

The American Recovery and Reinvestment Act of 2009:
Accelerating Readiness for Enhanced Sustainability –
Update

Virginia Association of School Business Officials

October 15, 2009

KPMG LLP

AUDIT • TAX • ADVISORY

Agenda / Meeting Objectives


- ARRA - Tips, Tricks and Traps
 - Recent Developments and Trends
 - Implementation Challenges
- Discuss relevant changes that may be needed in policies and procedures as a result of Section 1512 reporting requirements

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The Recovery Act of 2009 Accountability Objectives

The Recovery Act requires a combination of speed, transparency, accountability, efficiency, and effectiveness.

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

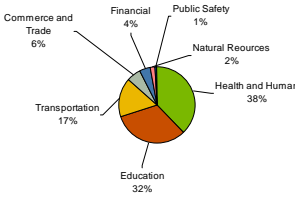


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Where is Virginia's Money Going?

The bill targets investments in the following areas

Breakdown of targeted investment – \$4.9 billion*



* Information is based on information from the Commonwealth's Stimulus, Virginia.gov website

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Recent Developments and Trends

- FMAP Compliance
- Davis Bacon
- Buy American
- Job Creation
- Certification and Maintenance of Effort
- Fraud, Waste and Abuse
- Program Risk Considerations
- Potential Responsibilities for Pass-through Funding

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FMAP Compliance: Section 5001

On Feb 25, 2009, more than \$15 billion related to the first two quarters of FY 2009 were released through the Payment Management Systems and deposited in special Treasury accounts for states' withdrawal

States could immediately begin drawing such funds as long as they comply with the five attestation requirements included in the CMS grant award letter ("passive attestation"):

- Maintenance of Eligibility - section 5001(f)(1)
- Compliance with Prompt Payment - section 5001(f)(2)
- Rainy Day Funds - section 5001(f)(3)
- Percentage Contributions from Political Subdivisions - section 5001(g)(2)
- Eligible Expenditures - section 5001(e)

Funds must be drawn down separately, tracked separately, and reported to CMS separately for Federal reimbursement

In addition, section 5001(g)(1) of ARRA provides that each State which receives increased FMAP funding will be required to submit a report to the Secretary no later than September 30, 2011 regarding how the additional increased FMAP funds were expended. Further guidance will be developed for such reporting, but each State must track and account for the expenditure of the increased FMAP funds.

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Wage Rate Requirements: Section 1606

- Section 1606 of the Recovery Act requires the payment of Davis-Bacon Act (40 U.S.C. 31) wage rates to "laborers and mechanics employed by contractors and subcontractors on projects funded directly by or assisted in whole or in part by and through the Federal Government" pursuant to the Recovery Act.
- Wages rates should be not less than those prevailing on projects of a character similar in the locality as determined by the Secretary of Labor(1)
- The Department of Labor has issued regulations to implement the Davis-Bacon and related Acts, instructing agencies concerning application of the standard Davis-Bacon contract clauses.
- Federal agencies providing grants, cooperative agreements, and loans under the Recovery Act shall ensure that the standard Davis-Bacon contract clauses found in 29 CFR 5.5(a) are incorporated in any resultant covered contracts that are in excess of \$2,000 for construction, alteration or repair (including painting and decorating).

1 In accordance with subchapter IV of chapter 31 of title 40, United States Code

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"Buy American": Section 1605

Section 1605 of the Recovery Act prohibits use of recovery funds for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods ("materials") used in the project are produced in the United States.

The law requires that this prohibition be applied in a manner consistent with U.S. obligations under international agreements, and it provides for waiver under three circumstances:

- Nonavailability - materials are not produced in the United States in sufficient and reasonably available quantities and of a satisfactory quality;
- Unreasonable cost - materials produced in the United States will increase the cost of the overall project by more than 25 percent; or
- Inconsistent with public interest - applying the domestic preference would be inconsistent with the public interest.

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CEA Guidance on Job Creation

- On May 11, 2009, Council of Economic Advisors released guidance on job creation, laying out general principles and approach, which will be basis for the OMB guidance on job creation
- The guidance covers a few points relating to the overall job creation reporting:
 - Reported data will be checked for completeness and plausibility. More information or revisions to the reporting methodology may be requested by agencies if results appear to be problematic
 - The first CEA report is due to Congress in August 2009 and will cover the quarter ending June 2009

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Certification and Maintenance of Effort

Certification

- Certification elevated to the Governor, Mayor or other State officials
- Upfront certification prior to spending
 - Infrastructure investment has been reviewed
 - Full responsibility is accepted as to the appropriate use of the tax payers' funds
- Unprecedented intent by Federal government to ensure accountability
- Currently Governors of all States, Territories and the District of Columbia have provided their certification
- Process for complying with the Governor's certification of the use of funds

Maintenance of Effort

- Federal funds cannot be used to supplant local funding
- Must be used for additive projects, not applied to cut-backs
- Governments will need to document current level of effort; difficult due to "baked in" cuts and decreases

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Anti-Fraud, Waste and Abuse Considerations

- A key objective of ARRA is to minimize fraud, waste and abuse
 - Additional funding for audits, law enforcement and inspector general oversight
 - Even a 5% error rate places \$40 billion of total program funding potentially at risk for fraud, waste and abuse
 - The federal government expects States to embed anti-fraud, waste and abuse efforts into ongoing oversight of programs
 - Existing systems and controls may not be capable of addressing increased expectations
 - The public has zero tolerance for fraud, waste and abuse

Figure 1: Program Designed to Minimize Fraud, Waste, and Abuse

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Program Risk Considerations

<p>Reporting</p> <ul style="list-style-type: none"> Prompt website reporting Accurate, required data fields Issues identification/response Review/approval process Timely management updates Timely reports on risk management effectiveness <p>Human Capital</p> <ul style="list-style-type: none"> Qualified oversight personnel Staff empowerment Performance management training Adequate staffing Alternative hiring possibilities <p>Financial</p> <ul style="list-style-type: none"> Separate Treasury Account Fund Symbols Controls to avoid co-mingling of funds Controls to mitigate fraud, waste, abuse 	<p>Acquisition</p> <ul style="list-style-type: none"> RFP language Required terms/clauses in contracts Minimization of fraud, waste, error and abuse Prompt, fair, reasonable contract awards Contract Transparency, Clarity, Timeliness Delay/cost overrun avoidance Potential contractor performance issues <p>System</p> <ul style="list-style-type: none"> Financial and operations systems Configuration Data elements for analysis and reporting Financial and operations systems capacity
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Responsibilities for Pass-through Funding

- At the time of the award, identify for the subrecipient all Federal award information (e.g. CFDA, award name, name of the Federal Agency) and applicable requirements
- Conduct risk assessment of subrecipient
- Communicate Stimulus reporting requirements
- Ensure subrecipient systems and processes are adequate to track and report recovery funds
- During the award, monitor the use through reporting, site visits, regular contracts or other meetings to provide reasonable assurance that:
 - Stimulus dollars were used in compliance with laws, regulations, provisions of contracts or grant agreements, and
 - Performance goals were achieved (e.g. jobs created or retained, timeliness of disbursements, level and percentage of funding used, economic activity produced, educational achievement attained)

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Implementation Challenges

Updated Section 1512 Guidance

On June 22, OMB posted *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, which provides Federal agencies and funding recipients with information necessary to effectively implement the reporting requirements included in Section 1512.

The Guidance :

- Answers questions and clarifies issues related to the mechanics and chronology of recipient reporting required by the Recovery Act
- Provides clarification on what information will be required to be reported into the central reporting solution at www.FederalReporting.gov and what information will be reported on www.Recovery.gov
- Instructs recipients on steps that must be taken to meet these reporting requirements, including the incorporation of sub-recipient reporting requirements under Section 1512(c)(4) of the Ac
- Establishes a common framework for Federal agencies and recipients to manage a data quality process
- Covers new areas not previously addressed (e.g., data quality requirements and logistical details surrounding the www.FederalReporting.gov reporting solution), clarifies, and in some cases modifies, previously issued requirements. In particular, the Guidance:
 - Identifies additional data elements required pursuant to Section 1512 of the Recovery Act to enhance transparency (Section 2.3 and the supplemental materials to the Guidance);
 - Modifies requirements related to recipient data reporting due on July 10, 2009 (Section 2.6); and
 - Updates information on methodologies and approaches for reporting job creation/retention estimates (Section 5)

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Updated Section 1512 Guidance, continued

The Guidance is composed of five sections and has two supplements:

- Section 1 – General information
- Section 2 – Basic Principles and Requirements of Recovery Act Recipient Reporting
- Section 3 – Recipient Reporting Process
- Section 4 – Data Quality Requirements
- Section 5 – Reporting on Jobs Creation Estimates by Recipients
- Supplement 1 – List of Programs Subject to Recipient Reporting
- Supplement 2 – Recipient Reporting Data Model

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Updated Section 1512 Guidance, continued

Section 1 – General Information – Applicability of Section 1512

- The Guidance applies to recipients of Federal assistance awards, it does not apply to:
 - Recipients of Federal contract awards,
 - Recipients of loan guarantees, except for a 100% guaranteed loans financed through the Federal Financing Bank,
 - Individuals receiving direct payments
- The Guidance does not impact requirements outside of Section 1512, i.e. program-specific guidance
- The first report will be due October 10, 2009, covering the period from February 17, 2009 through September 30, 2009

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Updated Section 1512 Guidance, continued

Section 2 – Basic Principles and Requirements of Recovery Act Recipient Reporting

- Reporting for recipient and subrecipient vendors are segregated
- Subrecipient vendor reporting (new requirement and takes the reporting process to a third level of funding)
- Subaward reporting – not required by subrecipients
- New reporting elements for prime recipients – e.g. item 17: Recipient Officer Names and Compensation (top 5). This item was previously required only at sub-recipient level.
- Reporting of small subawards less than \$25,000 (will be reported in 3 categories – aggregate sub-awards, awards to individuals and payments to vendors)
- All 1512 reporting is cumulative at each quarter-end, from award date to reporting date
- Inventory of subrecipient delegations - prime recipients must maintain an updated inventory of sub-recipient delegations and crosscheck all data records.
- Recipients can delegate reporting to subrecipients – allowing sub-recipients to enter sub-recipient data directly on FederalReporting.gov (also referred to as the 1512(c)(4) requirements or FFATA Data elements).

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Required Data Elements and Responsibilities

<p>Prime Recipient</p> <ol style="list-style-type: none"> 1. Federal Funding Agency Name 2. Award identification 3. Recipient D-U-N-S 4. Parent D-U-N-S 5. Recipient CCR information 6. CFDA number, if applicable 7. Recipient account number 8. Project/grant period 9. Award type, date, description, and amount 10. Amount of Federal Recovery Act funds expected to project/activities 11. Activity code and description 12. Project description and status 13. Job creation narrative and number 14. Infrastructure expenditures and rationale, if applicable 15. Recipient primary place of performance 16. Recipient area of benefit 17. Recipient officer names and compensation (Top 5) 18. Total number and amount of small sub-awards; less than \$25,000 <p>Recipient Vendor</p> <ol style="list-style-type: none"> 1. D-U-N-S or Name and zip code of Headquarters (HQ) 2. Expenditure amount 3. Expenditure description 	<p>Sub-Recipient (also referred to as FFATA Data Elements)</p> <ol style="list-style-type: none"> 1. Sub-recipient D-U-N-S 2. Sub-recipient CCR information 3. Sub-recipient type 4. Amount received by sub-recipient 5. Amount awarded to sub-recipient 6. Sub-award date 7. Sub-award period 8. Sub-recipient place of performance 9. Sub-recipient area of benefit 10. Sub-recipient officer names and compensation (Top 5) <p>Sub-Recipient Vendor</p> <ol style="list-style-type: none"> 1. D-U-N-S or Name and zip code of HQ
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graph TD
    FA[Federal Agency] --> PR[Prime Recipient]
    PR --> SR[Sub-Recipient]
    PR --> V[Vendor]
    SR --> V
    
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Updated Section 1512 Guidance, continued

Section 3 – Recipient Reporting Process and Timelines

- **FederalReporting.gov** will be used for reporting and reviewing data submissions, and the resulting information will be made publicly available on **Recovery.gov**.
- Provides for three methods to submit reporting to FederalReporting.gov:
 - Online data entry into Web browser
 - Uploading of Excel spreadsheets provided by OMB
 - Custom software extract in XML
- Guidance provides detailed timeline for submission, review and adjustments.
- Review Process – there is a formal review process that will take place after submission (day 11 to 21). This will actually extend the time that a recipient or sub-recipient can correct material omissions or significant errors
 - Prime recipients can only view data reported by their sub-recipients after October 11, and not earlier.
 - Prime recipients can only view, not modify sub recipient reports.
 - Federal Agencies can view the reports but cannot make any formal comments (if no delegation).

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Reporting Timeline

Timeline	Activities
No less than 35 days prior to the end of Quarter	Prime and Sub-Recipient Reporting
1 – 10 days after end of Quarter	Prime Recipient Review/Check Submissions by Self; Initial Submission; By 10 days after end of Quarter
11 – 21 days after end of Quarter	Prime Recipient Review/Check Submissions by Self; Agency "View Only"; Agency Comment Period
22 – 29 days after end of Quarter	Agency Review of Data Submitted by Recipient; Prime Recipient Review/Check Submissions by Self
30 days after end of Quarter	Recipient Reports Submitted to Recipient.gov
90 days after end of Quarter	Final Agency Reporting/Check Submissions

Recipient Report Adjustments Possible

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Updated Section 1512 Guidance, continued

Section 4 – Data Quality Requirements

- All reporting levels should establish controls to help ensure data quality, completeness, accuracy, and timely reporting. Possible approaches or controls are provided in the guidance.
- No separate statement of assurance or certification will be required of prime recipients with respect to the quality of subrecipient data.
- Federal agencies will be required to categorize submitted data in one of three ways:
 - Not Reviewed by agency
 - Reviewed by agency with no material omissions or significant reporting errors
 - Reviewed by agency with material omissions or significant reporting errors identified
- Material omission or significant reporting errors identified in the federal agency review of submissions will be reported to the Recovery Board, and such instances will be made public on Recovery.gov.
- The system automatically defaults to "not reviewed by [federal] agency" status if an agency has not chosen one of the above three categories before the 29th day of the process

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Updated Section 1512 Guidance, continued

Section 5 – Reporting on Jobs Creation Estimates by Recipients

- Revises requirement for job reporting - prime recipients **MUST** incorporate vendor and subrecipient jobs; to the maximum extent practical
- Approved statistical methodologies may be used to estimate only if "overtly burdensome and costly" for prime recipient to obtain this data
- Clarifies that there are two separate fields for job reporting, one numeric and one narrative
- Provides the formula for recipients to use to convert hours to Full-Time Employees (FTEs).
- Two data elements are required to make the FTE calculation:
 - Total number of hours worked that were funded by Recovery Act
 - Total number of hours in a full-time schedule as defined by the recipient, subrecipient, or vendor.

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New Jobs Created or Retained

FTE Formula:

$$\frac{\text{Cumulative Recovery Act Funded Hours Worked (Qtr 1...n)}}{\text{Cumulative Hours in a Full-time Schedule (Qtr 1...n)}} = \text{FTE}$$

- FTEs must be calculated using two data elements:
 1. Total number of hours worked that were funded by ARRA
 2. Total number of hours in a full-time schedule as defined by the recipient, sub-recipient or vendor
- Percentage of funding can be used in lieu of the FTE formula for colleges and universities that follow OMB Circular A-21
- The purpose of this formula is to avoid overstating the number of jobs created in the case where some jobs may not be full-time positions. Thus, this formula converts part-time or temporary jobs into "full-time equivalent" jobs.
- Jobs must be reported cumulatively each quarter. If the same number of employees work the same number of hours in the second quarter, then the same number of FTEs should be recorded in that quarter.

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Updated Section 1512 Guidance, continued

Supplement 1 – List of Programs Subject to Recipient Reporting

- 305 programs were identified as subject to Section 1512
- CFDA numbers have not been included for all programs subject to Section 1512 reporting
- Not all Division B programs are exempt from reporting. Non-exempt examples:
 - Broadband Technology Opportunities Program (BTOP)
 - Health IT Incentive Program
 - Electronic Health Record (EHR) Technology
- Certain Tax Credit programs are also subject to Section 1512 reporting. Examples include:
 - Tax Provisions Implementation Program
 - New Markets Tax Credit
- Certain fiscal relief and entitlement programs are exempt from Section 1512. Examples include:
 - FMAP
 - TANF
 - Extension of Unemployment Benefits Program
 - Title IV-E
- Bond programs are not listed in the supplement and therefore not subject to 1512 reporting.

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August 7th Update to Supplement 1

- Update changes program required to report under Section 1512 of the Act. The 305 programs listed in the original document were changed to 317 programs.
 - Some programs were added, other programs were deleted.
- Examples of programs added to Supplement 1 include:
 - Energy Efficiency and Conservation Block Grant
 - Emergency Food Assistance Program
 - Weatherization Assistance Program for Low Income Persons
 - Recovery Act – National Internet Crimes Against Children Data System
 - Work Study
 - Recovery Act – National Youth Mentoring Program
 - Transit Investments in Green House Gas and Energy Reduction
 - Capital Investment Grants

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Updated Section 1512 Guidance, continued

Supplement 2 – Recipient Reporting Data Model

- Provides the listing of updated data elements and definitions, which include xml tags, examples, and source systems.
- Updated data elements include 99 data fields:
 - Recipient data fields: 66
 - Subrecipient data fields: 26
 - Vendor data fields: 7
- 25 data fields are system-populated:
 - 15 recipient data fields
 - 10 subrecipient data fields
- 6 data fields are optional

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Updated Section 1512 Guidance – Items for Consideration

- Recipients that delegate the Section 1512 (c)(4) reporting function will have to establish processes to track and ensure that reporting for all awards has been completed by the 10th day after the end of the reporting quarter.
- Efforts should have already been undertaken to:
 - Document and verify CCR registrations, DUNS numbers, etc. for each organization or unit of an organization receiving Recovery Act awards.
 - Ensure recipients and subrecipients have the required registrations with Dun & Bradstreet (D&B) and CCR completed and communicated timely.
- Jobs creation estimates considerations:
 - What criteria can be used to demonstrate that it is not "practicable" to collect jobs information from all subrecipients and vendors?
 - Currently, jobs reporting elements cannot be directly reported in FederalReporting.gov by delegated subrecipients – guidance states that this is being considered.
 - Recipients will have to provide guidance and establish a process to collect, aggregate, compute, and report job creation consistently and accurately to the Feds. What detail of supporting documentation needs to be retained to support these numbers?
 - The definitions and criteria to identify jobs retained needs to be clarified and communicated consistently to all subrecipients and vendors

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Recommended Modifications to H.R. 2182

- **Summary of recommended modifications**
 - Passed by the House and sent to the Senate July 27, 2009
 - 0.5 percent to cover Single audit; OMB to publish implementation cost principles
 - Criteria for selection of major programs/clusters; wider latitude for the OMB
 - Reduce submission deadline to 6 months; OMB may propose further reduction
 - Eliminates granting extensions of submission deadlines, except in conjunction with Federal disaster declarations; OMB to issue guidance
 - Mandatory specific internal control requirements - recipient and subrecipient certification
 - Required coverage in future single audits of the required internal controls and certifications
 - Authority and funding for Federal agencies for resolution activities related to single audits and internal control certifications; their public posting on a website

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Recommended Modifications to H.R. 2182

1. **Revise Section 2(b) of H.R. 2182**

Section I:

 - Provides that 0.5 percent set-aside shall also cover Single audit costs resulting from the ARRA
 - Requires the Director, OMB to publish cost principles to implement these provisions within 90 days of enactment of the Bill

2. Add Section 5 to H.R. 2182 - add the following sections to Subtitle A of ARRA :

Sec. 1516 – AUDIT COVERAGE OF EXPENDITURES UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996

Section II:

 - Requires the Director, OMB to prescribe criteria for the selection of major programs and clusters of programs funded all, or in part, by ARRA within 90 days from the enactment of this Bill,
 - Gives the Director wider latitude than presently exists to do so.

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Recommended Modifications to H.R. 2182 (cont.)

2. Add Section 5 to H.R. 2182 - add the following sections to Subtitle A (continued):

Sec. 1516 – AUDIT COVERAGE OF EXPENDITURES UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996 (continued)

Section III:

- Reduces the submission deadline for single audits from 9 months after fiscal year end date to 6 months after fiscal year end date.
- Gives the Director, OMB, authority to propose a further reduction of the submission deadline. However, a proposal for a further reduction may not be made sooner than one year after the 6 month submission deadline becomes effective, and only after soliciting and considering public comments.

Section IV:

- Eliminates granting extensions of submission deadlines for single audits, except in conjunction with Federal disaster declarations; effective 6 months after enactment of the Bill.
- Requires the Director, OMB to issue guidance for granting such extensions in conjunction with Federal disaster declarations. [Such guidance would cover issues such as applicability to an auditee not located in the geographic area covered by the disaster area, but whose auditor is so located.]

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30

Recommended Modifications to H.R. 2182 (cont.)

2. Add Section 5 to H.R. 2182 - add the following section to Subtitle A (continued):

Sec. 1517 – INTERNAL CONTROLS REQUIREMENTS FOR RECIPIENTS AND SUBRECIPIENTS, AUDIT COVERAGE OF INTERNAL CONTROLS AND AUDIT SUBMISSIONS

Section V:

- Requires the Director, OMB to promulgate mandatory specific internal control requirements for ARRA awards and contracts (no later than 60 days from the enactment of this Bill).
- Requires that all recipients and subrecipients certify whether these mandatory controls are suitably designed, established and operating, and only after soliciting and considering public comments.

Section VI:

- Requires coverage, in future single audits, related to the required internal controls and certifications described in Section V.

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31

Recommended Modifications to H.R. 2182 (cont.)

2. Add Section 5 to H.R. 2182 - add the following section to Subtitle A (continued):

Sec. 1517 – INTERNAL CONTROLS REQUIREMENTS FOR RECIPIENTS AND SUBRECIPIENTS, AUDIT COVERAGE OF INTERNAL CONTROLS AND AUDIT SUBMISSIONS (continued)

Section VII:

- Provides authorities, designations, responsibilities and funding for Federal agencies to process and perform resolution activities related to single audits and internal control certifications.
- Provides for public posting on a website of all single audits and internal control certifications required by this Bill.

Sec. 1518 - REPORTING RELATING TO JOBS CREATED and AUDIT COVERAGE OF SUCH REPORTING IN AUDITS PERFORMED IN ACCORDANCE WITH THE SINGLE AUDIT ACT AMENDMENTS OF 1996

Section VIII:

- Requires the Director, OMB, to provide criteria for reporting estimates of jobs created and saved under Section 1512 of the Recovery Act (no later than 60 days from the enactment of this Bill)

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32

Addendum to the 2009 Compliance Supplement

- Effective for audits of fiscal years beginning after June 20th 2008.
- Modifies the following areas:
 - Part 2 - Matrix
 - Part 3 - Cross-cutting provisions
 - Part 4 - New programs and compliance requirements
 - Part 5 - Cluster changes
 - Part 6 - Internal control

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33

Part 2 - Matrix

- Includes the ARRA programs, new clusters, and existing programs.
- The following list of CFDA Numbers indicates those programs with changes.
 - 14.253, 14.254, 14.255, 14.256, 14.257, 14.258, 14.318, 14.873, 14.882, 14.883, 14.884, 14.885, 14.886, 14.887, 14.907, 14.908, 14.909, 14.910,
 - 17.225
 - 66.458, 66.468
 - 84.389, 84.390, 84.391, 84.392, 84.394, 84.404, 84.393, 84.397
 - 93.703*, 93.705*, 93.707, 93.708, 93.709, 93.710*, 93.712*, 93.713*, 93.714*, 93.716*
 - 97.024, 97.114
- * The Department of Health and Human Services (HHS) updated the matrix for its programs only to reflect clusters.

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34

Part 3 - Cross-Cutting Provisions

- Activities allowed or Unallowed:** Adds a new unallowable activity to ensure ARRA monies are not used for any casino or other gambling establishment, aquarium, zoo golf course, or swimming pool.
- Davis-Bacon Act:** Includes the ARRA and related OMB implementing guidance as a source for requirements.
- Procurement and Suspension and Debarment:** Adds a new audit objective to determine:
 - Whether an award includes Buy-American
 - Compliance with Buy-American ARRA provisions
 - If any waivers have been granted
- Reporting:** Clarifies that the reporting requirements imposed by Section 1512 of the ARRA are not applicable for audit periods with ending dates in June, July and August of 2009.
 - An additional Addendum will be issued by September 30, 2009 which will identify audit objectives and related procedures for Section 1512.

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35

Part 3 - Cross-Cutting Provisions (Continued)

- **Subrecipient Monitoring:** Adds a new audit objective to determine if the subrecipient has communicated to their first-tier subrecipients 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
 - Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (DCF) presentation requirements
 - Requirements for the prime recipient to identify their subrecipients
 - Federal awards and CFDA numbers
 - The amount of Recovery Act funds
 - SEFA and DCF presentation requirements



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36

Part 4 - New Programs and Compliance Requirements

- The Agencies that have included new programs:
 - Education
 - Housing and Urban Development
 - Environmental Protection Agency
 - Homeland Security
 - Department of Labor
- Agriculture included an update for the Child Nutrition Cluster
- HHS did not include any programs



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37

Part 5 - Cluster Changes

- Identifies cluster changes due to the Recovery Act
- Clarifies treatment of the Federal Pell Grant (FPG) and Federal Work Study (FWS) Programs in that Recovery Act:
 - Disbursements under these programs were made without separate identification of the Recovery Act.
 - All expenditures for FPG and FWS should be reported under the Student Financial Aid cluster.



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38

Part 6 - Internal Control

- Auditors are encouraged to promptly inform management, of identified control deficiencies related to ARRA funding.
- Entities receiving ARRA funds may face a material increase in resources needed to:
 - Properly manage ARRA
 - Monitor and account for Federal awards
 - Effectively operate related internal controls
- Auditors should consider "capacity" issues as part of internal controls considerations.



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39

Questions?



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40

With You Today



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