

Accountability and Transparency

by **Joel Black**

The current administration has vowed that the overall ARRA program will have more oversight and its transactions will be more transparent than any federal program of the past. As a result the GAO and other oversight bodies will be more involved in the administration and oversight of these funds, including providing comprehensive bimonthly reports on 16 states with significant ARRA funding commitments. Our state of Georgia is one of the 16 selected states for GAO involvement and we have already seen a significant GAO presence in the State and several of our local clients. An additional component of the transparency will be the requirement for quarterly reporting on ARRA programs discussed in more detail on the next page.

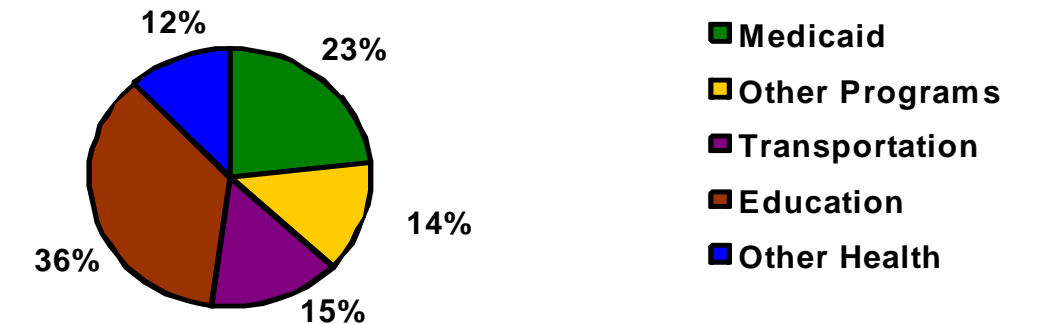


American Recovery and Reinvestment Act of 2009

by **Joel Black**

In February 2009, the Federal Government passed the American Recovery and Reinvestment Act of 2009 (ARRA), often called the Stimulus or Recovery Act. ARRA provides for approximately \$580 billion in additional Federal spending, which will predominately be distributed to state and local governments. Of this amount, the State of Georgia expects to receive \$7.3 billion, the majority of which is

expected to be spent in state fiscal years 2010 and 2011. This amount will be broken out by:



The primary early programs receiving funding have been the State's Medicaid program, Department of Education programs, transportation infrastructure, and GEFA energy related programs. The funding available to local governments in Georgia is significant and should have a positive impact in stabilizing budgets and providing for programs that might not otherwise have been funded. That being said, this funding also comes with significant and increasing administrative requirements as well as potentially adding future commitments to your government. An example of these future commitments would be for the local government to receive a public safety grant to provide for 5 additional public safety officials for the next two years, but commit to retaining those employees for the next 5 years.

Our Resources

As always, we are available as a resource to you as questions arise related to ARRA funding. We will be in this "together" as both auditor and auditee alike will have to keep up with evolving and fluid guidance from the Federal and State governments.

Please contact any of our government partners and managers listed here, at 1-800-277-0050 if we can help.

| | |
|-----------------|---------------------|
| Miller Edwards | medwards@mjcpa.com |
| Meredith Lipson | mlipson@mjcpa.com |
| Joel Black | jblack@mjcpa.com |
| Wade Sansbury | wsansbury@mjcpa.com |
| Rick Hartley | rhartley@mjcpa.com |
| Adam Fraley | afraley@mjcpa.com |
| Doug Moses | dmoses@mjcpa.com |
| Brannon Medley | bmedley@mjcpa.com |
| Craig Moye | cmoye@mjcpa.com |

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What You Should Be Doing by Joel Black

1. Establish a centralized process for accepting ARRA funds – this should be a conscious management decision with the entire organization aware of the requirements.
2. Ensure you have proper internal control procedures in place to track funds and ensure compliance with all grant requirements. This should include enhancing current controls for identified weaknesses.
3. Ensure subrecipient monitoring controls will meet higher than ever scrutiny. GAO has identified this as a high risk area and is trying to get much more stringent requirements in place so that the monitoring of subrecipients is performed more often as the project progresses. They want the process to proactively identify issues and not react to issues once they've occurred.
4. Be prepared for the reporting requirements described below. Additionally, be prepared to report ARRA funded projects separately on the SEFA, even if they have the same CFDA number as an existing federal program.

Federal and State Resources

by Joel Black



The most comprehensive source of ARRA related data to date is the federally appointed Recovery Board's web site, www.Recovery.gov. There are many other sites that will be of interest including recovery web sites of GAO, OMB, and the State, but www.Recovery.gov has links to all issued reports of those agencies as they are released, as well as having other ARRA related information. Additionally,

the State of Georgia Stimulus Accountability website is <http://www.stimulusaccountability.ga.gov>. This website details information by State agency including plans for specific projects, implementation strategies by department/state agency and a detail of funds awarded to date. All these federal requirements not only impact you, but will impact our audit process as well. OMB's Compliance Supplement, which we use to help determine our audit approach for federal programs, will be updated monthly (after the normal annual update) over the next few months as OMB continues to establish guidance for us related to ARRA programs. All ARRA funding will essentially be required to be high risk and therefore audited every year.

New Reporting Requirements

by Joel Black

On June 22, 2009 OMB issued official guidance (which can be downloaded from the recovery web site) on the quarterly reporting requirements. The guidance requires quarterly reporting, by the 10th day following the calendar quarter – starting September 30, 2009 – to an on-line site – www.FinancialReporting.gov. The data required to be reported includes:

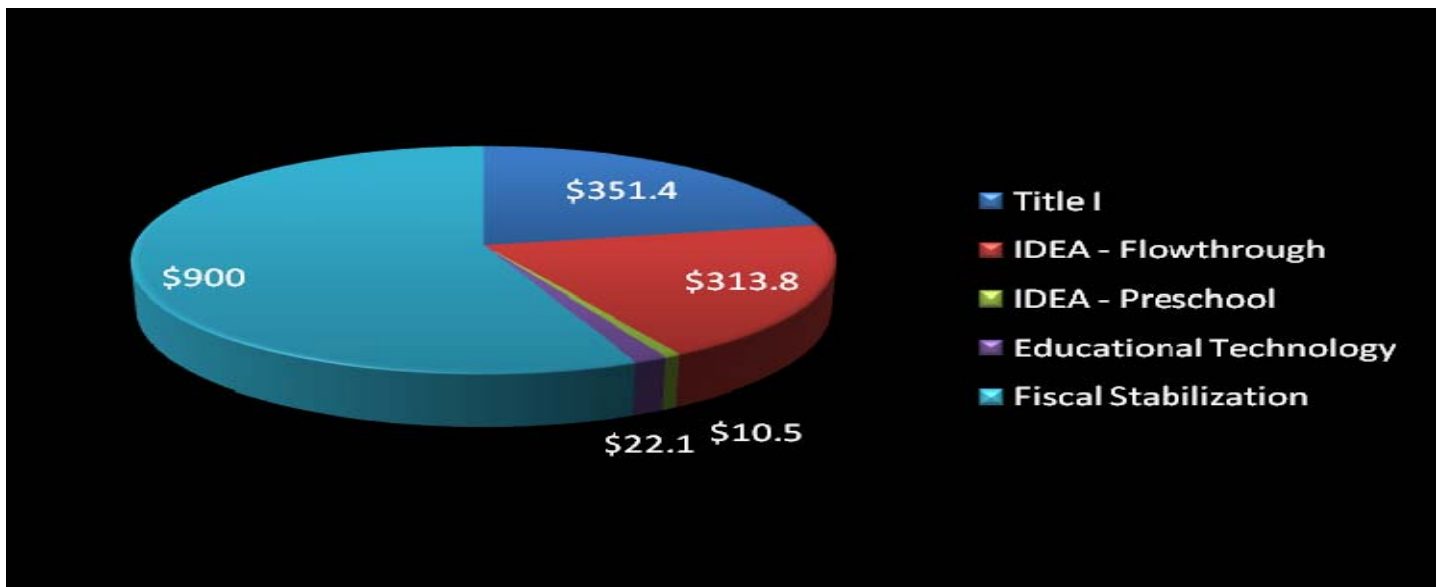
1. Federal Funding Agency Name
2. Award identification
3. Recipient D-U-N-S
4. Parent D-U-N-S
5. Recipient CCR information
6. CFDA number
7. Recipient account number
8. Project/grant period
9. Award type, date, description, and amount
10. **Amount of Federal Recovery Act funds expected to projects/activities**
11. Activity code and description
12. Project description and status
13. **Job creation narrative and number**
14. Infrastructure expenditures and rationale, if applicable
15. Recipient primary place of performance
16. Recipient area of benefit
17. Recipient officer names and compensation (Top 5)
18. **Total number and amount of small sub-awards; less than \$25,000**

This guidance denotes that the prime recipient (in most cases the State) will be required to coordinate who reports this data. Due to the recent nature of the issuance of this guidance, we don't have a clear idea of how Georgia will pass on this responsibility, but due to the quick nature of the turnaround required to report this data, it seems likely they will involve the local recipient governments in the process of data accumulation.

While much of this guidance should be information you readily track – such as receipts and expenditures by project, some of this data will be new or difficult to accumulate. This includes job creation and retention data (for your government and vendors) and total amount and payments to subrecipients or vendors when the total amount exceeds \$25,000. As we accumulate more information related to these reporting requirements we will send out more guidance.

School District Supplement

In addition to the previous thoughts, we offer the following information, which is specifically directed to local boards of education. The State of Georgia will receive over \$2 billion in stimulus funds for education. The majority of these funds will go to local school districts. The following chart details how the local money will be allocated. Amounts are expressed in millions.



Stabilization

As identified in the chart above, the majority of the funding will be for fiscal stabilization. In May 2009, a portion of the normal QBE allotment was paid with ARRA stabilization funds. Allowable costs for the stabilization funds include any activity allowable under QBE, ESEA, IDEA, and Perkins. The primary intent of these funds is to pay salaries to avoid laying off teachers and other positions. Positions funded with ARRA funds will be subject to time and effort requirements. If the position supports a single cost objective then periodic certification can be used. Time sheets are required for any split-funded positions. Unallowable costs include maintenance (function 2600), stadiums and other athletic facilities, purchase of vehicles, improvement of facilities whose primary purpose is **not** the education of children (i.e. central office), and to supplement a "rainy day" fund.

ARRA and School-wide

ARRA funds may be included in the school-wide consolidation of funds based on guidance from USDOE. However, ARRA funds must still be accounted for separately in order to provide accurate data for the transparency reporting requirements of ARRA.

Reporting Requirements

Based on our review of guidance issued thus far by the State Department of Education, expenditures will need to be reported to the State by grant type (Stabilization, Title I, IDEA Flow-through, IDEA Preschool) and function. Additionally, reporting requirements will include the number of jobs created and retained by these grants as well as the estimated tax increases averted by ARRA funds, expressed in dollars and by property tax millage.



Precipitous Decline

Each school district needs to document its precipitous decline (sharp decrease) in local/state resources in order to be able to substantiate moving positions to federal programs (provided these positions are allowable under the particular federal program) which had previously been funded with state funds. The Georgia Department of Education (GaDOE) has developed a sample format to document the positions. This form needs to be approved by the local board and a copy needs to be submitted to GaDOE.

Districts should exercise caution when transferring expenditures to federal programs so that the fund balance does not actually increase (given that the increase is not related to a tax millage increase).

Resources

In addition to the resources discussed in the attached page, the GaDOE's website is <http://www.gadoe.org/stimulus.aspx>. This website includes helpful information including district resources (guidance, forms, and information for school districts about receiving, spending, and reporting the usage of ARRA funds), communications (information the Georgia Department of Education receives from the U.S. Department of Education, the Governor's office and other external agencies or groups), and transparency (reports about the expenditure of ARRA funds at the federal, state and school district level).

Additionally, federal guidance related to ARRA funding for existing programs, including Title I, IDEA, Fiscal Stabilization, and Impact Aid, is available at the U.S. Department of Education's website at <http://www.ed.gov/policy/gen/leg/recovery/programs.html>.

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Miller Edwards
mewards@mjcpa.com

Meredith Lipson
mlipson@mjcpa.com

Joel Black
jmblack@mjcpa.com

Wade Sansbury
wsansbury@mjcpa.com

Rick Hartley
rhartley@mjcpa.com

Adam Fraley
afraley@mjcpa.com

Doug Moses
dmoses@mjcpa.com

Brannon Medley
bmedley@mjcpa.com

Craig Moye
cmoye@mjcpa.com

