



# **ARRA Reporting and Internal Control Requirements**

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## **Assessing Department's Readiness**

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City of Tallahassee



# Session Outline

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- ARRA Overview and Expectations
- Internal Controls – Brief overview
- ARRA Recipients - Reporting Levels
- ARRA Recipients - Registrations
- Management's Role
- City Auditor's Role
- External Auditor's Role
- Departments – Readiness self-assessment
- Programs/projects – Readiness self-assessment
- Questions & Answers

# ARRA – American Reinvestment and Recovery Act of 2009

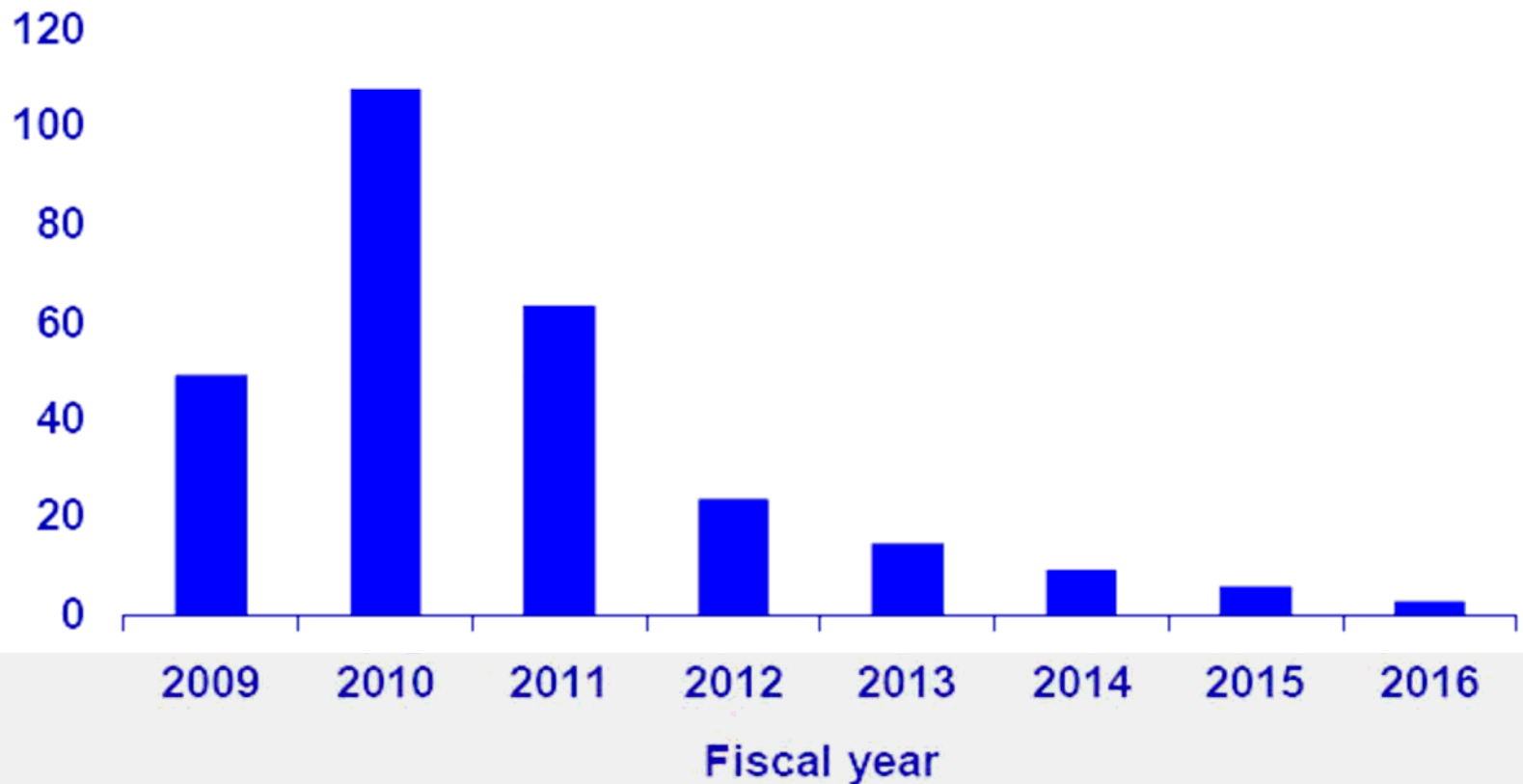


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- Largest non-wartime inflation adjusted spending bill ever passed – approximately \$787 billion
- Goals are to:
  - Preserve and create jobs (goal is 3.5 million)
  - Assist those hurt in the recession
  - Provide funding for investments in science & health
  - Provide funding for infrastructure
  - Stabilize state and local budgets

# Timing of Federal Recovery Act Funding Made Available to States and Localities

Dollars in billions



Source: GAO analysis of CBO and FFIS data, April 2009

# ARRA – American Reinvestment and Recovery Act of 2009

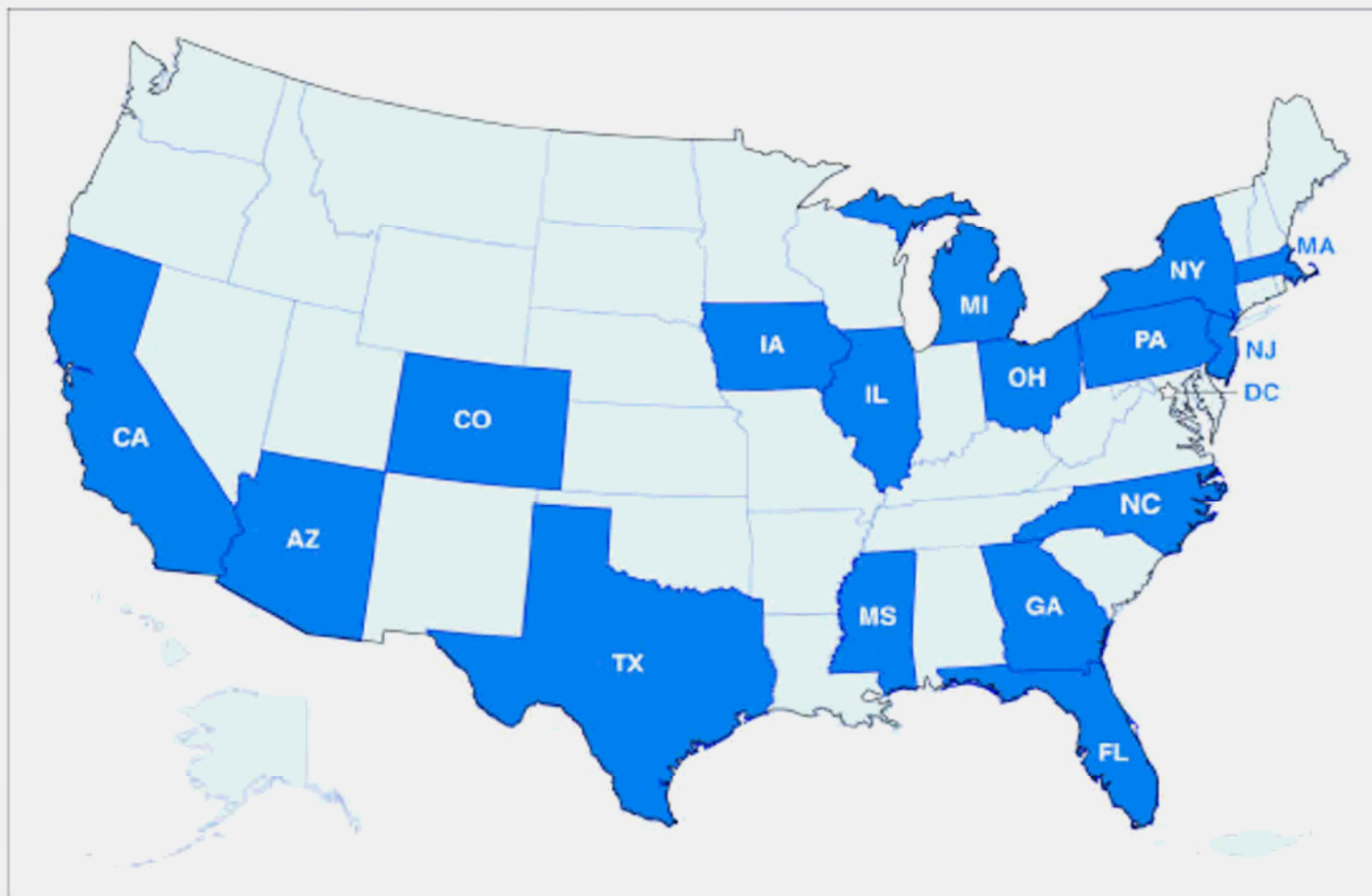


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## Florida:

- Expecting between \$10 – 20 billion
- One of 16 states selected to be audited and monitored by the Government Accountability Office (GAO) to report on State and Local:
  - Use of ARRA funds
  - Up-front safeguards and ongoing monitoring of ARRA projects
  - Plans to evaluate the impact of the funds

# American Recovery & Reinvestment Act



1. Arizona
2. California
3. Colorado
4. Florida
5. Georgia
6. Illinois
7. Iowa
8. Massachusetts
9. Michigan
10. Mississippi
11. New Jersey
12. New York
13. North Carolina
14. Ohio
15. Pennsylvania
16. Texas
17. Washington, D.C.

Source: GAO analysis.

# ARRA – American Reinvestment and Recovery Act of 2009



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## City of Tallahassee:

- Is hoping to receive between \$100-200 million
- ARRA projects can potentially be audited at various levels, including:
  - City Internal Auditor
  - City External Auditor
  - State Auditors
  - Federal auditors (could be from the funding agency or the oversight agency, GAO)



# ARRA Expectations

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- Five crucial objectives:
  1. Recovery funds are **awarded and distributed** in a **prompt, fair, and reasonable manner**;
  2. The **recipients and uses of all recovery funds** are **transparent** to the public, and that the **public benefits** of these funds are **reported clearly, accurately**, and in a **timely** manner;
  3. Recovery funds are **used for authorized purposes** and every step is taken to **prevent** instances of **fraud, waste, error, and abuse**;



# ARRA Expectations

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- Five crucial objectives (Cont):
  4. Projects funded under the recovery legislation **avoid unnecessary delays** and **cost overruns**; and,
  5. Programs **meet specific goals** and **targets**, and contribute to **improved performance** on broad economic indicators



# Internal Control – Criteria for Evaluating City Stewardship of ARRA Funds

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- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring

# What are Internal Control Components?





# Control Environment

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- The building block for all other components.
- Managements philosophy, operating style, and attitude (“Tone at the Top”)
- Do we have a commitment to:
  - Integrity & ethical values
  - Competence
  - Adherence to policies and procedures
  - Responsibility, working within authority, and accountability
  - Promptly correcting identified weaknesses



# Risk Assessment

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- Risks are assessed to identify what can go wrong
- Anything that
  - Poses a threat to the City meeting its promise, obligation, and responsibility to its citizens
  - Threatens the accomplishment of organization goals and objectives
- Controls are put in place to reduce significant risks



# Control Activities

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The actions supported by policies and procedures that help assure management directives to address risks are carried out properly and timely.



# Control Activities - Examples

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## ■ Preventative Controls

- Establishing and communicating goals, objectives, and performance standards and measures
- Training staff on applicable policies & procedures and how to perform functions the right way.
- Reviewing requisitions prior to purchase
- Segregating accounting for assets from physical control over assets, authorizing purchases, receiving services, and approving for payment
- Use of user ids and passwords into systems and applications.
- Others?



# Control Activities - Examples

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- Detective Controls
  - Compare goods or services received to contract requirements
  - Perform cash counts
  - Perform bank reconciliations
  - Review payroll statements and reports
  - Compare actual expenditures to budgets
  - Others?



# Information and Communication

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- The identification of information needed to properly manage each level in the organization.
- The system to faithfully and timely send and receive information throughout the organization.
- Communicating information down to employees and up to management



# Monitoring

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- What management does to:
  - Perform ongoing and continuous review and analysis of organization operations and reports.
  - Ensure that what is really happening is supposed to be happening.
  - Take appropriate actions to increase efficiency and effectiveness consistent with organization goals and objectives.
  - Ensure that grantees/contractors are doing what is supposed to be done.

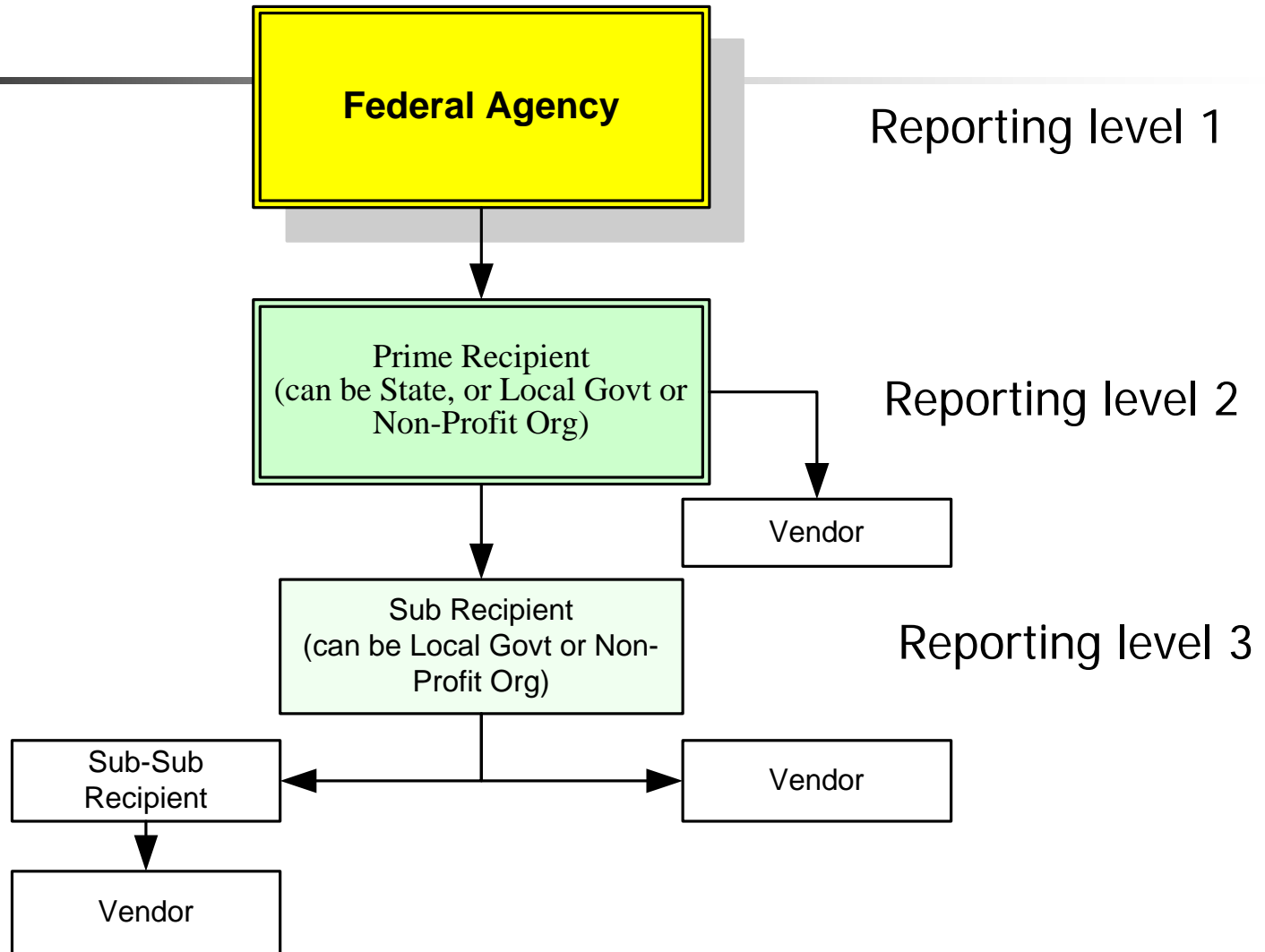


# ARRA Recipients- Reporting Levels

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- **Federal agencies**
- **Prime Recipients**
- **Sub Recipients**
- **Sub Sub Recipients**
- **Vendors**

# ARRA Recipients



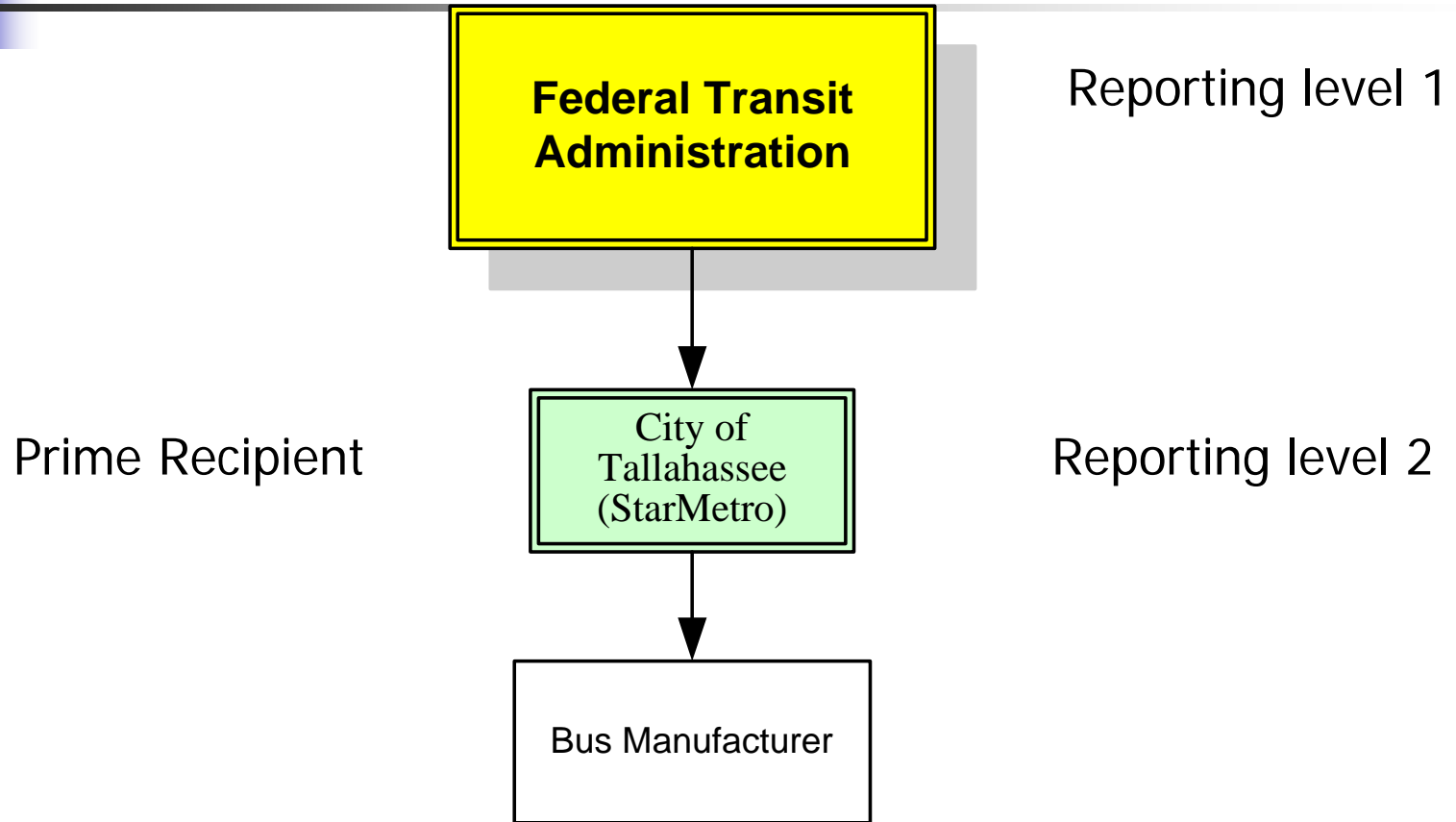


# Prime Recipients

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- An entity that receives Recovery Act funds directly from a Federal Agency through contract awards, grant awards, cooperative agreements or a loan to carry out a federal program.
- Example 1:
  - StarMetro award to purchase buses (funding received directly from the Federal Transit Administration)

# ARRA Recipients Example 1



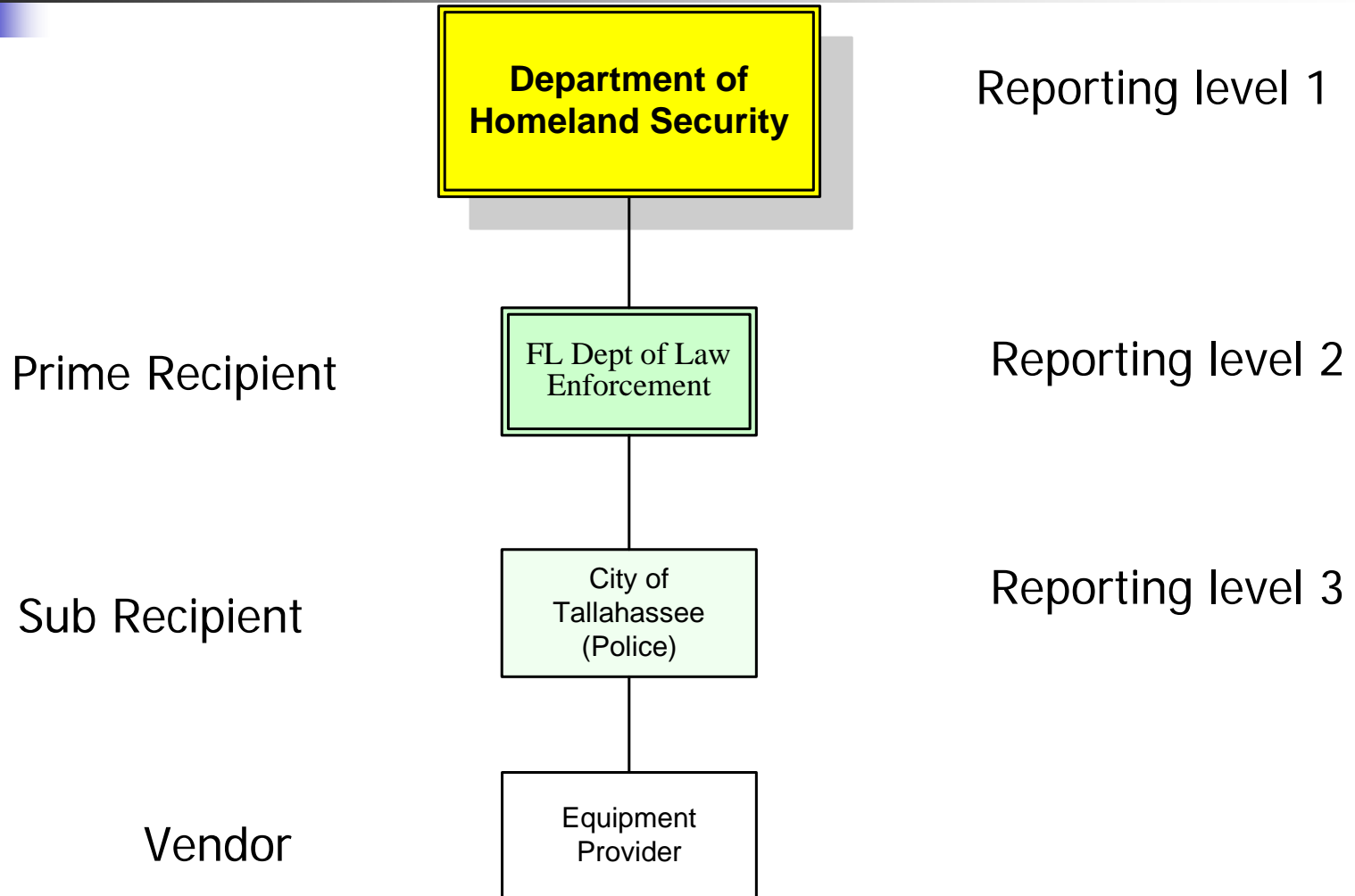


# Sub Recipients

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- An entity that receives Recovery Act funds from a Federal Agency indirectly through a Prime Recipient in the form of contract awards, grant awards, cooperative agreements or loans to carry out a federal program.
- Example 2:
  - Law Enforcement award to provide special equipment to enhance our crime prevention and enforcement capability (funding from Homeland Security through the Florida Dept of Law Enforcement)

# ARRA Recipients Example 2



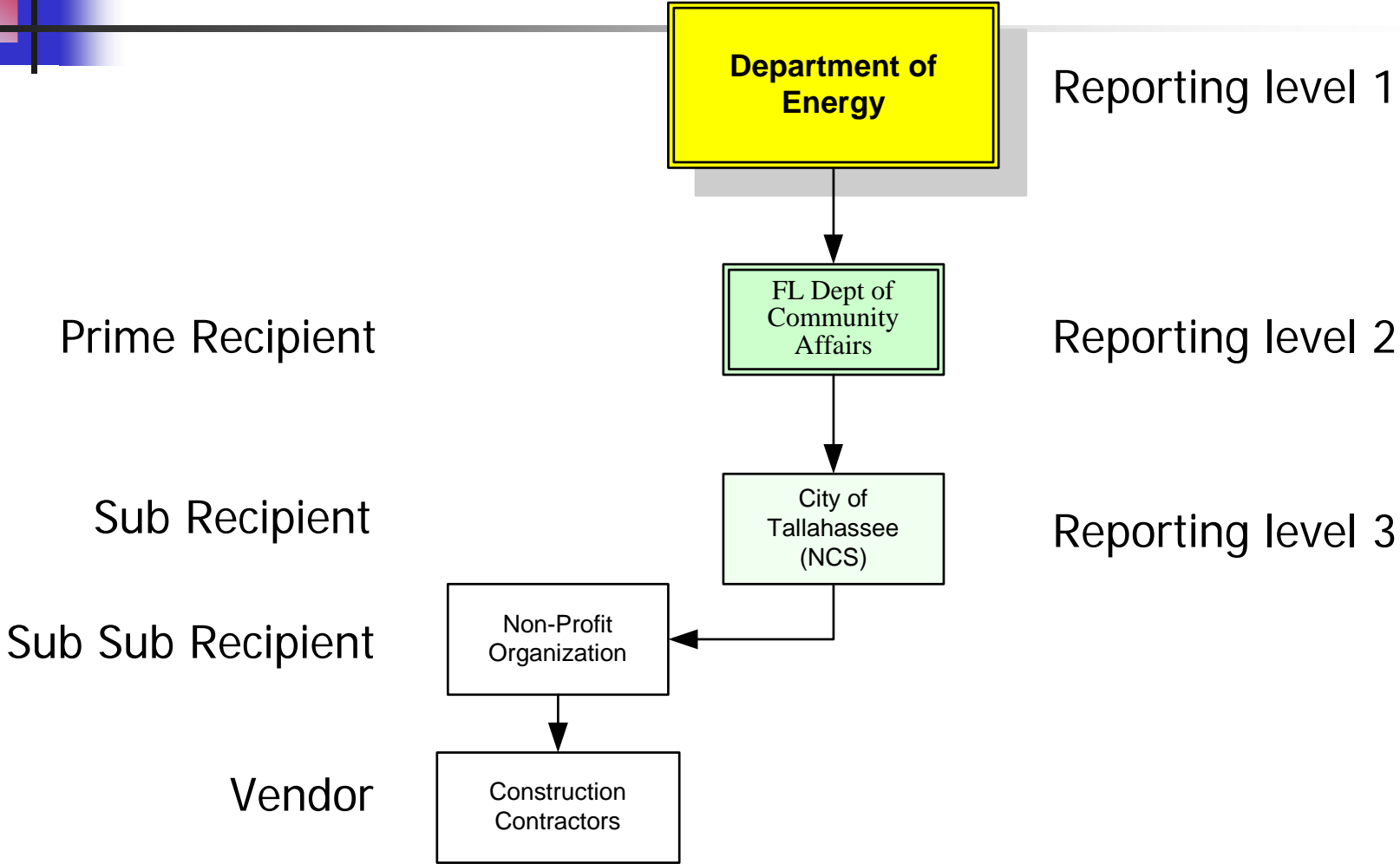


# Sub Sub Recipients

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- An entity that receives Recovery Act funds from a Federal Agency indirectly through a Sub Recipient in the form of contract awards, grant awards, cooperative agreements or loans to carry out a federal program.
- Example 3:
  - Housing assistance to provide renovations to needy families (funding from Housing and Urban Development through the FL Department of Community Affairs, and awarded by the City to a non-profit organization)

# ARRA Recipients Example 3



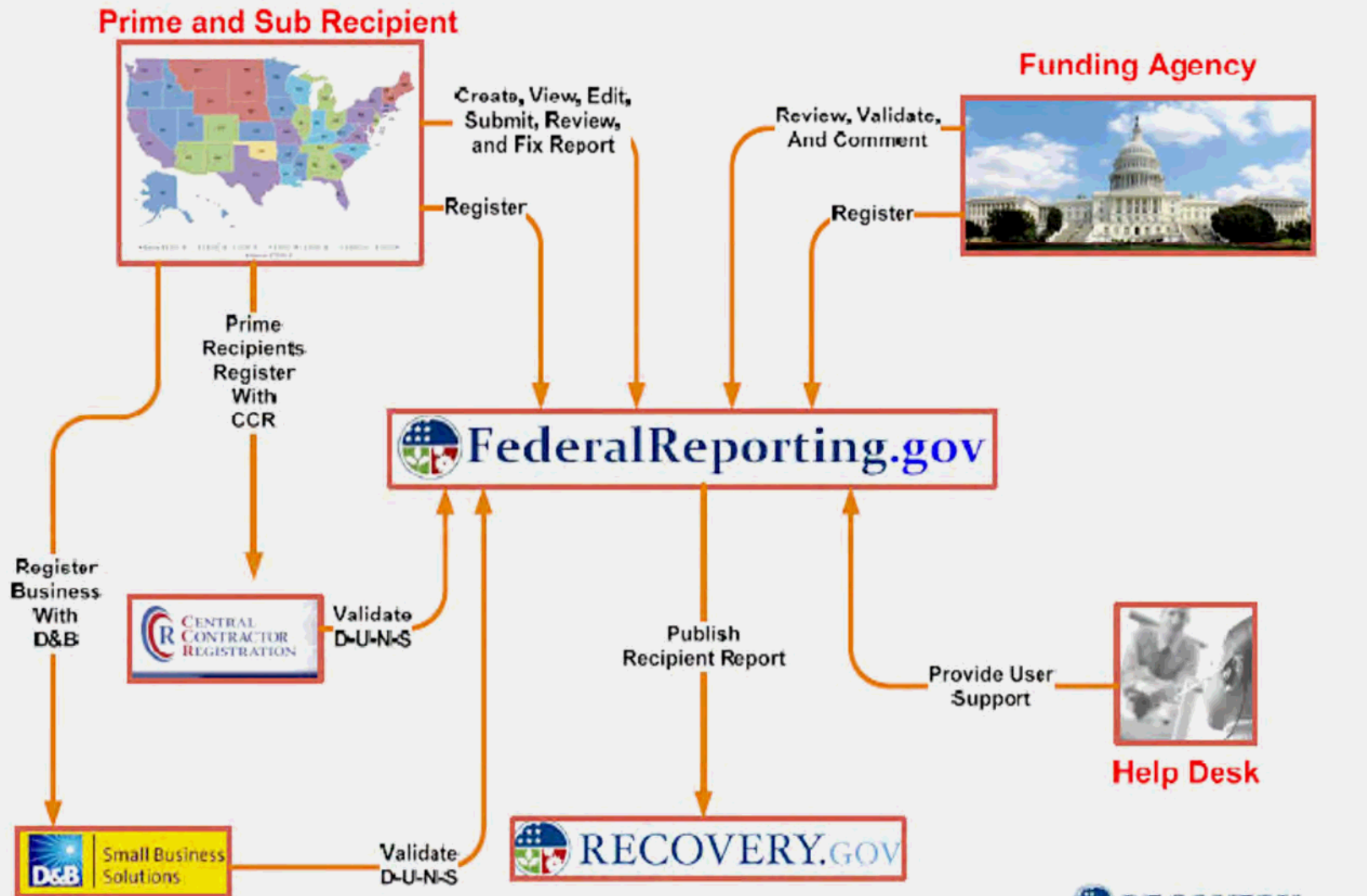


# Vendors

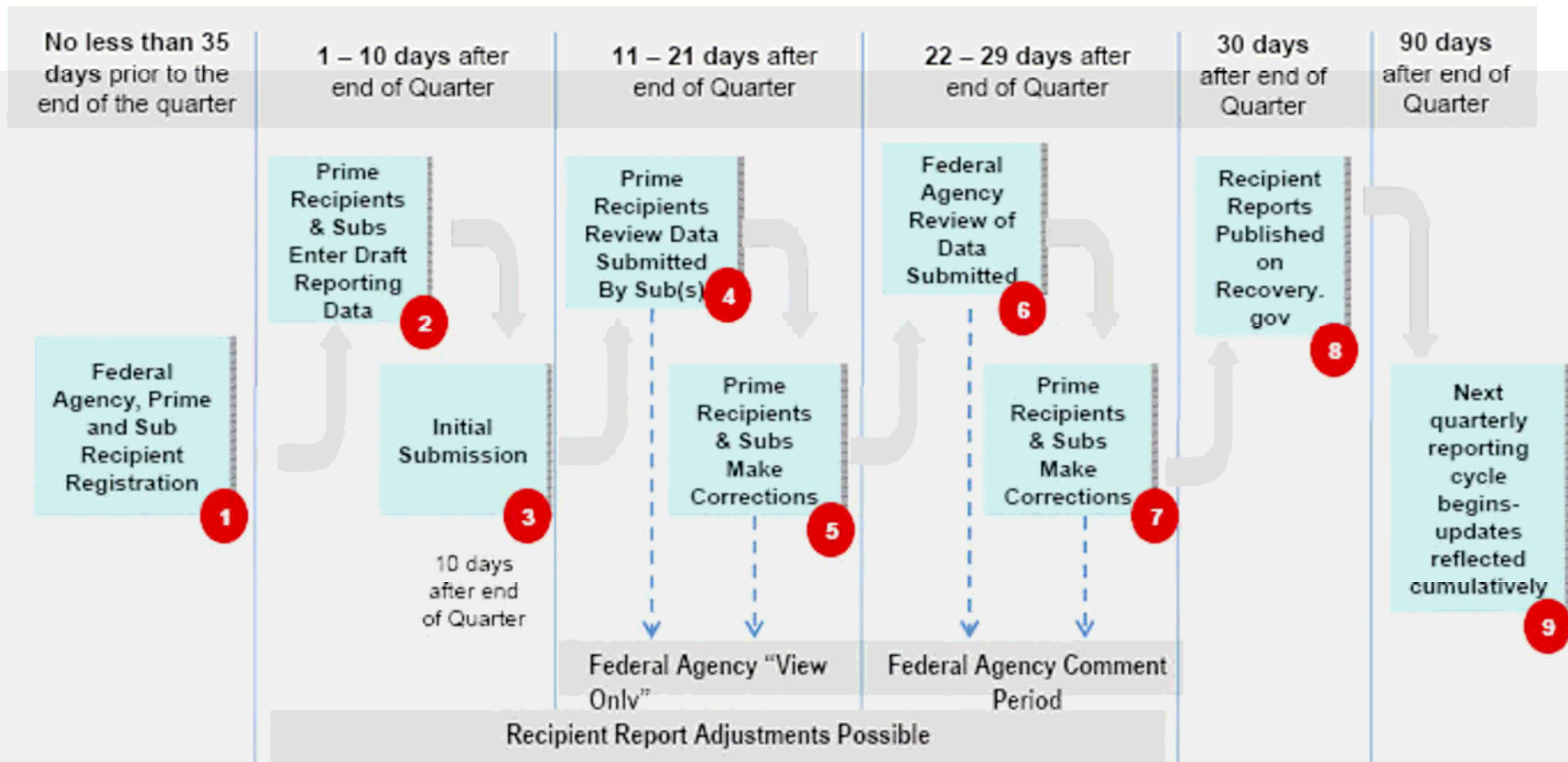
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- Dealers, distributors, merchants or other sellers providing goods or services (in a competitive environment) required for the conduct of a federal program.
- Examples:
  - Bus manufacturer
  - Construction company
  - Engineering firm
  - Suppliers of equipment and materials
- Vendors are not responsible for implementing or carrying out the intent of the program.

# Business Context for In-bound Recipient Reporting (FederalReporting.Gov)



# In-bound Recipient Reporting (FederalReporting.Gov) Timeline and Activities



Report Status:





## ARRA Recipients- Reporting

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- Reports are due 10 days after the end of each quarter starting on September 30, 2009.
- Prime recipients are responsible for ensuring that sub recipients data is entered.
- Each Level is responsible for the quality of their own data (i.e., prime, sub recipient)



# ARRA Recipients- Reporting

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## Types of Data reported:

- Organization – Name, identifying #s
- ARRA project - Type, description, status
- Monetary - Amount awarded, received, expended and to whom
- Jobs created or preserved - Based on FTE  
*(this is to be at the level that affects the most jobs, i.e., the “sweet spot”)*



# ARRA Recipients - Registration

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- **Prime Recipients**

- DUNS
- Central contractor (CCR)
- Federalreporting.gov

- **Vendors**

- DUNS

- **Sub Recipients**

- DUNS
- Federalreporting.gov

- **Sub Sub Recipients**

- DUNS



## City ARRA Coordinator

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- **City will coordinate reporting through DMA.**
- **Lead: Richard LaCondre**  
**DMA**  
**ext. 8461**  
**[Richard.LaCondre@talgov.com](mailto:Richard.LaCondre@talgov.com)**



## ARRA – Management's Role

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- **Develop and implement internal control processes to receive, account for, award and distribute ARRA funds (meet the 5 crucial objectives):**
  - A prompt, fair, reasonable manner
  - Transparently to the public
  - For authorized purposes only
  - Efficiently and effectively
  - To meet specific goals and objects



# ARRA Management's Role – Basic Contract Principles

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- Identify lines of procurement responsibility, authority, and oversight
- Contract requirements should be clear prior to award
- Have a competitive process
- Use the best contracting method to protect the interests of the public (OMB recommends using fixed-price contracts to the extent possible)



## ARRA Management's Role – Basic Contract Principles (Cont)

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- Have high ethical standards for employees
- Identify City staff involved in contracting early to ensure they understand their role in approving payments
- Enforce penalties for contractor noncompliance
- Coordinate planning and execution of contracts with auditors
- Ensure contracts include the ARRA required specific language (such as Davis Bacon clause, Buy American clause)



## ARRA Management's Role – Basic Grants Accountability Principles

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- Assess applicant capability to account for funds
- Have clear contracts
- Train City staff in grants management regarding how to manage and monitor grantees/sub recipients.
- Monitor financial status of grants and monitor sub recipients
- Develop and link program goals and performance measures so City can measure the success of the grant/contract.



## ARRA – City Auditor’s Role

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1. **To work with department directors and project managers to identify risks and evaluate controls toward meeting the ARRA crucial objectives:**
  - Funds are distributed in a prompt, fair, reasonable manner
  - Project activities and expenditures are properly recorded, reported, and are transparent to the public
  - Funds are expended for authorized purposes only
  - Projects are managed efficiently and effectively
  - Funds are used appropriately to meet the project’s specific goals and objects



## ARRA – City Auditor's Role

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- To work with department directors and project managers to identify risks and evaluate controls.
  - Department Level Self Assessment Checklist
  - Program/Project Level Self Assessment Checklist



## ARRA – City Auditor’s Role

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2. To provide assurance to the Commission, City Manager, citizens, and governmental oversight agencies that City’s internal control and reporting structures are sufficient to meet the ARRA crucial objectives.
  - Through audits of selected projects during the project’s life cycle.
  - The checklists will provide the basis for the audit procedures that will be performed and reported.



# External Auditors' Role

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- **State and Federal Auditors**
  - **Examine how ARRA funds are being used and whether they are achieving the stated purpose of the act.**
- **City's External Auditor**
  - **Audit the City's Financial Statements**
  - **Audit the City's receipt and expenditure of Federal funds**
  - **Review internal controls and compliance for financial statements and Federal programs**
  - **Comment on Schedule of federal financial assistance**
  - **Report questioned costs for Federal programs as applicable.**



# ARRA Department Level Self Assessment Checklist

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The checklist is

- provided to assist the Department Director in assessing the Department's readiness to receive, account for, expend, and report ARRA funding.
- Based on the Internal Control Components:
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring



## ARRA Department Level Self Assessment Checklist

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- To be completed by Department Director or designee.
- For each question, answer honestly:
  - Yes
  - No
  - Not Sure
  - N/A
- Return to City Auditor's Office and it will be used for further training and during audit of selected projects in your department.



# ARRA Program/Project Level Self Assessment Checklist

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The checklist is:

- Provided to assist the Department Director in assessing the Program/Project Manager's readiness to receive, account for, expend, and report ARRA funding.
- Based on the Internal Control Components:
  - Control Environment
  - Risk Assessment
  - Control Activities
  - Information and Communication
  - Monitoring



## ARRA Program/Project Level Self Assessment Checklist

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- To be completed by Program/Project Manager.
- For each question, answer honestly:
  - Yes
  - No
  - Not Sure
  - N/A
- Return to City Auditor's Office and it will be used for training and during audit of selected projects in your department.



# ARRA Department Level Self Assessment Checklist

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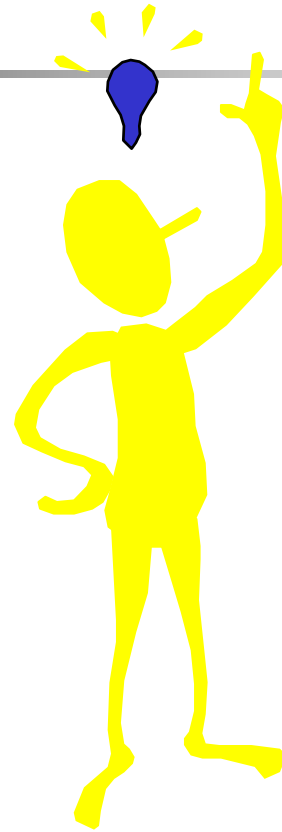
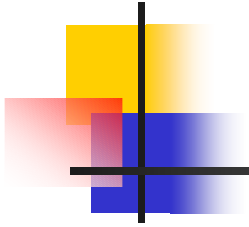
**Go over checklist**



# ARRA Program/Project Level Self Assessment Checklist

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**Go over checklist**



**Questions?**