

# Managing Requirements of New Federal Funding Streams



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LarsonAllen's 17th Annual Nonprofit & Foundation  
Conference—May 6, 2010

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## Objectives

- ARRA Background
- Impact of ARRA Funding on Your Organization
- Compliance Requirements
- Internal Controls Changes
- ARRA Major Program Determination
- Reporting
- Action Steps
- Resources

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## ARRA Background

- Over \$300 billion to state and local government
- Targets:
  - Energy
  - Infrastructure
  - Education
  - Technology
  - Tax cuts
  - Lower healthcare
  - Saving public sector jobs
  - Other



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## ARRA Background

- Unprecedented oversight and transparency
- Congress and federal agencies
- Funds spent appropriately for authorized purposes



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## ARRA Background

- Recovery and Accountability Transparency Board established by Section 1521
- Coordinate and conduct oversight of covered funds
  - Prevent fraud, waste and abuse
- Board may conduct its own independent audits and reviews

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## ARRA Background

- Earl E. Devaney, chairman of the Recovery Board
- 12 inspectors general from various federal agencies serve with chairman
  - The board issues quarterly and annual reports
- Board maintains the [recovery.gov](http://recovery.gov) Web site

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## Impact of ARRA Funding on Organizations

- Additional compliance requirements
- Additional internal controls that need to be in place
- More programs could be tested under your single audit
- Additional reporting and tracking
- Assign separate/new ARRA CFDA number
- Evaluate more “high risk” programs and grantees
- Separate reporting on SEFA
- Federal Audit Clearinghouse to display all ARRA findings

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## Compliance Requirements

- Addendum 1 to the 2009 Compliance supplement – **BOLD**
  - **A** – Activities Allowed
  - **D** – Davis Bacon Act
  - **I** – Procurement Suspension and Debarment
  - **L** – Reporting (extensive and will go into detail)
  - **M** – Sub-recipient Monitoring
  - **N** – Special Tests and Provisions
    - ◇ Maintenance of records
    - ◇ identification of sub-recipient award #'s, CFDA # and ARRA \$
    - ◇ Identification of ARRA funds in SEFA/SF-SAC
- Other updates in TOC, Parts 2, 3, 4, 5 and 6

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## Compliance Requirements

- A – Activities Allowed
  - None of the funds appropriated or otherwise made available in ARRA may be used by any state or local government, or any private entity, for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool
  
- D – Davis Bacon Act
  - All Davis-Bacon compliance requirements are applicable to ARRA funds.

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## Compliance Requirements

- I – Procurement Suspension and Debarment
  - Prohibits use of funds for project for construction or repair of a public building or work unless all the iron, steel, and manufactured goods used are produced in the United States
  - Buy-American award term
  
- L – Reporting (see later slides)
  
- M – Sub-recipient Monitoring
  - A pass-through entity is responsible for -- Central Contractor Registration and keeping current—including obtaining DUNS number

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## Compliance Requirements

- N – Special Tests and Provisions
  - Separate Accountability for ARRA Funding –Applicable to all major programs with expenditures of ARRA awards
  - Presentation on the Schedule of Expenditures of Federal Awards and Data Collection Form
  - Subrecipient Monitoring –Applicable to all major programs with expenditures of ARRA awards

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## Internal Control Changes

- Internal control changes needed for new requirements
- Designed to prevent unallowable expenditures
- Ensure ARRA funds separately tracked and identified internally
- Controls to make sure new reporting requirements met
  - Separate identification on SEFA and Data Collection Form
- Reporting due **10 days** after each quarter
- Controls over sub-recipient monitoring
  - Recipients are responsible for identifying ARRA awards and requirements to their sub-recipients

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## Internal Controls Changes

- Deficiencies in internal control (i.e., material weaknesses and significant deficiencies) be corrected by management as soon as possible
- Auditors encouraged to promptly inform auditee about control deficiencies related to ARRA funding that are, or likely to be, significant deficiencies or material weaknesses in internal control
- When evaluating deficiencies, assess likelihood and magnitude of noncompliance



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## Internal Controls Changes

- COSO Framework cited in Part VI
- Address risks arising from ARRA funding
  - risks due to rapid growth of a program
  - new and/or increased activities under a program
  - changes in the regulatory environment
  - new personnel



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## ARRA Major Program Determination

- Appendix VII of Compliance Supplement
- Risk determination low vs. high
  - Due to inherent risk with new transparency and accountability requirements over ARRA awards, should consider all Fed programs with expenditures of ARRA awards to be of **HIGHER** risk
  - 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



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## ARRA Major Program Determination

- ARRA award with existing or new CFDA numbers
  - One CFDA Number for both Non-ARRA and ARRA funds
  - New CFDA # for ARRA Funds
- Clusters
  - Many ARRA awards will have new CFDA #'s even though additions to or share with an existing program
  - Changes in Clusters posted and updated monthly at <http://www.whitehouse.gov/omb/management>
- IG will be checking to ensure programs are being audited, using the data from Federal Audit Clearinghouse

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## Reporting

- Where Funds are reported
  - Separately on SEFA
  - Separately on Data Collection Form SF-SAC
    - ◇ Use Pre-fix “ARRA-”
  - 1512 Reporting
    - ◇ End result to the public ([www.recovery.gov](http://www.recovery.gov) and federal agency ARRA Web sites.)
- 1512 Reporting
  - Web based reporting: [www.FederalReporting.gov](http://www.FederalReporting.gov)
  - Quarterly basis – began 9/30/09 (or when awarded)
  - Cumulative each quarter (except for job estimates)
  - Timelines—10 days after end of each quarter
  - Questions—FAQ at Web site



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## Reporting

- Who Reports
  - Prime Recipient
  - Can delegate sub-recipient
- What is needed to do reports
  - Must register
    - ◇ need DUNS and CRR
    - ◇ Prior to when you start your first report
  - Extensive information (Recipient Reporting Data Model)
    - ◇ Background/Description
    - ◇ Status
    - ◇ Estimate # of jobs created/retained and description
  - Sub-awards and other payments
    - ◇ Detail on sub recipients/vendors
    - ◇ Definition
    - ◇ Other Info go to [www.Recovery.gov](http://www.Recovery.gov) for supplemental material

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## Action Steps

- Process for accepting ARRA funding
- Appoint Recovery Act person
- Internal controls in place over new compliance requirements
- Be prepared to report on the ARRA spending
- Plan ahead for the audit
  - SEFA
  - Possible interim work for single audit procedures

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## Resources

- [www.recovery.gov](http://www.recovery.gov)
- [www.whitehouse.gov/omb](http://www.whitehouse.gov/omb)
- [www.whitehouse.gov/omb/recovery\\_default/](http://www.whitehouse.gov/omb/recovery_default/)
- GAQC Recovery Act Resource Center  
<http://gaqc.aicpa.org/Resources/Recovery+Act+Resource+Center/>

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## Recent Updates

- [M-10-08, Updated Guidance on the American Recovery and Reinvestment Act – Data Quality, Non-Reporting Recipients, and Reporting of Job Estimates](#) (December 18, 2009)
- [M-10-05, Improving Compliance in Recovery Act Recipient Reporting](#) (November 30, 2009)
- [FederalReporting.gov Recipient Reporting System Webinars](#) –includes link to downloads of user guide, templates, CFDA # lookup, other resources

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## Resources at recovery.gov

- [Offices of Inspectors General](#)
  - Findings
  - Status Reports
  - Recovery Plans
  - Testimony
- [Oversight Actions](#)
  - Reviews potential fraud complaints and resulting investigations
- [Oversight Training](#)
  - Dates for IG sessions on Recovery Act requirements
- [GAO Findings](#)
  - Reports by the Government Accountability Office (GAO) on the use of Recovery funds by states and localities.

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## GAO Findings

- GAO (10-437 Report to Congress) findings March 2010
  - As of February 2010, \$88.7 billion (or 30%) of total funds have been paid
  - Recommends HUD develop plan to determine the adequate level of staffing
  - In education, the largest category of jobs reported, GAO found states reported job numbers using old methodology
  - Recommends OMB adjust the single audit process to help mitigate risks, including voluntary internal control project

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