



VGFOA Spring Conference  
ARRA Panel Discussion  
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# Responsibility to Account for ARRA Funds

## ❖ Identify ARRA funding separately

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

# Responsibility for Records

- ❖ Maintain records to separately identify the source and application of ARRA funds
- ❖ Its essential the entity has a financial management system that permits preparation of required reports

# Compliance Requirements Affected by ARRA

## ❖ 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

# Compliance Requirements Affected by ARRA

## ❖ Procurement

- o 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.
- o 2 CFR part 176, Subpart B
- o Waiver granted

# Compliance Requirements Affected by ARRA

## ❖ Reporting – Section 1512

- Not applicable for periods ending in June, July and August
- OMB to issue requirements for auditors for periods ending September 2009

## ❖ Identify ARRA awards and applicable requirements to subrecipients

# Compliance Requirements Affected by ARRA

## ❖ Communication with first-tier subrecipient the requirement to register with the Central Contractor Registration

- Registration required prior to an award
- Update once a year

# Accountability and Transparency

- ❖ 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**

# Major Program Determination

- o Expenditures of ARRA awards are programs of HIGHER RISK
- o Inherent risk – capacity issues and new compliance requirements
- o New CFDA # - Fails two year look-back
- o 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
  - o No de minimus threshold (1<sup>st</sup> dollar)
  - o Low risk determination will be extremely rare
  - o Stress importance of qualitative factors
  - o Federal OIGs monitoring
  - o 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
- ❖ 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.

# Major Program Determination – Type B

- ❖ No formal guidance on Type B risk assessment
- ❖ General view - Type B with existing CFDA # with ARRA funding to be higher risk
- ❖ Select high risk Type B's with ARRA first under the option requirement and percentage of coverage rule
- ❖ Depending on circumstance, not all Type B with ARRA will be major programs

# Looking Ahead

- ❖ 2010 *Compliance Supplement* should be issued soon
- ❖ New OMB implementing guidance
- ❖ Monitor GAQC communications for updates and developments
  - <http://gaqc.aicpa.org/>
- ❖ CB&H blogs
  - <http://blogs.cbh.com/govserv/>

# OMB Compliance Supplement – Part 2 Matrix of Compliance Requirements

- ❖ ARRA programs have been added to the matrix
- ❖ Programs with ARRA funding are shown in bold.

# Part 3

## Compliance Requirements

- ❖ Information on cross-cutting ARRA requirements that was in Addendum 1 to 2009 Supplement has been updated and incorporated.
  - Activities Allowed or Unallowed
  - Davis-Bacon Act
  - Procurement, Suspension & Debarment
  - Reporting
  - Subrecipient Monitoring
  - Special Tests and Provisions

# Activities Allowed or Unallowed

- ❖ Pursuant to Section 1604 of ARRA, 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.

# Davis-Bacon Act

- ❖ Section 1606 of ARRA and OMB guidance at 2 CFR part 176, Subpart C; **Federal awarding agency regulations; and the terms and conditions of the award** (including that imposed by ARRA).

# Procurement, Suspension & Debarment

- ❖ Section 1605 of ARRA prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. ARRA provides for waiver of these requirements under specified circumstances.
- ❖ An award term is required in all AARA-funded awards for construction, alteration, maintenance, or repair of a public building or public work (2 CFR section 176.140).
- ❖ Further information about this requirement, including applicable definitions, is found in 2 CFR part 176, Subpart B

# Procurement, Suspension &

## Debarment

### ❖ Objective:

- o Determine whether an award that provides ARRA funding includes a Buy-American award term and, if so, whether the recipient is complying with the Buy-American provisions of ARRA or if any waivers have been granted.

### Suggested Audit Procedures – I/C

#### ❖ Select a sample of ARRA-funded procurements, if any, for activities subject to Section 1605 of ARRA and—

1. Test whether the non-Federal entities requested and received any exceptions to Buy-American requirements; and
2. Test the sample of procurements to ascertain if entities are otherwise in compliance with the ARRA Buy-American requirements.

# ARRA Reporting

## ❖ Section 1512 of ARRA includes reporting requirements applicable to awards under ARRA Division A.

- On June 22, 2009, OMB issued "Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009"
- The guidance covers the reporting requirements of Section 1512 of ARRA and includes two supplements: (1) a list of programs subject to the ARRA reporting requirements, and (2) a Recipient Reporting Data Model. It may be accessed at the OMB website: [http://www.whitehouse.gov/omb/recovery\\_default/](http://www.whitehouse.gov/omb/recovery_default/)

# ARRA Reporting

- ❖ As indicated in the June 22, 2009 guidance and in Appendix VII of the Supplement, the first reporting period for reports required by Section 1512 of ARRA ended on September 30, 2009 and the reports were required to be submitted by October 10, 2009. Therefore, coverage of such reports will not be applicable for audit periods with ending dates in June, July, or August 2009. ARRA reports are due quarterly thereafter.

# ARRA Reporting

## ❖ Suggested Audit Procedures – Compliance

- For ARRA reports, determine how subrecipient/vendor data is reported and verified by the recipient or whether subrecipient reporting has been delegated.

# Suggested Audit Procedures – Compliance (continued)

## ❖ ARRA reports

1. Trace the reported data to records that accumulate and summarize data.
2. Perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with ARRA reporting requirements and, as necessary, corrected.
3. If ARRA reporting was delegated to any or all subrecipients, determine how the recipient ensured the accuracy of subrecipient reporting, including the means of avoiding possible double-counting.

# Subrecipient Monitoring

## ❖ Compliance Requirement

- *Central Contractor Registration* – Identifying to first-tier subrecipients the requirement to register in the Central Contractor Registration, including obtaining a Dun and Bradstreet Data Universal Numbering System (DUNS) number, and maintain the currency of that information (Section 1512(h) of ARRA, and 2 CFR section 176.50(c))

# Subrecipient Monitoring

## ❖ Audit Objectives

- Determine whether the pass-through entity reviewed whether subrecipients receiving ARRA funding have current CCR registrations prior to making subawards and performed periodic checks to ensure that subrecipients are updating information, as necessary
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- Determine whether the pass-through entity identified in the SEFA the total amount provided to subrecipients from each Federal program

# Subrecipient Monitoring

## ❖ Suggested Audit Procedures – Compliance

- Test the pass-through entity's subaward review and approval documents to determine whether, before award, the pass-through entity checked CCR to determine whether subrecipients were registered.
- Verify that the pass-through entity identified in the SEFA the total amount provided to subrecipients from each Federal program. (Note: § \_\_\_\_.310(b)(5) of OMB Circular A-133 currently requires this only "to the extent practical;" however, given the passage of the Federal Funding Accountability and Transparency Act and ARRA, if auditees are unable to provide this information, the auditor should consider whether the auditee's financial management system provides effective control and accountability over funds from federally sponsored activities. If not, the auditor should evaluate whether to report a significant deficiency in internal control and consider the impact of the deficiency in the review of subrecipient monitoring.)

# Subrecipient Monitoring

- ❖ The following three special tests and provisions, which ordinarily would be added in Part 4 guidance (or Part 7 for any programs not included in this Supplement), apply to all programs with expenditures of ARRA funds in addition to any special tests and provisions listed in Part 4.

# Subrecipient Monitoring

- ❖ In addition to addressing the following audit objectives, the auditor should obtain an understanding of internal control, assess risk, and test internal control as required by OMB Circular A-133 §\_\_\_.500(c) and should consider the suggested audit procedures in this Section N.

# Subrecipient Monitoring

- ❖ Audit Objective - Determine whether accounting records for ARRA funds provide for the separate identification and accounting required for ARRA awards/activity.
- ❖ Suggested Audit Procedure - Ascertain if expenditures of ARRA funds are accounted for separately from expenditures of non-ARRA funds.

# Subrecipient Monitoring

- ❖ **Audit Objective** - Determine whether the entity met the requirements for reporting expenditures of ARRA awards on the SEFA and that reported amounts are supported by the accounting records and fairly presented in accordance with ARRA and program requirements.
- ❖ **Suggested Audit Procedure** - Perform tests to verify that the SEFA properly identifies and reports expenditures of ARRA awards and reported expenditures are supported by accounting records.