

## Talking Points for Auditors to Use with Clients Regarding the Recovery Act

The [American Recovery and Reinvestment Act of 2009](#) (Recovery Act) will have a significant impact on entities that expend Recovery Act funds and their single audits. The purpose of this nonauthoritative document is to provide member firms with several potential talking points to use with clients that either have already begun receiving Recovery Act funds or will be receiving such funds in the future.

- Accepting Recovery Act money should be a conscious management decision with a full understanding of what will be required from a compliance perspective. Clients should develop a process for accepting (or applying for) Recovery Act funds.
- Clients that have or will be receiving Recovery Act funds should consider appointing a Recovery Act “Czar.” This individual will be responsible for becoming familiar with the numerous requirements associated with Recovery Act funds and communicate them to others in the grantee organization so that all are made aware. The individual will also be a resource for others in the grantee organization and be indicative of a strong “tone at the top” for the importance of compliance with Recovery Act awards.
- Recovery Act funds will have to be segregated from other federal grant funds. Therefore, accounting systems should be able to track Recovery Act funds separately. This segregation of Recovery Act funds will have to carry through to the Schedule of Expenditures of Federal Awards and the Data Collection Form.
- The reporting requirements associated with Recovery Act funds will be significant. Grantees need to be prepared to report back on spending for each calendar quarter, beginning with September 30, 2009. Report submissions will be due within 10 calendar days of the quarter end. For those clients that pass federal funds down to subrecipients, the reporting requirement will extend down to first-tier subrecipients.
- Internal control over compliance will be extremely important in helping grantees ensure that funds are spent appropriately. Clients should consider:
  - Whether control procedures in place over all federal expenditures, including Recovery Act expenditures, are appropriate, working properly, and designed to prevent unallowable expenditures.
  - Whether additional controls and system requirements will be needed to ensure that Recovery Act funds are able to separately identified and tracked.
  - Whether new controls will be needed to meet the stringent reporting requirements back to the federal government.
  - If Recovery Act funds will be passed down to subrecipients, whether there are 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.

- The Federal Audit Clearinghouse (FAC) is also required by the OMB Implementing Guidance to make publicly available on the internet all single audit reports filed with the FAC for fiscal years ending September 30, 2009, and later. There will be a link from [www.recovery.gov](http://www.recovery.gov) to the single audit reports so the general public will now have access to a grantee's reports and findings. It is unclear at this time whether the reports required to be made public are only those with Recovery Act funds. OMB will be providing more guidance in this area in the future.
- There will be an impact on single audits. With the addition of Recovery Act funds, there will likely be more high-risk Type A programs ([click here](#) to access nonauthoritative examples issued by the GAQC that illustrate the impact of Recovery Act funds on the major program determination process) and additional compliance requirements (and related internal control over compliance) that auditors will need to test.