FOCUS
Fall Conference
November 12-13, 2009

OMB UPDATE
(Plus ARRA)

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Objectives

• Understand your responsibilities relating to ARRA funding and effect on the federal single audit

• Identify risks of current environment

• OMB Actions
ARRA
(Recovery Act)
BACKGROUND
## ARRA Funding

<table>
<thead>
<tr>
<th>Categories of Total Stimulus Funding</th>
<th>Amount (Billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>*Tax Relief</td>
<td>$288</td>
</tr>
<tr>
<td>*State and Local Fiscal Relief</td>
<td>144</td>
</tr>
<tr>
<td>Infrastructure and Science</td>
<td>111</td>
</tr>
<tr>
<td>Protecting the Vulnerable</td>
<td>81</td>
</tr>
<tr>
<td>Health Care</td>
<td>59</td>
</tr>
<tr>
<td>Education and Training</td>
<td>53</td>
</tr>
<tr>
<td>Energy</td>
<td>43</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$787</td>
</tr>
</tbody>
</table>

Source: [www.recovery.gov](http://www.recovery.gov)
Purposes of ARRA

• Preserve and create jobs and promote economic recovery

• Assist those impacted by the recession

• Provide investments needed to increase economic efficiency by spurring technological advances in science and health

• Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits

• Stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases
Key Accountability Objectives

- Program/economic outcomes achieved
- Competitive opportunities maximized
- Waste, fraud, and abuse identified and minimized
- Funds obligated/expended timely
- Improper payments minimized
- Timely and accurate data reporting

***Increased accountability and transparency***

- Recovery.gov
- Recovery board, GAO, Inspector Generals, whistleblowers
Overview of ARRA Accounting and Reporting

• Accounting and reporting requirements for ARRA funds represent a significant fiscal process

• Therefore, you need to ensure that ARRA requirements:
  – Are well documented;
  – Key controls identified, documented & tested;
  – Control weaknesses are identified and mitigated

• Additional reporting
  – Federal government, States, Recipients
“Spending Stimulus Money”

“We’re going to operate in a transparent fashion so that taxpayers know this money is not being wasted on a bunch of boondoggles”

President Obama, Washington Post, June 12, 2009
New Plans for Homeland Security

Will Stimulus Funds Be Stolen?

Edie Falco’s New Loves

Chef Bobby Flay: Start Summer With a Better Burger
Know Your Responsibilities
A Good Place to Start . . .

• Before applying for ARRA funding, your institution should have determined that it was willing and able to comply with the strict accounting, internal control and reporting requirements.
## Your Responsibility

- Identify federal awards expended

### Florida Department of Education
Project Award Notification

<table>
<thead>
<tr>
<th></th>
<th>PROJECT RECIPIENT</th>
<th>PROJECT NUMBER</th>
<th>PROJECT/PROGRAM TITLE</th>
<th>AUTHORITY</th>
<th>AMENDMENT INFORMATION</th>
<th>PROJECT PERIODS</th>
<th>AUTHORIZED FUNDING</th>
<th>REIMBURSEMENT OPTION</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td>520-2120S-0CY01</td>
<td>ESEA Title I Disadvantaged Children American Recovery Act</td>
<td></td>
<td>Amendment Number:</td>
<td>Budget Period: 04/28/2009 - 09/30/2010</td>
<td>Current Approved Budget: $9,996,017.00</td>
<td>Federal Cash Advance</td>
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<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>Authority</td>
<td>Type of Amendment:</td>
<td>Program Period: 04/28/2009 - 09/30/2010</td>
<td>Amendment Amount:</td>
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<tr>
<td>3</td>
<td>PROJECT NUMBER</td>
<td></td>
<td></td>
<td>Authority</td>
<td>Effective Date:</td>
<td></td>
<td>Estimated Roll Forward:</td>
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<tr>
<td>4</td>
<td>PROJECT NUMBER</td>
<td></td>
<td></td>
<td>Authority</td>
<td></td>
<td></td>
<td>Certified Roll Amount:</td>
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<tr>
<td>5</td>
<td>AMENDMENT INFORMATION</td>
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<td></td>
<td>Authority</td>
<td>Total Project Amount:</td>
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<td></td>
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<tr>
<td>6</td>
<td>PROJECT PERIODS</td>
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<td></td>
<td>Authority</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>7</td>
<td>AUTHORIZED FUNDING</td>
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<td></td>
<td>Authority</td>
<td></td>
<td></td>
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<tr>
<td>8</td>
<td>REIMBURSEMENT OPTION</td>
<td></td>
<td></td>
<td>Authority</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Build America Bonds are excluded
Your Responsibility

- Identify ARRA funding separately
  - Schedule of expenditures of federal awards (SEFA)
  - Data Collection Form - audit reports to be publicly available

<table>
<thead>
<tr>
<th>CFDA Number</th>
<th>Research and development</th>
<th>Name of Federal program</th>
<th>Amount expended</th>
</tr>
</thead>
<tbody>
<tr>
<td>9 3 568</td>
<td>1 Yes 2 No</td>
<td>Foster Care</td>
<td>$11,000,000</td>
</tr>
<tr>
<td>9 3 568</td>
<td>1 Yes 2 No</td>
<td>ARRA - Foster Care</td>
<td>$1,099,000</td>
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<tr>
<td>9 3 999</td>
<td>1 Yes 2 No</td>
<td>ARRA - Bovines</td>
<td>$7,567,543</td>
</tr>
</tbody>
</table>
Your Responsibility - Records

- Maintain records to separately identify the source and application of ARRA funds

- It's essential to have a financial management system that permits preparation of required reports
Your Responsibility - Compliance

- Activities allowed or unallowed
  - Cross-cutting for all ARRA awards
  - Funds cannot be used for any casino or other gambling establishment, aquarium, zoo, golf course or swimming pool

- Davis- Bacon Act
  - ARRA Section 1606
  - 2 CFR part 176, Subpart C
Your Responsibility - Compliance

• Procurement
  – Buy-American whereby all iron, steel, and manufactured goods used for a project for construction, alteration, maintenance or repair of a public building are produced in the U.S.
  – 2 CFR part 176, Subpart B
  – Waiver granted
Your Responsibility - Compliance

• Reporting – Section 1512
  – Not applicable for periods ending in June, July and August
  – OMB to issue requirements for auditors for periods ending September 2009

FederalReporting.gov
Your Responsibility – Subrecipients

• Identify ARRA awards and applicable requirements to subrecipients

• Communication with first-tier subrecipient the requirement to register with the Central Contractor Registration (CCR)
  – Registration required prior to an award
  – Update once a year
Your Responsibility – Internal Controls

• Establish and maintain effective internal controls over use of ARRA funds is CRITICAL

• Identify risks relating to the current environment and mitigate risks

• Deficiencies in internal control should be corrected ASAP
Risks of Current Environment
Risk of Current Environment

• Unprecedented emphasis on transparency; accountability; fraud, waste and abuse; and oversight and reporting

• Challenges facing your institution
  – Fiscal constraints
  – Budget cuts and employee reduction
Best Practices

• Designate a point person or group
  – Establish internal controls, policies and procedures

• Understand specific award terms and conditions
  – 2 CFR part 176

• Read March 2009 compliance supplement
  – Appendix VII
  – Addendum #1
  – www.whitehouse.gov/omb/management
Understand Effect of ARRA on Major Program Determination Process
Expenditures of ARRA awards are programs of higher risk

- Inherent risk – capacity issues and new compliance requirements
- New CFDA # - Fails two year look-back
- Triggers more major programs
Major Program Determination

- Type A programs with expenditure of ARRA awards should **NOT** be considered low-risk except when auditors determines and clearly documents the reasons
  - No de minimus threshold (1st dollar)
  - Low risk determination will be extremely rare
  - Stress importance of qualitative factors
  - Federal OIGs monitoring
  - GAQC Alert #123 includes OMB position
Major Program Determination

• A new federal program (ARRA) added to a cluster makes the entire cluster higher risk
  • Many new clusters of programs due to ARRA
  • New CFDA # in a cluster – fails two year look-back
  • Cluster guidance to be updated monthly
Major Program Determination

- OMB’s impetus for requiring the auditor to consider these funds high risk, which triggers the identification of more major programs this year, is to ensure:
  - Auditors test controls and the new Recovery Act compliance requirements this year so problems are identified and corrected and
  - Recipients will have fewer problems in future periods with increased funding.
OMB ACTIONS
OMB Guidance
February 18 / April 03 / June 22

• Agency use Single Audit for program risk assessment

• Agency use Single Audit for program monitor
  • Separate ARRA CFDA, separate reporting on SEFA and DCF (including subrecipients)

• Federal Audit Clearinghouse to display all single audits
New Appendix VII
2009 Compliance Supplement

- Highlights audit requirements for ARRA programs
  - Require that a type A program receiving Recovery dollars should be listed as a “high risk” program for single audit purpose and should be included as a major program to be reviewed
  - Require that any cluster with a new Recovery program should be considered as a new program and would not qualify as “a low risk Type A program.”
  - Include a guide to auditors performing single audits to highlight the new requirements for Recovery funds.
Addendum to the Compliance Supplement
Issued in August

• More detail requirements on ARRA programs
• Guidance on Internal Control Review
• New Cluster Listing
• ARRA program compliance requirements in Part 4
Addendum to the Compliance Supplement
Issued in August

• Overview—Purpose of the addendum
• Part 2 matrix for added programs (41 new ARRA programs)
• Part 4 - Program additions (43 programs including 14 clusters)
  – CFDA 84.394, 84.397
  – HHS Programs
• Part 5 - Updated and New clusters
• Part 6 - Internal Control
Single Audit Pilot Project

• Early Communication on Internal Controls of ARRA programs
• Timely & useful information for management and Federal agencies on ARRA Programs
• Early corrections & Resolution of deficiencies
• Volunteer States and selected ARRA Programs
• Selected areas of internal controls
• Timeframe and Status
GAO Report to Congress – September 2009
GAO Report - Single Audit Process

- May not provide timely accountability needed to make necessary adjustment in internal control

- Reporting deadline is too late to take action

- Auditors are encouraged to communicate weaknesses to management early in the audit process.

- Voluntary pilot program for states
GAO Report – Concerns

• The federal single audit guidance and reporting does not fully address Recovery Act risk

• OMB does not explicitly mandate a methodology for conducting quality reviews

• Ongoing OMB/GAO discussions
  – Additional procedures on internal control?
  – Change in submission deadline?
GAO Report - Federal Single Audit Challenges

• Compliance supplement does not provide specific auditor guidance for some new and existing programs funded by ARRA.

• OMB has not issued guidance including audit objectives and suggested audit procedures relating to ARRA Section 1512 reporting requirements.
GAO Report - Recommendations to Congress

• Amend the Single Audit Act or enact new legislation that provides for:
  – Timely internal control reporting
  – Coverage for smaller Recovery Act programs with higher risk
What questions do you have?
Contact Information

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