

AICPA
Governmental Audit Quality Center
Member Conference Call

The Latest on the Recovery Act and
Potential Impact on your
2009 Single Audits

June 25, 2009



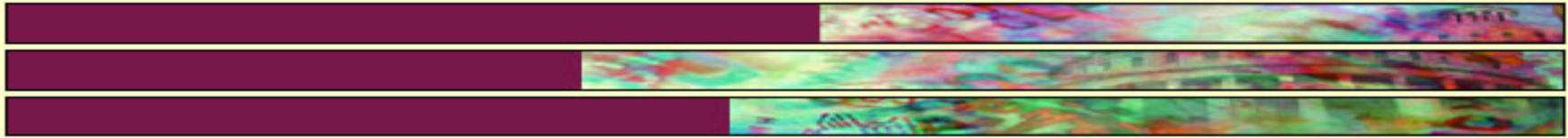
Presented by:

John Fisher, CPA
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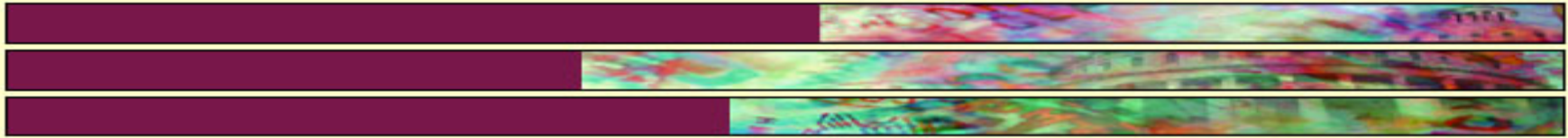
Gil Tran, CPA
Senior Technical Manager, Office of Federal Financial Management
Office of Management and Budget (OMB)

Moderator: Mary M. Foelster, AICPA, Director Governmental Auditing and
Accounting



What we will cover?

- The latest Recovery Act guidance and the related reporting and other compliance requirements that your clients may become subject to;
- What some Federal IGs are doing in this area that might have an impact going forward; and
- What you and your clients might expect for your single audits going forward, including the effect on major program determination.
- GAQC Resources and tips for discussing the Recovery Act with clients



Overview of American Recovery and Reinvestment Act of 2009





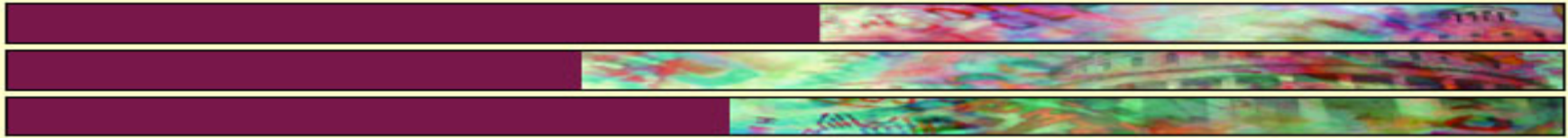
Recovery Act

- Summary
- Recovery.gov
- Single Audit
- Recovery Reporting Requirements



Recovery Act

- American Recovery and Reinvestment Act of 2009 (ARRA)
 - Federal government funneling billions of dollars to state and local governments, much of which will be subject to single audit
 - Desire on part of administration for unprecedented oversight and transparency
 - Much interest by Congress and the federal agencies in ensuring funds are spent appropriately

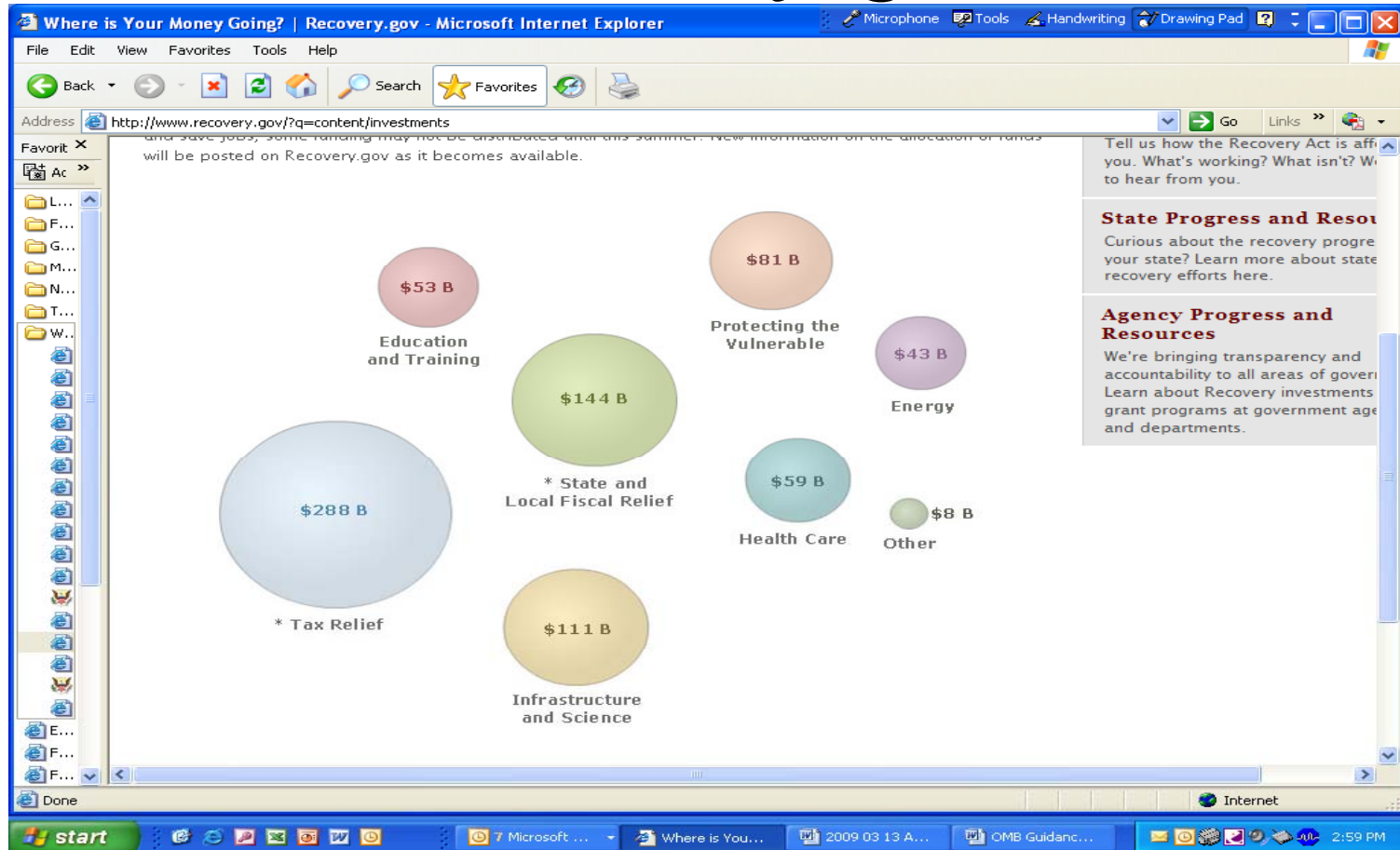


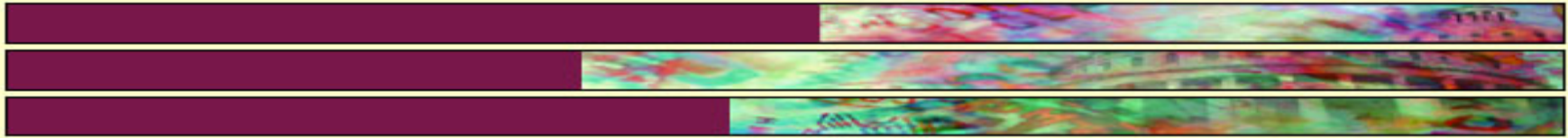
Recovery Act --- Summary

The Bill package contains targeted efforts in:

- Clean, Efficient, American Energy
- Transforming our Economy with Science and Technology
- Modernizing Roads, Bridges, Transit and Waterways
- Education for the 21st Century
- Tax Cuts to Make Work Pay and Create Jobs
- Lowering Healthcare Costs
- Helping Workers Hurt by the Economy
- Saving Public Sector Jobs and Protect Vital Services

Recovery.gov





Recovery Act --- Summary

- Accountability & Transparency
 - Recovery.gov (announcements, agreements, program managers, governors, mayors)
 - Recovery Board, GAO, Inspectors, whistleblowers
 - RATB
- Grants and contracts
- Additional Reporting requirements
 - Federal Government
 - States
 - Recipients





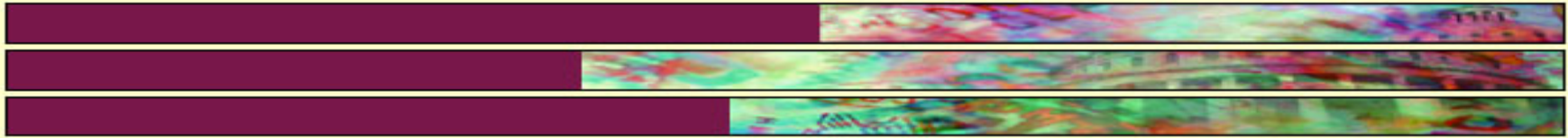
OMB Guidance

- February 18, 2009 M-09-10 Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009
http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-10.pdf
 - Also see [GAQC Alert #106](#)
- February 25, 2009 Bulletin No.09-02 Budget Execution of the American Recovery and Reinvestment Act of 2009 Appropriations
<http://www.whitehouse.gov/omb/assets/bulletins/b09-02.pdf>
- March 2009 OMB Circular No. A-133 Single Audit Compliance Supplement
http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/
- April 3, 2009 M-09-15 Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009
http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-15.pdf



OMB Guidance

- May 11, 2009 M-09-18 Payments to State Grantees for Administrative Costs of Recovery Act Activities
http://www.whitehouse.gov/omb/assets/memoranda_fy2009/m09-18.pdf
- June 22, 2009, M-09-21, Implementation Guidance for the Reports...
http://www.whitehouse.gov/omb/recovery_default/
- June 30, 2009 - 2 Addendum to the Single Audit Compliance Supplement – American Recovery and Reinvestment Act will be located at
http://www.whitehouse.gov/omb/circular_a133_compliance_09toc/



“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

“Spending Stimulus takes Money”





Single Audit (SA)

- Use of SA for risk assessment
- Use for monitor program
 - Assign separate ARRA CFDA
 - Evaluate “High Risk” programs and grantees
 - Separate reporting on SEFA (Including subrecipients)
 - Federal Audit Clearinghouse to display all ARRA findings
- New *Compliance Supplement* section
 - Appendix VII - Highlights + Addenda
 - New Clusters of Programs
 - Major Program Determination
 - Award Terms and Conditions
 - June 30, 2009 Addendum



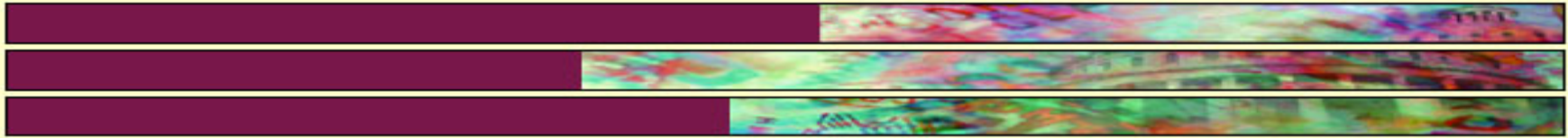
Recovery Reporting Requirements

- Federal Agencies
- Recipients (“prime”)
 - Section 1512
 - Quarterly, 10 days after quarter ending
 - FederalReporting.gov
 - Amount received (projects, activities)
 - Projects & Activities
 - Description, Completion Status, Jobs Created/retained
 - Subawards details



Subaward Reporting

- Prime recipient reporting must include subaward information for first-tier subawards and vendors
 - **Subrecipient name,**
 - DUNS number, CCR Information, location, type, area of benefits and award number
 - Total amount of subaward and the amount disbursed
 - Amount of subaward, subaward date, and project/grant period
 - **Names and total compensation for the five most highly compensated officers of the entity**
 - **Vendor Name**
 - DUNS and Zip code of Headquarters
 - Expenditure amount & description



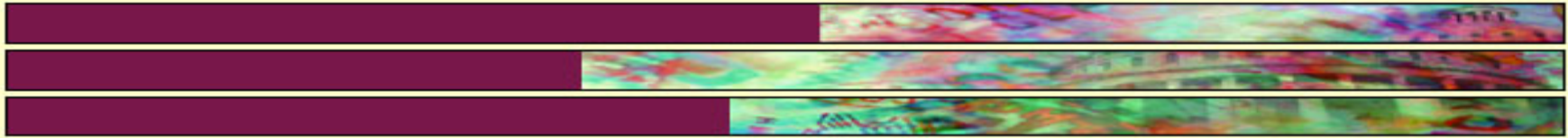
Effect of the Recovery Act on the Single Audit

An HHS-OIG Perspective



Recovery and Accountability Transparency Board

- Established by Section 1521 of the Act “to coordinate and conduct oversight of covered funds to prevent fraud, waste, and abuse.”
 - Conduct its own independent audits and reviews
 - Collaborate on audits and reviews with any inspector general of an agency
 - Enter into contracts, including contracts and other arrangements for audits, studies, and analyses
 - Hold public hearings
 - Issue enforceable subpoenas to compel the testimony of persons who are not Federal officers or employees at such public hearings
 - Employ staff
 - Establish its own Web site



Compliance Supplement

- Is an appendix to OMB Circular A-133 and applies to:
 - Auditors
 - Entities and their management
 - Federal officials



Recovery Act Appendix VII Overview

- ***Auditors Should Be Alert for Recovery Act Awards*** to determine whether auditees (both recipients and subrecipients) have properly identified Recovery Act awards.
- ***Impact on CFDA Numbers.*** The Appendix states that federal agencies are required to specifically identify Recovery Act awards, regardless of whether the funding is provided under a new or existing CFDA number.
- ***Cluster Guidance to be Updated Monthly.*** Clustering guidance in Part 5 of the Supplement to be updated monthly beginning June 2009. Needed since will have some new CFDA numbers (even though they are additions to and share common compliance requirements with the existing program).



Recovery Act Appendix VII Overview

- ***Major Program Determination.*** The Appendix also describes the impact on major program determination in the following 2 scenarios:
 - One CFDA number used for both non-Recovery Act and Recovery Act funds.
 - New CFDA number is used for the Recovery Act funds.
- ***Schedule of Expenditures of Federal Awards (SEFA) and Data Collection Form (DCF) Need to Identify Recovery Act Expenditures Separately.***
 - This separate identification should also include the Research and Development cluster regardless of the accommodation made in section .310(b)(1) of Circular A-133.
- ***Auditors May Have to Use Multiple Sources to Determine Compliance Requirements.***



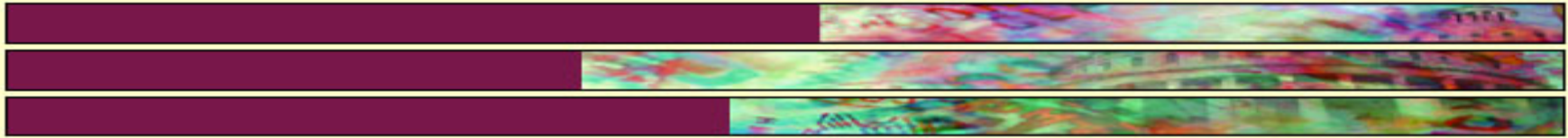
Key Points on ARRA Funding

- Federal agencies are required to specifically identify ARRA awards, regardless of whether the funding is provided under a new or existing CFDA number
- Recipients must maintain records that identify the source and application of ARRA funds



Key Points on ARRA Funding

- Recipients must identify to each subrecipient the Federal award number, CFDA number, and amount of ARRA funds
- Information must be documented at the time of subaward and at the time of disbursement
- Subawards of incremental ARRA funds shall be distinguished from regular subawards



Identification of ARRA Funds

- CFDA Number
- Clusters
- Schedule of Expenditures of Federal Awards



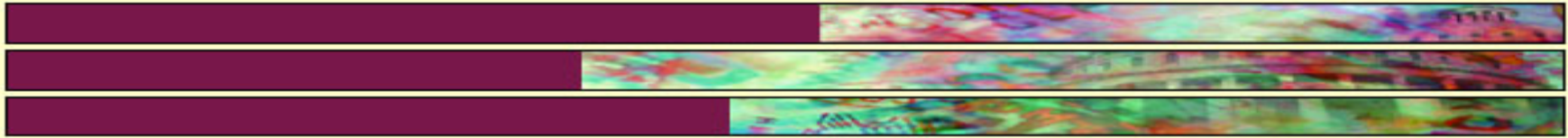
Catalog of Federal Domestic Assistance Number

- New programs--new CFDA number
- Existing programs--new CFDA number is optional
- CFDA number should be included in grant award documents



Clusters

Many of the ARRA awards will have new CFDA numbers even though they are additions to and share common compliance requirements with the existing program. OMB will update the clusters of programs as described in Part 5 of the Supplement. Any changes in clusters will be posted to the OMB Management website (<http://www.whitehouse.gov/omb/management>) under Grants Management as addenda to the Supplement beginning June 2009



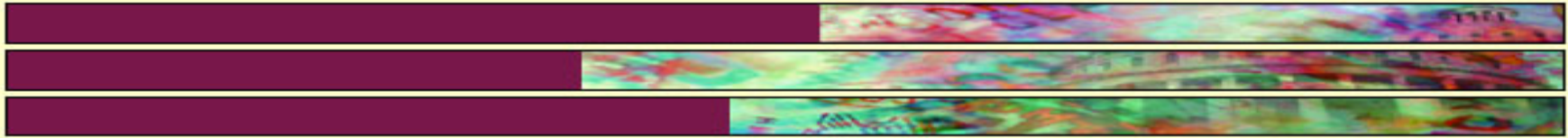
Clusters

- The auditor is responsible for using the cluster list that matches the auditee's fiscal year end
- For example, OMB plans to post an addendum for changes to clusters applicable to an audit of the fiscal period ending June 30, 2009, to be dated June 30, 2009, and posted on the OMB Management website under Grants Management by that date



Schedule of Expenditures of Federal Awards

- Expenditures of Federal awards must be separately identified
 - On SEFA
 - On SF-SAC
 - As separate rows under Item 9 of Part III by CFDA number
 - Inclusion of the prefix “ARRA-”
 - Identifying name of Federal program
 - First characters in Item 9d of Part III



Schedule of Expenditures of Federal Awards

Recipients must require their subrecipients to properly report ARRA funds

Schedule of Expenditures of Federal Awards

PART III		FEDERAL PROGRAMS - Continued		
9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR				
CFDA Number		Research and development	Name of Federal program	Amount expended
Federal Agency Prefix	Extension ²			
(a)	(b)	(c)	(d)	(e)
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	999	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	ARRA - Bovines	\$ 7,567,543.00



ARRA Major Program Determination

Due to the inherent risk with the new transparency and accountability requirements for expenditures of ARRA awards, the auditor should consider all Federal programs with expenditures of ARRA awards to be programs of higher risk in accordance with §____.525(c)(2) and §____.525(d) of OMB Circular A-133



ARRA Major Program Determination

Accordingly, when performing the risk based approach under §____.520(c)(1) of OMB Circular A-133, Type A programs with expenditures of ARRA awards should not be considered low-risk except when the auditor determines, and clearly documents the reasons, that the expenditures of ARRA awards are low-risk for the program



ARRA Major Program Determination

Any cluster (i.e., Research and Development [R&D], Student Financial Assistance [SFA], or other 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 under §____.520(c)(1) of OMB Circular A-133 (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)



Major Program Determination

- Illustration in your materials
 - ARRA award with existing CFDA Number
 - ARRA award with new CFDA Number



Compliance Supplement Addenda

Due to the timing of the enactment of the ARRA and the issuance of this Supplement, compliance requirements unique to the ARRA are not included in the March 2009 Supplement



Compliance Supplement Addenda

Auditors should

- Review the award documents, including the terms and conditions
- Check the OMB Management website under Grants Management for any addenda to the Supplement
- Use the framework provided by the Supplement (e.g., in Parts 3, 4, 5, and 7) as guidance to identify ARRA compliance requirements material to the Federal program and determine the appropriate audit procedures



Compliance Supplement Addenda

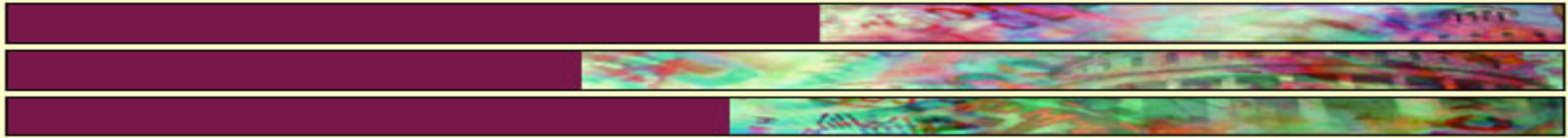
- One compliance requirement for which OMB expects to provide additional guidance is Reporting
- Section 1512 Division A (which is applicable only to funding under ARRA Division A) imposes specific reporting requirements for ARRA awards under Division A



Compliance Supplement

Addenda-Reporting

- First statutory reporting deadline will be for the quarter ending September 30, 2009, which is due to the Federal awarding agency by October 10, 2009
- Recipients are required to report for themselves and their “first tier” subrecipients
 - First tier subrecipients are those that receive an award directly from a recipient
- Detailed reporting instructions will be made available at www.FederalReporting.gov no less than 45 days before the October 10, 2009 reporting deadline



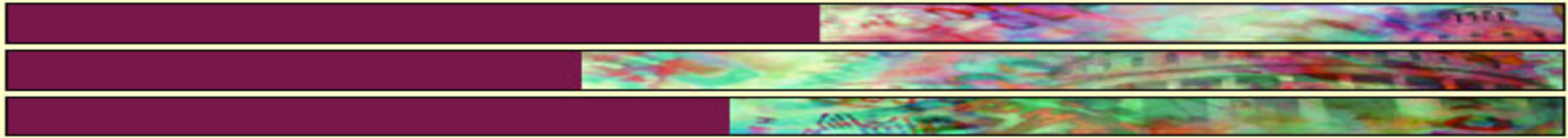
Compliance Supplement Addenda

- Separate Accountability for ARRA Funding
- Recipient/Subrecipient



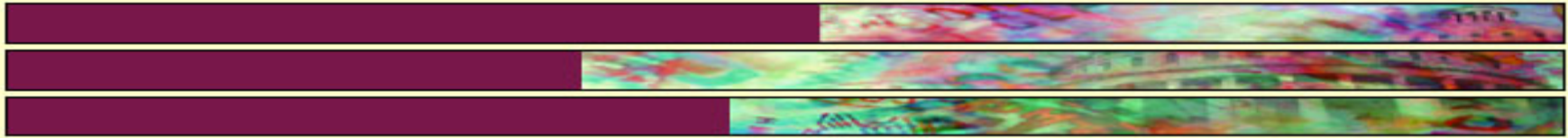
Compliance Supplement Addenda

- Reporting
- Robust financial management system
- Up to 33 new individual new supplements



Accounting System

Timely Preparation of Financial
Statements



Federal Awards Under the American Recovery and Reinvestment Act of 2009 in Single Audits

A Department of Education Perspective



Focus of this Brief Presentation

Provide information about:

- Overall considerations when Recovery Act Awards are included
- Where auditors can obtain information about Federal Recovery Act Programs to properly cover them in Single Audits for June 30, 2009 fiscal year end dates as major programs.
- Special considerations for Department of Education programs



Table of Fiscal Year end dates – FY 2007 Single Audits

Source: Search of Federal Audit Clearinghouse Database
on May 8, 2009

Fiscal Year Ending	Number	Percentage
January 31	161	5%
February 28	131	3%
March 31	934	2.5%
April 30	231	6%
May 31	475	1.3%
June 30	20337	54.5%
July 31	211	6%
August 31	1437	3.9%
September 30	4264	11.4%
October 31	209	6%
November 30	185	5%
December 31	8715	23.4%
TOTAL	37290	100%

Note: Database shows 37,362 FY 2007 audits were accepted. Thus, 72 audits were entered into the system with FYE dates that were not month end dates. These are not factored in the percentage calculation. Individual percentage amounts add to 100.1%; difference from 100% due to rounding.



Overall Considerations When Recovery Act awards are involved

Appendix VII to the March 2009 *Compliance Supplement*, Other OMB Circular A-133 Advisories

Part I. American Recovery and Reinvestment Act

Access at:

http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/



Sources of Information for Recovery Act Major Programs

- Addendum to OMB Compliance Supplement
- Part 7 of Compliance Supplement for Programs Not Included in Compliance Supplement
- Grant Award Documents
- Agency Recovery Act Sites
- Text of Recovery Act itself
- Code of Federal Regulations



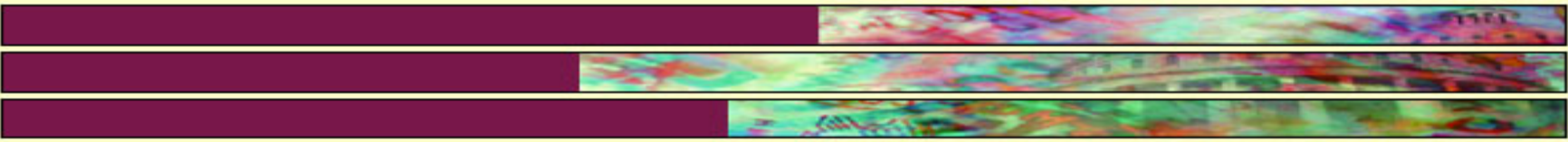
Addendum to OMB Compliance Supplement

- To be published by OMB and posted on OMB Website. 2009 Compliance Supplement is at:
http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/
- If Addenda will be at a different website, GAQC website will identify where.
- Addenda will have information about some Recovery Act programs and identify new clusters
- [See handout for programs/clusters to be included – subject to change in published addendum]



Addendum will cover:

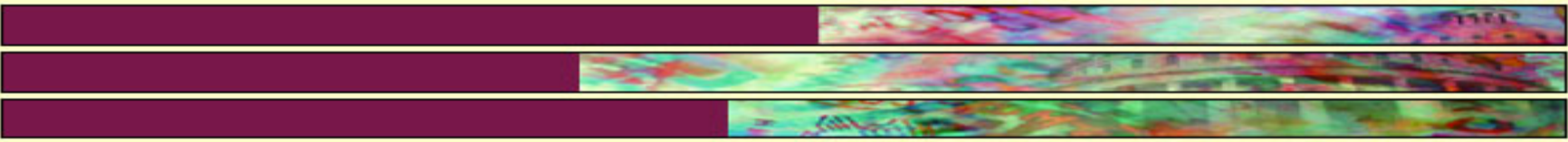
- Compliance Requirements for Recovery Act Programs, including:
 - Separate Accountability for Recovery Act Funding
 - SEFA Presentation for Recovery Act Funding
- Identify certain new Clusters including Recovery Act programs
- General Guidance – Internal Control Over Compliance for major Programs With Expenditures of recovery Act Awards



SFA Cluster – Recovery Act and the Pell / College Work Study Programs – Addendum will provide the following guidance:

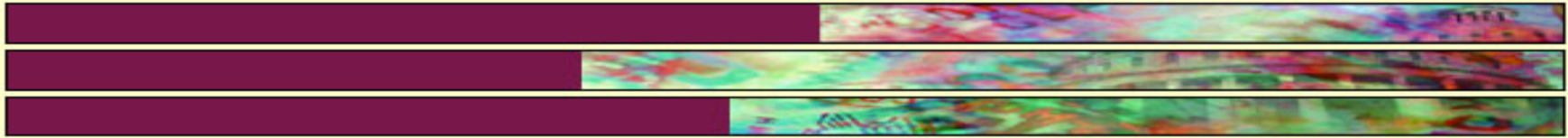
Reports posted at the Dept. of Education website show obligations and outlays of Recovery Act funds for the Federal Pell Grant Program (CFDA 84.063). The reports also show obligations (but not outlays) for the Recovery Act funds for the Federal Work-Study program (CFDA 84.033). Recovery Act funds for these two programs are being accounted for within the Federal Government, but disbursements have been made together with funds from the Federal Pell Grant Program (CFDA 84.063) and the Federal Work Study Program (CFDA 84.033), without a separate identification of the Recovery Act portions to auditees. [Consequently, it is not possible for auditees to separately report Recovery Act expenditures for these programs in Schedules of Expenditures of Federal Awards (SEFA).]

[Cont'd on next slide]



SFA Cluster – Recovery Act and the Pell / College Work Study Programs – Addendum will provide the following guidance:

All expenditures for the Federal Pell Grant and Federal Work Study programs are covered in single audits as part of the Student Financial Assistance Programs Cluster. However, the provisions of Appendix VII of the March 2009 Compliance Supplement includes on Page 8-7-2 a section: *Effect of Expenditures of ARRA Awards on Major Program Determination* do not apply to the Cluster. On the Schedule of Federal Awards (SEFA), all expenditures for the Federal Pell Grant and College Work Study Programs should be reported as part of the Student Financial Aid Cluster under CFDA Nos., 84.063 and 84.033, respectively.



Part 7 of Compliance Supplement

For Programs Not Included in
Compliance Supplement



Grant Award Documents

- Obtain from the auditee
- They contain terms and conditions auditor should familiarize themselves with



Agency Recovery Act Sites

Provide a wealth of information about
Recovery Act Programs

Links to agency Recovery Act websites may be
found at:

<http://www.recovery.gov/?q=content/agencies>



Text of the American Recovery and Reinvestment Act (Public Law 111-5)

Access at:

http://frwebgate.access.gpo.gov/cgi-bin/getdoc.cgi?dbname=111_cong_bill_s&docid=f:h1enr.pdf





Code of Federal Regulations (CFR)

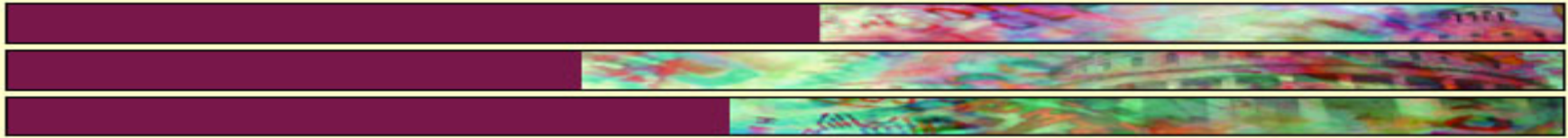
Two best sources:

1. Current CFR is at Electronic Code of Federal regulations at:

<http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&tpl=%2Findex.tpl>

2. Copies of CFR going back 10 years at:

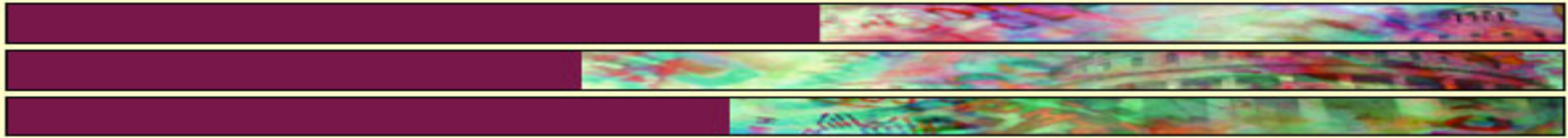
<http://www.access.gpo.gov/nara/cfr/cfr-table-search.html#page1>



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GAQC Resources



GAQC Resources

- *GAQC Alerts*

(<http://gaqc.aicpa.org/Resources/Archived+GAQC+Update+Newsletters/GAQC+Alerts.htm>)

- #106, Effect of American Recovery and Reinvestment Act of 2009 on Single Audits
- #111, The Latest on the Recovery Act and Other Single Audit Related Matters
- #112, OMB Issues 2009 Compliance Supplement Which Includes Additional Recovery Act Guidance



GAQC Resources

- Today's call to be archived at:
<http://gaqc.aicpa.org/Resources/Archived+GAQC+Conference+Calls.htm> within a week or so
- Encourage others in your firm that were not able to participate today to listen to the archive



Going Forward

- Some June 30, 2009, audits impacted; bigger impact likely on fiscal year ends after June 30, 2009
- Inquire of client's about Recovery Act expenditures
- Consideration of changes that could impact major program determination process (see handout illustration that was reviewed during the call)
- Addendums to *Compliance Supplement* (program sections and cluster guidance) in early July (draft of programs to be added included with call materials)
- Watch for updates OMB Implementing and Other Guidance
- Watch GAQC communications for further updates and developments



Practice Tips

- Recovery Act – Practice Tips
 - Read OMB implementing and other guidance and related *GAQC Alerts*
 - Prepare message points to use with clients on the following items:
 - Need process for accepting Recovery Act funds (should be a conscious management decision)
 - Segregation of funds
 - Appoint Recovery Act “Czar”
 - Entire organization must be aware
 - Be prepared to report back on spending



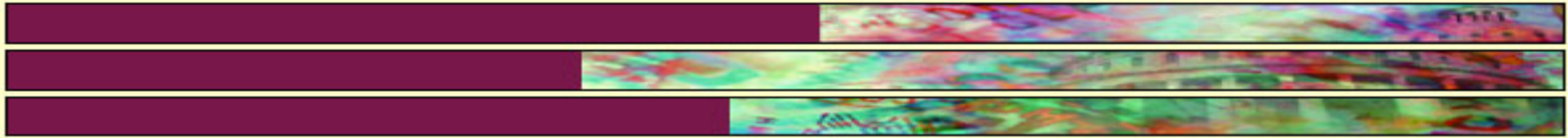
Additional Message Points to Clients

- Consider whether control procedures in place over federal expenditures are appropriate, working properly, and designed to prevent unallowable expenditures
- Consider whether additional controls and system requirements will be needed to ensure that Recovery Act funds are able to separately identified and tracked
- If applicable, consider whether new controls needed to meet the stringent reporting requirements back to federal agencies
- If Recovery Act funds will be passed down to subrecipients, that controls are in place to ensure appropriate subrecipient monitoring and also whether any new controls will need to be established related to new subrecipient reporting responsibilities



GAQC Team

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Questions ?????

