



**Role of the Federal IG
Community Under the American
Recovery and Reinvestment Act
of 2009**

Overview

- New IG Council
- IG responsibilities under ARRA
- RAT Board
- USDA OIG oversight activities
- Interaction with state and local auditors

New IG Council

- Established by law in October 2008
- Report to Congress and President
- Mission:
 - Address integrity, economy, and effectiveness issues that transcend individual agencies
 - Increase professionalism and effectiveness of OIG workforce

2009 – New Directions

- New President
- New Congress
- New Secretary
- New IG Council
- New Recovery Act

Recovery Act

Enactment of ARRA in February 2009 has brought increased visibility and recognition to the federal oversight community.

New mechanism for providing oversight to massive outlays of federal dollars.

Recovery Act

Federal IGs have responsibilities in 3 areas

- Oversight of agency recovery funds/programs
- Protection of state/local whistleblowers
- Membership on new oversight board

Oversight of Agency Programs

Act requires IGs to review any concerns raised by the public about specific investments of recovery funds.

- Must relay findings ASAP to agency head
- Must post findings on IG website
- Must post audit reports on IG website and link to recovery.gov

Oversight of Agency Programs

IGs are authorized to examine records and interview employees concerning Recovery Act funds/transactions

- contractors (and their subs)
- grantees (and their subs)
- state and local agencies administering these contracts

Whistleblower Protection

Recovery Act provides new protections from reprisal for non-Federal employees who report misuse of Recovery Act funds by their employer

- Gross mismanagement of contract/grant
- Gross waste
- Danger to public health or safety
- Violation of law or regulation concerning contract/grant

Whistleblower Protection

- IGs are required to investigate reprisal complaints
- Investigations must be completed in 180 days
- IGs must report findings to person, person's employer, agency head, and RAT Board
- Person has right of access to IG investigative file

Whistleblower Protection

- Head of appropriate agency has 30 days to deny relief, or provide relief:
 - order employer to abate reprisal
 - order employer to reinstate person
 - order employer to pay costs and attorney fees
- If agency head does not provide relief, person may bring suit in Federal court

Oversight Board

ARRA creates a new entity to coordinate oversight of recovery programs and funds. The Recovery Accountability and Transparency Board (RAT Board) mechanism represents a new approach to providing oversight of federal funds.

Oversight Board

- Chaired by Earl Devaney, former IG at Interior
- Members are IGs from 10 Federal departments and agencies
 - Agriculture, Commerce, Education, Energy, Health and Human Services, Homeland Security, Justice, Transportation, Treasury, and Treasury IG for Tax Administration

Oversight Board

Recovery Act requires the Board to perform certain functions

- Review whether reporting of contracts/grants meets standard, specifies purpose, and measures performance
- Review whether competition requirements for contracts/grants are satisfied
- Audit/review funds to determine if wasteful spending, poor contract/grant management, or other abuses are occurring (refer appropriate matters to IG for investigation)

Oversight Board

Board functions (continued)

- Review whether sufficient qualified grant/acquisition personnel are overseeing recovery funds
- Review whether grant/acquisition personnel receive adequate training
- Review whether appropriate mechanisms exist for interagency collaboration
- Establish and maintain a public website with key information on recovery spending

Oversight Board

Other key provisions

- Board must coordinate its work with individual IGs and CIGIE to avoid duplication
- Board has frequent reporting requirements (flash, quarterly, annual) that include IG activities/accomplishments
- Board has authority to audit and review, but not to investigate
- Board may transfer funds to certain entities (IGs, OMB, GSA, Advisory Panel)

Oversight Board

Other key provisions (cont.)

- Board may hold public hearings and compel testimony at those hearings
- Board shall coordinate its activities with GAO and State auditors
- Board can request an IG to conduct an audit or investigation. IG's decision on whether to do so is final.
- Board's existence ends 9/30/2013

Oversight Board

- Board's first meeting was March 27;
3 meetings in our first month as a Board
- Current activities
 - Hire staff
 - Communications and outreach
 - Board governance and structure
 - Assess recovery.gov and start transition
 - Referrals of matters to IGs

Recovery Working Group

Large segment of Federal IG community is involved in oversight of recovery funds

- RAT Board - 10 IGs and Chair
- 23 IGs received funds specifically for recovery oversight
- 5 more IGs did not receive funds, but are responsible for overseeing host agency Recovery Act programs

Recovery Working Group

Congressional concerns about oversight challenges facing IG community

- IG independence and relationship with Board
- Proactive, not reactive, approach
- Need for oversight of funds moving from Federal to recipient/subrecipient level
- Accurate and timely reporting to recovery.gov
- Need to quickly recruit qualified staff

Recovery Working Group

CIGIE and affected IGs have been actively working since February to develop oversight approach

- Close coordination with GAO, OMB, RAT Board, Congress – to define roles, procedures, and ensure coverage of all issues
- CIGIE working group formed to address issues
- Developed compendium of IG oversight plans and proactive work, as well as challenges
- Completed survey of IG community of perspectives on single audit work

Recovery Working Group

Working group activities (cont.)

- Worked with OMB in developing its implementation guidance for recovery programs
- Several meetings with GAO on oversight approach, single audit work, procurement issues

Recovery Working Group

RAT Board and CIGIE are working together and have re-established the RWG as a joint working group, composed of the 28 affected IGs and co-chaired by Jack Higgins (Board) and Cal Scovel (CIGIE)

Recovery Working Group

- Current activities and issues
 - Reporting strategy for IG monthly reports to recovery.gov
 - Outreach – to state and local auditors and other interested entities
 - Best practices – identify and publish
 - Grant and procurement oversight – develop approaches
 - Coordination with GAO and state and local auditors in overseeing recovery funds
 - Develop protocol for whistleblower complaints

USDA OIG

USDA received \$28 billion for wide range of recovery programs

- Farm loans
- Rural development programs (housing, business loans, water and waste disposal, broadband)
- Watershed and flood control programs
- Forest service activities (wildland fire management)
- IT and construction projects
- Nutrition assistance (SNAP, WIC)

USDA OIG

- USDA OIG received \$22.5 million to provide oversight of USDA activities
- OIG quickly prepared a plan to use these funds – published Preliminary OIG Plan on 2/27/09 (available on OIG website)
- Final OIG plan is due to OMB May 30, after final USDA plan is completed on May 15.

USDA OIG

- OIG initial plan sets out proactive, short, and long term actions through audit and investigative activities.
- OIG actively working to accomplish plan
 - Briefed all senior USDA officials on OIG activities and solicited their concerns
 - Participate in Department steering group that meets weekly to monitor progress
 - Reviewing each agency's implementation plans and providing comments

USDA OIG

OIG activities (cont.)

- Issued fraud awareness notice on potential scams
- Provided best practice recommendations to grant making agencies to combat fraud
- Issued 2 audit reports on unimplemented recommendations that affect programs receiving recovery funds
- Handling 8 RAT Board referrals relating to use of recovery funds

USDA OIG

- OIG has planned 30 individual audits covering all USDA programs receiving recovery funds – 11 are already underway

State/Local Interaction

USDA programs, and OIG audits, will rely on work conducted by state agencies in several program areas

- Aquaculture grants
- Forest Service programs
- Food and nutrition programs

Aquaculture Grants

- ARRA provides \$50 million to administer a Aquaculture Grant Program to compensate aquaculture producers for losses resulting from high feed costs in 2008.
- USDA FSA will administer this as a block grant program using MOAs with approved State Departments of Agriculture or designated agencies
- States, under the MOAs, will be responsible for ensuring eligibility requirements are met and for conducting compliance reviews

Aquaculture Grants

USDA OIG audit work in 2 areas

- Phase 1 – review FSA internal controls over MOA approval process and allocation of funds to State agencies
- Phase 2 – validate results of these grants, including verification of recipients' eligibility and use of funds

Forest Service Programs

- ARRA provides \$500 million for Wildland Fire Management Programs. \$250 million is allocated for State and private forestry activities, such as hazardous fuels reduction, forest health, and ecosystem improvement.
- \$50 million may be used for wood-to-energy grants to promote increased use of biomass taken from Federal, State, and private lands.

Forest Service Programs

- Hazardous fuels reduction activities are carried out through partnership agreements with State Foresters to treat land owned by States, local governments, private organizations, and individuals.
- Forest health activities on non-Federal lands are carried out by USDA in cooperation with States and territories.
- Wood-to-energy grants are made to States, local communities, and territories.

Forest Service Programs

USDA OIG audit work will focus on

- Reviewing FS internal controls for ARRA programs
- Testing State and private lands' compliance with Recovery Act requirements
- Reviewing selected projects
- Verifying and validating reported performance measures

Nutrition Programs

USDA has received ARRA funds for several food and nutrition programs

- The Emergency Food Assistance Program (TEFAP) - \$150 million
- Supplemental Program for Women, Infants, and Children (WIC) - \$400 million
- Supplemental Nutrition Assistance Program (SNAP) - \$20 billion

Nutrition Programs

TEFAP funding includes \$100 million for food and \$50 million for State administrative costs.

- Administrative funds: \$25 million to be distributed to States in FY09, \$25 million in FY10
- Food funds: all go to USDA AMS and FSA for food purchases
- OIG audit work will focus on evaluating control systems to see if program objectives achieved, participants meet eligibility requirements, and payments are accurately computed
- In particular, OIG will evaluate controls established by States to ensure participant eligibility, and State monitoring of local agencies that distribute food.

Nutrition Programs

WIC funding of \$400 million is for a contingency fund to be used as needed for benefits and administrative costs if/when additional participants enroll in the program.

- This fund is to be kept separate from the normal WIC contingency fund
- OIG audit work will evaluate new FNS regulations concerning WIC vendors and corrective actions on improper payments. OIG will review controls over funding disbursed to recipients and States.

Nutrition Programs

- SNAP funding includes \$19.8 billion for program benefits and \$290.5 million for State administrative activities
- OIG has 2 audits planned
 - Audit of State Fraud Detection Efforts for SNAP – to assess FNS oversight of State agency fraud detection efforts concerning recipient trafficking of SNAP benefits
 - Audit of SNAP Participant Certification – to determine whether funds are used for authorized purposes, to ensure controls against fraud are in place, and to sample program transactions (applications, disbursements, and claims)

State/Local Interaction

- OIG investigation staff will continue to work cooperatively with State and local authorities to address fraud and other misconduct in USDA Recovery Act programs.
 - OIG often works SNAP benefit investigations with State and local law enforcement agencies, as well as administrative agencies overseeing the program
 - OIG investigations are typically referred to US Attorney offices for consideration. If Federal prosecution is not viable, local prosecutors may accept them for action.
 - OIG is able to work cases involving fraud associated with use of administrative funds (contract and procurement), and would collaborate with state/local investigators

State/Local Interaction

RAT Board is actively working to assist State oversight officials involved in ARRA programs.

- Chairman and staff are speaking at conferences and meetings to discuss implementation issues
- Chair will speak to all State IGs on May 20 at the Spring Conference of the Association of Inspectors General
- Board is hosting a visit today by the new Recovery IG for the State of California, which will receive over \$45 billion in ARRA funds

State/Local Interaction

Board views outreach activities to State and local oversight communities to be one of its highest priorities

- Board procurement, audit, investigative, and intergovernmental affairs professionals are each responsible for fostering close working relationships with State/local governments
- Focus is on providing technical assistance, best practices, and training, and coordinating efforts

State/Local Interaction

Key RAT Board contact:

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Questions?