FederalReporting.gov website. At the top is the logo and navigation links: Home, About, Downloads, FAQ, Help. Below this is a 'Log In' section with fields for 'User ID' and 'Password', and a 'Login' button. A link for 'I forgot my password' is also present. A red circle highlights the 'Not Registered?' section, which contains a 'Register Now' button. Below this is a 'Download Templates' section with buttons for 'Microsoft Excel' and 'XML Schema'. At the bottom left is a 'LIVE HELP' chat window with a 'Click Here To Chat' button and a 'Send' button. On the right side, there is a 'Messages' section with a list of announcements, and a 'Registration' section with detailed information about the registration process, including dates and requirements.

**FederalReporting.gov**

Home | About | Downloads | FAQ | Help

**Log In**

User ID

Password

Login

[I forgot my password](#)

**Not Registered?**

Register Now

**Download Templates**

Microsoft Excel

XML Schema

**LIVE HELP**

Click Here To Chat

Send

**Messages**

- **Registration is ongoing.** Registration for all Federal Agencies and Recipients begins Monday, August 17, 2009. Users are encouraged to register prior to the beginning of the reporting period.
- **Excel and XML Validation Tool Available September 15th:** Registered users of the system will have the ability to test the structure and business rules associated with a sample file to verify compliance before full reporting begins October 1st.
- **Reporting begins Thursday, October 1, 2009.** The FederalReporting.gov system opens for reporting on Thursday, October 1, 2009. The Service Desk will be available from 7 a.m. through 9 p.m. (ET) Monday through Friday throughout October. In addition, the Service Desk will be available from 9 a.m. through 5 p.m. on Saturday October 3rd and Saturday October 10th to assist users.
- **FederalReporting.gov will be unavailable** nightly from 9:30 p.m. through 6 a.m. (ET) for scheduled maintenance now through September 30th.

Home For Agencies For Recipients

**Registration**

Registration for all Federal Agencies and Awardees (Prime Recipients and Sub Recipients) begins on Monday, August 17th. Each individual who will be submitting or reviewing reports on behalf of an Agency or a Recipient must register as a user.

Before you can submit reports through FederalReporting.gov, you must complete a one-time registration.

You must meet certain pre-requisites to register. Meeting pre-requisites and registering with FederalReporting.gov may take **2 business days or more**, so please start early!

**Users will register as either a Federal Agency or a Recipient of an award.**

**Registering as a Federal Agency**

Federal Agencies are Federal entities which provide funds under the Recovery Act. Federal Agencies review and comment upon Recipient reports. Agencies may include both Funding Agencies and Awarding Agencies. Funding Agencies provide Recovery Act funds. An Awarding Agency awards/administers such funds through an award (such as a contract, grant, or loan). For example, the Department of Health and Human Services (HHS), as a Funding Agency, may engage the General Services Administration (GSA) to issue and manage a contract on its behalf. GSA is the Awarding Agency.

Typically, Funding Agency and Awarding Agency are the same. Note that Awarding Agencies will be reviewing reports in FederalReporting.gov. If you are affiliated with a Funding Agency only, you will not need to register with FederalReporting.gov.

## *Section 1512 Reporting Requirements*

# Step-by-Step Process

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### **Register**

- Online at [www.FederalReporting.gov](http://www.FederalReporting.gov) (Open since 8/17/09)
- Complete Registration before end of quarter

### **Report**

- Days 1-10 for submission.

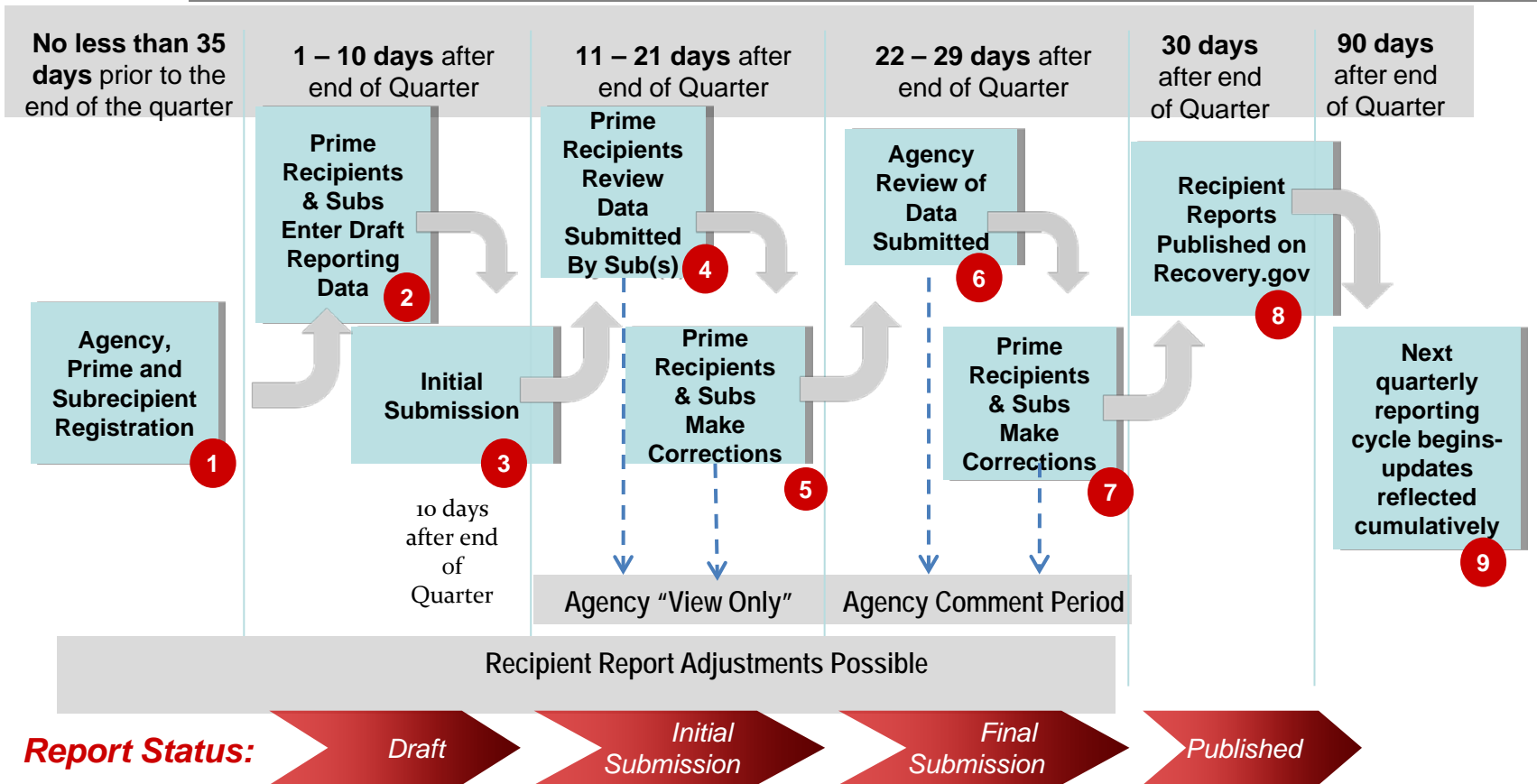
### **Review**

- Days 11-21 for Prime Recipient Review
- Days 22-29 for Agency Review
- Reports available for extract/download from [www.FederalReporting.gov](http://www.FederalReporting.gov)

### **Release**

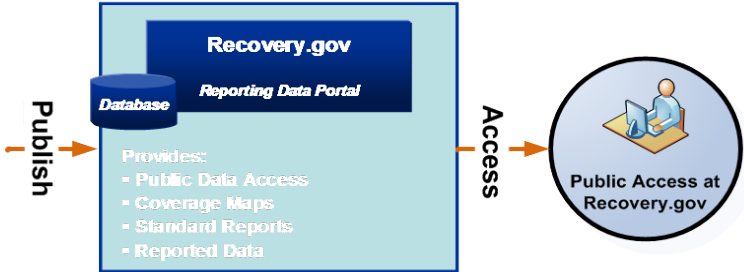
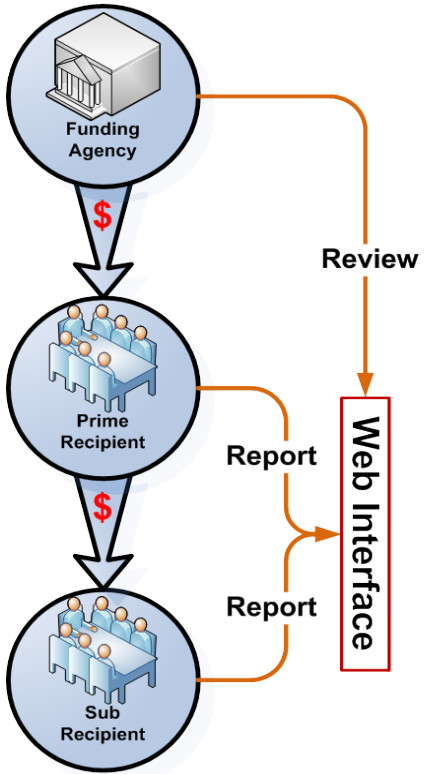
- Days 11-29 for Summary or Detailed Information
- Final Reports Available Day 30
- Reports indicate agency review status (e.g. Not Reviewed / Reviewed – No Comments / Reviewed – Comments Provided)

# Section 1512 Reporting Requirements Step-by-Step Process



# Section 1512 Reporting Requirements Making Information Public

All information will be available to the public through [www.Recovery.gov](http://www.Recovery.gov)



## *Section 1512 Reporting Requirements*

# Upcoming Deadlines

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### Reporting Period

The next reporting period: 4Q2009 (Oct. 1 – Dec. 31, 2009)

### Key Reporting Dates

<b>Jan 1, 2010</b>	Second Reporting Period Begins
<b>Jan 10, 2010</b>	Second Reporting Period Ends
<b>Jan 11 to 21, 2010</b>	Federal agencies will review data for validation
<b>Jan 22 to 29, 2010</b>	Recipients will be able to make any necessary changes to the data

## *Section 1512 Reporting Requirements*

# General Questions and Concerns

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**Can Section 1512 reporting be combined with existing Federal reporting requirements under OMB Circular A-133?**

- No, [www.FederalReporting.gov](http://www.FederalReporting.gov) is exclusively for Section 1512 reporting.
- Existing reporting method under OMB Circular A-133 through Data Collection Form remains unchanged.

### **Additional Reporting Issues**

- No waivers
- Non-compliance could be treated as a violation of the award agreement
- All information goes public on [recovery.gov](http://recovery.gov)

## *Section 1512 Reporting Requirements*

# Resources and Handouts

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**Office of Management and Budget | [www.whitehouse.gov/omb/recovery\\_default/](http://www.whitehouse.gov/omb/recovery_default/)**

- Supplement 1: OMB M-09-21
  - List of Programs Subject to Recipient Reporting\*
  - Approximately 300 programs listed
- Recipient Reporting Data Model / Data Dictionary
  - Required reporting data elements
- Frequently Asked Questions: OMB M-09-21
- Reporting and Implementation Webinars
- Payment Reports

# *Data Quality and Internal Controls*

# Key Data Issues To Avoid

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## Material Omissions

- *“Instances where required data is not reported or reported information is not otherwise responsive to the data requests resulting in significant risk that the public is not fully informed as to the status of a Recovery Act project or activity”*

## Significant Reporting Errors

- *“Instances where required data is not reported accurately and such erroneous reporting results in significant risk that the public will be misled or confused by the recipient report in question”*

# Who's Responsible for Data Quality?

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## Prime Recipients

- Owns recipient and sub-recipient data

## Sub-recipients

- Owns sub-recipient data

## Federal Agency

- Provides advice/programmatic assistance
- Performs limited data quality review

## Oversight Authorities

- Establish data quality expectations
- Establish data and technical standards
- Coordinate any centralized reviews

# How Can You Ensure Quality Data?

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1. **Conduct Data Quality Reviews**
2. **Establish strong internal controls to:**
  - Ensure accuracy, completeness and timely reporting
  - Establish control totals
  - Establish an estimated distribution chart to help identify outliers
  - Establish data review protocol
  - Establish procedures for cross-validation of data

*ARRA's Impact on Internal  
Controls and the Single Audit  
Process*

# ARRA's Impact on Internal Controls and Single Audits

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- Expectation of transparency and prevention of fraud
- Program risk considerations
- Internal control considerations
- Program compliance requirements
- Major program determination
- Schedule of Expenditures of Federal Awards
- Data Collection Form
- Overall Impact on the Audit Process

# Expectation of Transparency and Prevention of Fraud

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## **Role of U.S. Government Accountability Office (GAO)**

- Conduct bimonthly reviews of the use of funds for selected states and localities. [GAO has reported on 4/23, 7/7 & 9/23. Next report is expected mid Dec. 2009]
- Comment on estimates of number of jobs created and retained by projects and activities
- Review areas include new education incentive grants.

## **Role of U.S. Office of Management and Budget (OMB)**

- Develop government-wide implementation guidance for ARRA reporting
- Issue compliance supplements

## **Role of Recovery Accountability and Transparency Board (Board)**

- Coordinate and conduct oversight of funds distributed in order to prevent fraud, waste, and abuse
- Issue quarterly and annual reports on the use of ARRA funds and any oversight matters
- Establish and maintain [www.recovery.gov](http://www.recovery.gov)

# Expectation of Transparency and Prevention of Fraud *(continued)*

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## Role of Prime Recipient

- Owns recipient data and sub-recipient data
- Initiates appropriate data collection and reporting procedures to ensure that Section 1512 reporting requirements are met in a timely and effective manner
- Establishes mechanisms to separately track ARRA expenditures, projects and activities
- Implements internal control measures as appropriate to ensure accurate and complete information
- Performs data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data and working with the designated sub-recipient to address any data quality issues
- Implements internal control measures to ensure compliance with applicable OMB cost and administrative circulars
- Considers and hires additional staff where necessary

## Result of ARRA's Transparency Requirements

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- Single Audit to be utilized as a key risk assessment and monitoring tool over expenditures of ARRA grants and contracts
- ARRA expenditures are considered higher risk programs for the purpose of Single Audit procedures
- Complete Single Audit reports (including findings) will be publicly available for years ending on/after September 30, 2009
- Increase in desk reviews and monitoring by oversight agencies
- Findings by either the independent auditor or oversight agencies elevate the risk rating of recipient/subrecipient and trigger an increased scope of the Single Audit in the subsequent years, resulting in higher audit costs
- Recipients and subrecipients may be better-off using independent accountants to evaluate their controls for financial accountability and program compliance

# Program Risk Considerations

## Key Questions to ask before pursuing ARRA funds:

- Are ARRA fund requirements incorporated into agency policies?
- Have staff been trained to effectively implement ARRA requirements?
- Are reporting mechanisms established?
- Can you separate tracking of ARRA funds?
- What is your ability to undertake the ARRA funded project or activity?

## Steps to Mitigating Risks:

- Establish a process for accepting ARRA funds (should be a conscious management decision)
- Review application requirements carefully and be aware of ARRA compliance requirements
- Establish a governance or similar body to oversee/manage ARRA funds
- Be prepared to follow ARRA guidelines in full

# Internal Control Considerations

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## What is Internal Control?

All forms of control (both financial and otherwise) established by an entity's board, management and other personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- Completeness, accuracy and reliability of records
- Operational orderliness and efficiency
- Compliance with laws and regulations
- Safeguarding of assets

## Internal Control Considerations

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ARRA demands that you assess internal control for risks of fraud, waste, errors and inaccurate information.

**For Consideration:**

- Adequacy of controls over federal expenditures to prevent unallowable expenditures
- Adequacy of controls and processes to separately identify and track ARRA funds in your GL system
- Adequacy of controls to meet the stringent reporting requirements
- Adequacy of controls for appropriate sub-recipient monitoring and sub-recipient reporting responsibilities (If ARRA funds will be passed down to sub-recipients)

*\* NOTE: Auditors are now required to consider “capacity” issues as part of internal control considerations.*

# Program Compliance Requirements

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## Major implications:

- Entities subject to the Single Audit for the first time may be less familiar with grants management and related compliance requirements
- Depending on information exchanged by pass-through agencies, subrecipients may be unaware of audit requirements
- ARRA funds may be for new programs with potentially unfamiliar compliance requirements
- More award terms and conditions

## Program Compliance Requirements

# Specific Changes

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- Activities Allowed or Unallowed: ARRA monies cannot be used for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.
- Procurement, Suspension Debarment: Adds a new audit objective to determine whether an award includes Buy American, if there is compliance with Buy-American Recovery Act provisions, and also if any waivers have been granted
- Davis Bacon Act: Now includes ARRA and related OMB implementing guidance as a source for requirements
- Reporting: Reporting requirements imposed by Section 1512 of the Recovery Act are not applicable for audit periods ending before September 1, 2009

## *Program Compliance Requirements Specific Changes (continued)*

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- *Sub-recipient Monitoring:* Adds a new audit objective to determine if the recipient has communicated timely to its first-tier sub-recipients the requirement to register in the Central Contractor Registration
- *Special Tests and Provisions:* Adds audit objectives for three new special tests:
  - Separate accountability for ARRA funding
  - SEFA and the DCF presentation requirements
  - Requirements for the prime recipient to identify for their sub-recipient:
    - Federal awards and CFDA numbers
    - The amount of ARRA funds
    - SEFA and DCF presentation requirements

## Major Program Determination

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- Quantitative factors matter less than qualitative factors for ARRA
- New CFDA # and new CFDA # in a cluster – Fails two-year “look back”
- Existing CFDA # = higher risk
  - When a CFDA number is not new but it includes ARRA funds, the auditor will consider the program as higher risk Type-A or Type-B program.
  - OMB’s impetus for categorizing ARRA funds as high risk is to ensure the auditors look at controls and the new ARRA compliance requirements this year so any problems are identified and corrected and recipients will have fewer problems in future periods with increased funding

## Major Program Determination *(continued)*

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- Despite a lack of findings in prior audits of the program, the auditor must now consider the new compliance requirements that are specific to all ARRA awards which would not support a designation of a program as low risk
- Any cluster to which a federal program with a new ARRA CFDA number has been added should be considered a new program and would not qualify as a low-risk Type-A program (i.e., the cluster will not meet the requirement of having been audited as a major program in at least one of the two most recent audit periods, as the federal program funded under the ARRA did not previously exist)
- The auditor should assess risk for Type-B programs (greater than the \$100,000 threshold) with ARRA funds in the same manner as Type-A programs
- Effective for June 30, 2009 year ends

# Schedule of Expenditures of Federal Awards (SEFA)

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## Implications:

- Greater emphasis on properly identifying ARRA moneys
- Need to properly identify CFDA numbers. *[Federal agencies are required to specifically identify ARRA moneys regardless of whether the funding is provided under a new or existing CFDA number]*
- Need to separately track funds in general ledger between ARRA and Non-ARRA funds as comingling of those two sources of funds is not allowed.
- Separate presentation of ARRA expenditures

## SEFA | Things to Consider

### RECOVERY ACT (partial SEFA)

Federal Grantor	Federal CFDA Number	Federal Expenditures
Department of Health and Human Services Direct Programs		
Foster Care – Title IV-E	93.658	\$ 11,000,000
ARRA – Foster Care – Title IV-E	93.658	<u>1,099,000</u>
TOTAL FOSTER CARE		\$ 12,099,000
ARRA Bovines	93.999	<u>7,567,543</u>
Total Department of Health and Human Services Direct Program		<b><u>\$ 19,666,543</u></b>

- Review award documents.
- Get in touch with your awarding agency.

# Data Collection Form | Things to Consider

PART III		FEDERAL PROGRAMS - Continued		
9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				
CFDA Number		Research and development (c)	Name of Federal program (d)	Amount expended (e)
Federal Agency Prefix <sup>1</sup> (a)	Extension <sup>2</sup> (b)			
9   3	568	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Foster Care	\$ 11,000,000 .00
9   3	568	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ARRA - Foster Care	\$ 1,099,000 .00
9   3	568	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ARRA - Bovines	\$ 7,567,543 .00

- Separate presentation of Recovery Act expenditures in the DCF
- DCF submission requirements

### What is the “buzz” at OMB?

- Reduction in submission timelines from 9 months to 6 months
- No extensions for late submissions

## Overall Impact of ARRA on the Audit Process

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- Frequent and close communication with your auditors
- In-depth inquiries and reviews of internal control process
- Hands-on involvement by boards and management team
- Start early in the process and expect increase in your auditor's scope of work

## Online ARRA Resources

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### Federal Resources:

- [www.recovery.gov](http://www.recovery.gov)
- [www.FederalReporting.gov](http://www.FederalReporting.gov)
- Frequently Asked Questions: [http://www.whitehouse.gov/omb/recovery\\_faqs/](http://www.whitehouse.gov/omb/recovery_faqs/)

### State Resources:

- [www.txstimulusfund.com](http://www.txstimulusfund.com)
- [www.window.state.tx.us/recovery/](http://www.window.state.tx.us/recovery/)

### CPA's Resource:

- AICPA's GAQC website Resource Center is open to general public:  
<http://gaqc.aicpa.org/Resources/Recovery+Act+Resource+Center.htm>

# Questions?

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