

American Recovery and Reinvestment Act (ARRA)

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American Recovery and Reinvestment Act (ARRA)

- ◆ Signed February 17, 2009
- ◆ Purpose:
 - **preserve and create jobs and promote recovery**
 - **assist those most impacted by the recession**
 - **invest in science and health-care technology**
 - **invest in infrastructure**
 - **stabilize state and local government budgets**
- ◆ Total cost, tax and spending: \$787 billion, including over \$580 billion in additional spending (CBO Estimate)

ARRA - Setting the Stage

- ◆ Tennessee state government is in the deepest fiscal downturn in modern history
- ◆ State tax revenues will be 8% lower than last year
- ◆ The anticipated shortfall from estimates is now about \$1.1 billion in the General Fund
- ◆ With the exception of our K-12 Education Funding Formula and dedicated revenue programs, the rest of state government will, on average, have base reductions of 12% or more
- ◆ Nothing in our history comes close

ARRA to the Rescue (kind of)

- ◆ Tennessee stands to get at least \$5 Billion
- ◆ Roughly 60% is Congressionally directed
- ◆ About 40% has some measure of State flexibility

ARRA - Congressional Funds

- ◆ Highways and Bridges (\$572 million)
- ◆ Food Stamps (\$600 million)
- ◆ Title I and IDEA Educational Funds (\$500 million)
- ◆ Clean Water/Drinking Water (\$75 million)
- ◆ Weatherization (\$102 million)
- ◆ Etc., etc., etc. (Over 50 categories, so far)

ARRA - State Flexible Funds

- ◆ TennCare/Medicaid (\$1.1 billion)
- ◆ State Fiscal Stabilization Funds (\$950 million)
 - ◆ Education Funding (81%)
 - ◆ Truly Flexible Funding (19%)

ARRA - Management Challenges

- ◆ Equivalent to a new state department
- ◆ Complicated and evolving guidance from federal agencies
- ◆ Unprecedented accountability and transparency, distinct from existing programs
- ◆ Extraordinary circumstances demand extraordinary actions
 - ◆ Staffing at central and agency level
 - ◆ Multi-disciplinary team (Budget, Accounts, OIR, Planning)
 - ◆ Close cooperation among all parties, especially including the auditors

ARRA

Status of the Implementation of Tennessee Recovery Act Funds

State Government Perspective



ARRA - Implementation

- ◆ Tennessee Recovery Act Management (TRAM) – the core working group
 - Coordination among stakeholders (executive, audit, etc.)
 - Identify agency liaisons responsible for ARRA, including someone responsible for each competitive grant.
 - ◆ Comprised of state employees from the affected agency or agencies
 - ◆ Agency board or commission members also invited to participate
 - ◆ Encouraged collaboration with partners in K-12 and higher education, local government, and nonprofit sector
 - TRAM agency directives developed

ARRA - Implementation (cont.)

- ◆ State's Stimulus Czar established TRAM to be responsible for
 - Identifying policy and program actions
 - Developing the state's grant application
 - Submitting draft support letter prior to application deadline
 - Establishing protocols for state monitoring and reporting of outcomes

ARRA - Communication

◆ Website

- www.TNRecovery.gov (includes TN agency recovery sites also)
- GIS
- Internally developed a SharePoint site to share information with audit staff

ARRA - Communication

- ◆ Core TRAM team meets daily
 - Agency ARRA coordinators update TRAM weekly on progress
 - Comptroller's ARRA Coordinator meets with core TRAM team weekly to receive agency updates on ARRA progress
- ◆ Required Data Elements

ARRA - Reporting

- ◆ Additional Federal agency requirements beyond OMB guidance
- ◆ Issues
 - Collecting the data in a timely manner
 - Systems capabilities
 - Subrecipients and beyond
 - ◆ Modifying contract language
 - ◆ Results in certifications being pushed down to those responsible for the spending

ARRA - Audit Perspective

- ◆ Interim Single Audit work
 - Could take the form of performance audit, agreed-upon procedures, or review engagement
- ◆ Single Audit work
- ◆ Key information
 - The ways ARRA funds are being earmarked and tracked
 - Amount of funds received, disbursed, and unspent on a weekly basis
 - Purpose of the funding (new or existing programs)

ARRA - Audit Perspective (cont.)

◆ Key information (cont.)

- If existing program, amount of increase in funding over prior year
- If new program, total amount of funding expected to be received over the life of ARRA
- Any subrecipients receiving funds (in total and by program)

Audit Perspective (cont.)

◆ Key information (cont.)

- Outcome measures for the success of the program
 - ◆ How measured, by whom, how to report those measures, how often, and to whom
 - ◆ What documentation will be maintained
 - ◆ How these efforts will support the requirements of transparency and accountability
- Focus on reporting fraud, waste, and abuse

ARRA - State Perspective

- ◆ In order to ensure appropriate use of ARRA funds to meet the accountability and transparency objectives of the Act, the Comptroller's Office, especially Department of Audit,
 - Has worked closely with the executive branch to address issues in
 - ◆ Tracking funds separately
 - ◆ Agency internal controls and risk assessments
 - ◆ Performance measures (outcomes)
 - ◆ Transparency
 - ◆ Reporting requirements

Questions



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Status of the Implementation of Tennessee Recovery Act Funds

Local Government Perspective

ARRA

◆ Overview:

- Will impact many local governments.
- Does not provide significant stabilization funds for local budgets (exception – schools).
- Financial impact of grants will be most prominent in two areas:
 - ◆ Education (Title 1 and IDEA)
 - ◆ Criminal Justice

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◆ Overview:

- Transparency and Accountability are the latest buzz words under the Act.
- Since most of the ARRA funds are being released as grants, OMB will set compliance standards.
- OMB guidance was initially provided on 2/18/09 and then expanded on 4/3/09.

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◆ Overview:

- OMB - New CFDA Numbers.
- OMB - Reporting on the Schedule of Expenditures of Federal Awards (SEFA).
- OMB - New audit procedures?
- OMB - No low risk programs.
- OMB – New Compliance Supplement?

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◆ Overview:

- State and Local Governments are using OMB guidance to prepare for implementation.
- Local governments, as sub-recipients, are not technically required to file reports directly to the Federal Government. They will be required to report to the state agencies because state agencies are required to report. (Exception – Direct payments from Federal Government.)

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◆ Primary Funding Agencies:

- Finance and Administration (e.g. Criminal Justice, Byrne, \$50M)
- Human Services (e.g. Weatherization, \$102M)
- Environment and Conservation (e.g. Clean Drinking Water, \$56M)

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- ◆ Primary Funding Agencies:
 - Economic and Community Development (e.g. No Match Energy Block Grants)
 - Education (e.g. Title 1 and IDEA, \$500M)
 - Very little money has been released to local governments.
 - How will local governments recognize the ARRA Funds.

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- ◆ Primary Funding Agencies:
 - State Agencies -
 - ◆ Visit www.tnrecovery.gov

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- ◆ Primary Funding Agencies:
 - TDOT will not be providing grants to local governments.
 - Many of the grants will be competitive.
 - Certain grants will only be provided through nonprofit agencies.
 - Other grants will be provided directly from the federal government.
 - ◆ Visit www.recovery.gov

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- ◆ Grant Requirements:

- General -

- ◆ Before any city or county government decides to apply or accept ARRA grants, the government should determine whether it is willing and able to comply with the strict accounting, internal control, and reporting requirements.

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◆ Grant Requirements:

■ Accounting -

◆ Office of Tennessee Recovery Act Management (TRAM) Directives -

- Must appoint a senior accountable official for Recovery Act activities.
- Must account for ARRA funds separately from other government revenues and expenditures.
- Ensure proper procurement and grant management.
- Ensure programs are carried out expeditiously, in an effective and efficient manner.
- Submit an Action Plan

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◆ Grant Requirements:

■ Accounting -

◆ ARRA Provisions -

- Follow guidance in the Grant Agreement.
- Track the number of jobs created or retained.
- Completion status of the project.
- Buy America requirements.
- Davis Bacon requirements.
- Cannot be used for Casino or other gambling establishment, aquarium, golf course, or swimming pool. (Strict penalties).

ARRA

- ◆ Grant Requirements:

- Internal Controls -

- ◆ Office of Tennessee Recovery Act Management (TRAM) Directives -

- Governments are responsible for establishing an appropriate internal control environment, including approvals, adjustments, recordkeeping, reconciliations, segregation of duties, and supervision.
- The internal control environment must facilitate external monitoring and post-audit activity.

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- ◆ Grant Requirements:

- Internal Controls -

- ◆ Office of Tennessee Recovery Act Management (TRAM) Directives -

- All local governments are required to adopt a risk assessment process for all ARRA grants.
- The risk assessment should include risk identification, evaluation, and mitigation.
- The risk assessment must address meeting program requirements and objectives.

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- ◆ Grant Requirements:

- Internal Controls -

- ◆ ARRA Provisions –

- Follow OMB guidance from Circular A-133.

- “Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.”

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- ◆ Grant Requirements:

- Reporting -

- ◆ Office of Tennessee Recovery Act Management (TRAM) Directives -

- Submit state specific reports as requested.

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◆ Grant Requirements:

■ Reporting -

◆ Section 1512 ARRA Provisions—

- Report no later than 10 days after the end of each calendar quarter.
- Report cumulative funds received, funds expended or obligated, project name, project activity, completion status, jobs created and/or retained, infrastructure projects, and contracts and subcontracts.
- Other “Data Elements” will also be tracked and reported to comply with Section 1512.

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- ◆ Division of County and Municipal Audit Guidance:
 - Website www.tn.gov/comptroller
 - ◆ Accounting –
 - The Uniform Chart of Accounts has been changed to facilitate implementation of separate accounting records.

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- ◆ Division of County and Municipal Audit Guidance:
 - ◆ Internal Controls and Risk Assessment
 - Suggested internal control procedures.
 - Suggested risk assessment procedures.

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- ◆ Division of County and Municipal Audit Guidance:
 - ◆ Information and updates available on our websites
 - TRAM Directives.
 - Internal control and risk assessment guidance.
 - Changes to Uniform Chart of Accounts.
 - Letter to local governments.
 - Other updates as necessary.

ARRA

- ◆ Communications Process:
 - Numerous meetings to gather information.
 - Sent email to our staff.
 - Staff training.
 - Staff to gather data and advise counties during interim work.
 - CTAS/MTAS meeting.
 - Letter to Officials.

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◆ Concluding Thoughts:

- Accountability and transparency under ARRA is not business as usual!
- ARRA is not the answer to local government budget problems.
- ARRA funds are not permanent. Local governments must understand the ramifications of accepting ARRA grants from beginning to end!
- Will local governments be able to meet reporting requirements?

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◆ Concluding Thoughts:

- Expect the rules to change! (e.g. Federal agencies can require additional procedures)
- Program specific questions are best directed to state agencies.
- Possible Problem. Will governments be able to utilize all the funding?
- Department of Audit has received no funding (This may change).
- Will the requirements (e.g. reporting) of the Act end when funding ends?

ARRA Questions?



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