

What Impact Will the American Recovery and Reinvestment Act Have on Single Audits

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Objective of this Presentation

Provide information about the Recovery Act's impact on Single Audits

Discuss OMB guidance

Discuss HHS-OIGs planned program audit work of Recovery Act funding that will compliment Single Audit work


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The American Recovery and Reinvestment Act (Public Law 111-5)

A \$787,000,000,000 Package

- Tax relief (\$288 billion)
- Grants (\$300 billion)

-- Medicaid increased by \$87 billion



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Grants

- At the end of April, agencies had spent almost \$20 billion (mostly Medicaid)
- Expect 70 percent of funds to be obligated by the end of FY09

Preventing Waste and Fraud in the Stimulus Program

- Chairman Towns (Govt Oversight Hearing, March 19, 2009)
- Estimate of 7% fraud and waste
- \$55 billion in stimulus funds at risk
- HHS IG Testified before the Special Senate Committee on Aging on May 7, 2009 that it is estimated that \$60 billion each year is lost to healthcare fraud (private and public insurance)

MARCH 31, 2011

Extensions

- 25 of 50 States did not file their Single audit for FY08 by the March 31, 2009 deadline (granted extensions)
- HHS cognizant for 47 States
- OMB workgroup
- New HHS OIG policy on extensions for Single Audits with ARRA funds effective May 6, 2009

Limitations of Single Audit in ARRA

- Timeliness (9 months after fiscal year end)
- Single audit is an audit of expenditures (SFA example)

Value of Single Audit in ARRA Funding

- Early evaluation of internal controls for new and expanded programs receiving ARRA Funding

OMB Implementing Guidance
OMB 2/18/2009 and 4/3/2009 guidance:

Item 5.6 What audit tools will be used to drive accountability for Federal Awards under the Recovery Act?

Non Federal entities (States, local governments, tribes, and non-profit organizations) are required by the Single Audit Act Amendments of 1996 and A-133 to have an annual audit of their Federal awards.

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Proposals Regarding Single Audit

- 1) Congressional proposal to suspend Single Audits to focus audit resources solely on Recovery funds
- 2) Federal agency single audit coordinators proposing a requirement that the largest 200 grantees have 4 single audits per year (suggestion to Recovery Board)
- 3) Federal/State/Local/Practitioners have been making proposals to OMB to make modifications to Single Audit to focus on ARRA funding (this is the direction OMB is going).

Proposal to Suspend Single Audits

- States and local governments require financial audits for bond rating purposes
- HHS did not support the proposal.

--More than \$700 million in questioned costs per year in HHS programs identified by Single Audits.

--Reliance on Single Audits for Department's Financial Statements

PROPOSAL TO EXPAND SINGLE AUDITS TO 4 PER YEAR

--HHS Perspective (Use Program Audits to Supplement Single Audit Coverage)

Item 5.6 Accountability

Directed Federal Agencies to perform a risk analysis of Recovery Act programs and request OMB to designate any high risk programs as major programs that must be tested in a single audit.

- All recovery act funds will be considered new programs for FY09.
- ARRA funds may be designated high risk to ensure testing as major program in FY10.

ARRA Single Audit Testing

- ARRA funds are being designated as new programs.
- Clustered with existing programs as appropriate for major program determination
- If funding for the program and/or cluster meets the Type A threshold, it will be precluded from being low risk and must be subject to testing
- The strategy is to focus on I/Cs of ARRA programs for FY09
- Proposal to eliminate risk assessments and compliance testing on low risk non-ARRA funding to balance audit work

Risk Profile of Programs (MO Examples)

- Medicaid \$6.6 billion in annual expenditures
- Recovery Act provides an additional \$1.6 billion over 9 quarters
- Weatherization \$7 million in annual expenditures
- Recovery Act provides an additional \$100 million

NATIONAL FIGURES

Early Head Start \$660 million in annual expenditures
Recovery Act provides an additional \$1.1 billion

Item 5.7 OMB Requirements

- OMB will use the A-133 Compliance Supplement to notify auditors of compliance requirements to be tested for ARRA awards.
- Interim updates as needed.

New Compliance Supplement Section

- OMB will release Appendix VII (OMB Circular A-133 Advisories)by Mid May
- Only "Highlights" to be issued in Mid May
- Details to follow by the end of June in an addendum to Appendix VII

-- new clusters of programs
--major program determinations
--award terms and conditions
--Section 1512 reporting requirements

New Compliance Supplement Sections (Per Single Audit Coordinators at Roundtable)

- Agencies Most likely to have new compliance supplements (most are for new programs)

--Dept of Education (State fiscal stabilization fund)
--HUD
--Labor (UI extended benefits)
--Homeland Security

Most agencies (including HHS) will not issue new compliance supplements sections as of June 30 because the ARRA funding is an extension of existing programs

Accountability

- OMB is encouraging agencies to assign separate ARRA CFDA numbers (even for existing programs)
- As of April 24, 171 ARRA CFDA numbers were assigned
- Separate reporting of ARRA funds required on the SEFA.
- CPA practitioners have concerns about accuracy of reporting if separate ARRA CFDA numbers are not issued.

I/C areas for auditors to focus in FY09

- Allocation of personnel costs between ARRA programs and other programs
- Use of Competitive procurement
- Reporting (# of jobs created and saved)
- Adequate staffing to handle increase in funding

Technical Assistance

Inspectors General will reach out to the auditing profession and provide technical assistance and training as well as perform quality control reviews to ensure single audits are properly performed and improper payments and other non-compliance is fully reported. [Item 5.7]

Transparency

- For fiscal years ending September 30, 2009 and later, all Single Audit reports filed with the Federal Audit Clearinghouse (FAC) will be made publicly available on the internet. [Item 5.8]
- All reports (including those grantees with non-ARRA funds)
- Must ensure that reports do not contain PII.
- Federal agencies will review Single Audits of Recovery Act funding and provide a synopsis of audit findings relating to obligations and expenditures of Recovery Act funding. [Item 5.9]

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Planned Medicaid Audits (Program Audits)

Most significant change to Medicaid was the temporary increase of the Federal Financial Participation Percentage for States.

- 1) Temporary FMAP Increase
- 2) State Compliance with ARRA Requirements
 - Eligibility Requirements
 - Political Subdivision Requirements
 - Prompt Pay Requirements

Medicaid

- 3) States Use of Increased Funding
- 4) States Controls Over Increased Medical Assistance Percentages

Audits of Non-Healthcare Grants
Risk Assessments/Assess Internal Controls of Grant Award Process in ACF, HRSA, CDC, NIH

- Recipient Capability Audits at HRSA, ACF, NIH
 - Pre award RCAs (new grantees) oral brief to ACF within 10 days of audit request for new Head Start Grantees
 - RCAs (existing grantees receiving increases in funding)
- Head Start Facilities
 - Licensing, Health and Safety Standards
 - Use of Grant Funds

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Audits of Grants and Contracts (Non-HealthCare)
Cost Incurred Audits of Grantees:

NIH Recipient Compliance with Grant Agreement

Head Start Agencies Compliance with Grant Agreement

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Shovel Ready Projects
Construction Audits (NIH, IHS, and HRSA)

SUMMARY

The Single audit, complimented with additional oversight from State, Local, and Federal program auditors, can provide accountability of ARRA funding.

The Single Audit can also provide valuable information to OIG auditors, OIG investigators, and state and local auditors for more in depth examination of grant activities.

Thank you!

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