

Mary Taylor, CPA Auditor of State

Bulletin 2009-007

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TO: State Offices, Agencies, Boards, Commissions, Colleges and Universities and Local Governments Receiving Federal Stimulus Funds

FROM: Mary Taylor, CPA
Ohio Auditor of State

SUBJECT: American Recovery and Reinvestment Act (ARRA) – Federal Stimulus Funds – An Amendment to Bulletin 2009-005 and Additional Information on ARRA Requirements

The Auditor of State's Office provided guidance to State offices, agencies, boards, commissions, colleges and universities and local governments receiving Federal Stimulus Funds on reporting in the AOS Stimulus Tracker and interim audits in Bulletin 2009-005. The Bulletin indicated all state offices, agencies, boards, commissions, colleges and universities and all local governments must report: (1) the receipt of ARRA funds in the AOS Stimulus Tracker within five business days of receipt of the funds, and (2) expenditure activity of ARRA funds every calendar quarter (3/31, 6/30, 9/30, 12/31) within five days of completion of the quarter. The Bulletin also indicated AOS will be performing interim audit work over certain of the ARRA dollars in an effort to ensure stimulus dollars are spent legally and appropriately in accordance with the act or other applicable federal or state law. The purpose of this Bulletin is to amend this guidance, in part, and provide additional information on ARRA requirements.

AOS Stimulus Tracker - Amendments

Reporting Deadline

Effective immediately, the Auditor of State Mary Taylor is extending the AOS Stimulus Tracker reporting deadline for receipts and expenditures from five business days to ten business days. Therefore, all state offices, agencies, boards, commissions, and colleges and universities and all local governments must report the receipt of ARRA funds in the AOS Stimulus Tracker within ten business days of receipt of the funds and expenditure activity of ARRA funds within ten days of the completion of every calendar quarter (3/31, 6/30, 9/30, 12/31).

Applicability to State Offices, Agencies, Boards, Commissions, Colleges and Universities

Effective immediately, the Auditor of State will not require State offices, agencies, boards, commissions, colleges and universities that account for ARRA grant and loan awards within the Ohio Administrative Knowledge System (OAKS) to report ARRA receipt or expenditure activity within the AOS Stimulus Tracker. The Auditor of State will receive

regular OAKS reports of ARRA receipt and expenditure activity from the Ohio Office of Budget and Management for these programs.

However, State offices, agencies, boards, commissions, colleges and universities that **do not** account for ARRA grant and loan awards within OAKS will need to report ARRA receipt and expenditure activity within the AOS Stimulus Tracker. For example, the Ohio Housing Finance Authority and most colleges and universities account for little or no activity within OAKS. Therefore, such agencies will need to report their ARRA receipt and expenditure activity within the AOS Stimulus Tracker as required by this Bulletin and Bulletin 2009-005. Many State agencies may account for the predominant portion of their ARRA activity within OAKS but could have certain ARRA processes outside of OAKS, such as non-monetary ARRA Food Stamp or Food Commodity assistance. Any such agencies will need to report their non-monetary and other ARRA receipt and expenditure activity occurring outside of OAKS within the AOS Stimulus Tracker as required by this Bulletin and Bulletin 2009-005.

Responsible Reporting Official

The statutory chief fiscal officer of each state office, agency, board, commission, college and university and all local governments should be the responsible reporting official for purposes of entering the required information in the AOS Stimulus Tracker. For example, the county auditor should be the responsible official entering ARRA information in the AOS Stimulus Tracker on behalf of all county offices. However, county auditors may also be the statutory or elected fiscal agent for certain external agencies such as a local board of health or family and children first council. In these circumstances, the county auditor and the governing authority of the external agency may mutually decide whether the county auditor or another designated official from the external agency will be responsible for reporting ARRA information in the AOS Stimulus Tracker on behalf of the external agency.

Field Descriptions

The link to the AOS Stimulus Tracker is <https://secure.auditor.state.oh.us/FederalStimulusTracking/Login.aspx>. The Auditor of State's Office modified the data entry fields on this webpage as follows for clarity:

1. CFDA Number
2. Program Title¹
3. Category
4. Purpose²

¹ The Program Title will be automatically populated by the AOS Stimulus Tracker upon entry of the CFDA number. If the CFDA number is unknown by the AOS Stimulus Tracker, the user will receive an automatic message to contact the regional Auditor of State's Office for further guidance. AOS will then help the State or local government determine whether the CFDA number is a valid ARRA program or if the State or local government should use another CFDA number to report the Federal ARRA grant or loan award.

² The "Purpose" should describe the general programmatic purpose of the ARRA Federal grant or loan award. This description is different from the "How & When Funds will be Expended" field which should describe the related plans and projects *specific* to the ARRA recipient.

5. Source
6. Grant award amount³
 - a. Receipt Amount
 - b. Date Received
 - c. Expenditure Amount⁴
 - d. Date Expended
7. How & When Funds will be Expended

NOTE: The fields for items a. through d. will not appear until the basic ARRA grant or loan award information described in items 1. through 5. have been entered into the AOS Stimulus Tracker.

Below are examples of how ARRA recipients might enter ARRA information into the AOS Stimulus Tracker fields:

Example 1

CFDA Number: 14.253
Program Title: Community Development Block Grant ARRA Entitlement Grants (CDBG-R) (Recovery Act Funded)
Category: Housing & Assistance
Purpose: Home rehabilitation
Source: State pass-through
Grant Award Amount: \$0 *(this amount may not be known since this program is formula-funded)*
Receipt Amount: 162,000
Date Received: 05/26/09
How & When Funds will be Expended: Budgeted expenditures for home rehab project in the lower southwest quadrant of the City (Ward 6 & 7) to occur within the 2009 calendar year with project completion scheduled for December 31, 2009.

³ The Grant Award Amount may not always be known. For example, some ARRA Federal Awards are distributed through allocations of ARRA monies to States or their subdivisions based upon a formula prescribed by law or administrative regulation for activities of a continuing nature, not confined to a specific project. Such formula ARRA allocations will typically not have a “grant award amount.” In these circumstances and in situations where the grant award amount is unknown, the recipient should enter “\$0” as the grant award amount within the AOS Stimulus Tracker. Conversely, other ARRA Federal Awards will be for fixed or known periods and will be tied to specific projects (e.g., scholarships, research grants, training grants, planning grants, technical assistance grants, construction grants, etc.). These “project grants” typically will have a known grant award amount designated and approved by the applicable Federal or State Pass-through Agency.

⁴ Certain Federal ARRA Awards, such as Medicaid’s FMAP rate, operate on a reimbursement basis. Meaning, the related ARRA expenditure occurred prior to the actual ARRA Award receipt. In these cases, when the actual ARRA expenditure amount is otherwise unknown, agencies should enter an ARRA expenditure amount equal to the ARRA receipt(s) within the AOS Stimulus Tracker.

Example 2

CFDA Number: 84.391
Program Title: Special Education Grants to States, Recovery Act
Category: Education & Research
Purpose: Increase special education opportunities to children with disabilities
Source: State pass-through
Grant Award Amount: \$760,000 (*ODE's CCIP will provide local school districts with a budgeted allocation amount available for all programs included in the Consolidated Application, which will include formula-funded ARRA programs.*)
Receipt Amount: \$162,000
Date Received: 08/02/09
How & When Funds will be Expended: Budgeted salary and benefits to add four teacher aids in the special education program for 09-10 school year

Pass-through reporting

Local governments should report as receipts in the AOS Stimulus Tracker ARRA amounts they receive directly from the federal government and ARRA dollars they receive from a pass-through entity (such as through the State). Additionally, local governments should report as expenditures in the AOS Stimulus Tracker ARRA amounts distributed as sub-awards or subcontracts to subrecipients. Local governments should use the “How & When Expended” field to label these expenditures as sub-awards or subcontracts and provide the name(s) of the subrecipient(s)/subcontractor(s).

User I.D.'s and Passwords

As more fully described in Bulletin 2009-005, each state office, agency, board, commission and college and university and all local governments that receive ARRA funds will need to contact their respective AOS Regional Office Manager to obtain a password that will allow entry to the webpage (if you have not already done so). If needed, agencies may also obtain the five-digit identification number required for login from the respective Regional Office Manager.

We are restricting passwords to one per entity. The Regional Office Manager will only release the password to the designated fiscal officer responsible for reporting to diminish the potential for unauthorized changes to ARRA data reported in the AOS Stimulus Tracker.⁵

ARRA Standard Data Elements

All Federal, State, and local agencies making ARRA sub-awards or subcontracts are required to include certain standard data elements in the terms and conditions of their ***grant and loan award documents***. These standard data elements (codified in Federal Acquisition Regulations (FAR) and Title 2 CFR Part 176) include the following guidance to assist in implementation of selected provisions of ARRA:

- Subpart A – Reporting and Registration Requirements under Section 1512 of the American Recovery and Reinvestment Act of 2009.

⁵ In the circumstance described above where a fiscal agent and agency agree that the agency will report separately, AOS will assign a separate password to the agency upon notification from the fiscal agent to the Regional Office Manager.

- Subpart B – Buy American Requirement under Section 1605 of the American Recovery and Reinvestment Act of 2009.
- Subpart C -- Wage Rate Requirements under Section 1606 of the American Recovery and Reinvestment Act of 2009.
- Subpart D -- Single Audit Information for Recipients of Recovery Act Funds

However, Federal, State, and local agencies making ARRA sub-awards and subcontracts can modify the terms and conditions of ARRA grant and loan awards documents to include additional compliance requirements at their discretion so long as those requirements are consistent with the standard data elements. ARRA recipients must thoroughly review the ***terms and conditions of each ARRA grant and loan award document*** to ensure they fully understand all applicable compliance requirements.

ARRA Separate Accounting

State and local governments must not co-mingle ARRA funds with other funds to maximize transparency and accountability of ARRA spending as required by Congress and the Recovery Board. State and local governments must establish an internal control process to separately track apportionments, allotments, obligations, and gross outlays related to ARRA funds within their financial accounting systems. In some cases, State and local governments may need to use ARRA funds in conjunction with other funds to complete projects. They may do so, but must separately track and report the use of ARRA funds for these projects.

Ohio Rev. Code §5705.09 requires each subdivision to establish a special fund for each class of revenues derived from a source other than the general property tax, which the law requires to be used for a particular purpose. Therefore, local governments should establish new “Funds” for ***new***⁶ Federal programs. However, ***pre-existing*** Federal programs receiving ARRA allocations do not require the establishment of a new fund. Rather, local governments should use a sub-fund or other internal mechanism of separately tracking ARRA receipt and expenditure information within an existing fund.

ARRA 1512 Reporting Requirements

ARRA Title XV, section 1512(c) and the U.S. Office of Management and Budget memo 09-15 require extensive financial and performance reporting from recipients of Federal funding. ARRA defines “recipient” as any entity that receives ARRA funds ***directly*** from the Federal Government (including ARRA funds received through grant, cooperative agreement, loan, or contract) other than an individual and includes a State and local government that receives ARRA funds. ***ARRA 1512 is a separate reporting requirement and is in addition to the reporting required on the Auditor of State’s Stimulus Tracker.*** ARRA 1512 reporting requirements apply to the prime recipients of Federal funding. The prime recipient is responsible for reporting on their use of funds as well as any sub-awards

⁶ New ARRA Federal programs can include both (1) new Federal programs created by the ARRA and (2) pre-existing Federal programs receiving ARRA allocations that are being received by a State or local government for the first time. Presumably, State and local governments would not have a separate fund already established within their financial accounting systems for the types of new ARRA Federal programs that item (2) describes.

(i.e., sub-grants, subcontracts, etc.) they make.⁷ This level of reporting, as required by the Recovery Act, will provide unprecedented transparency into how and where Federal funds are spent.

Prime recipients that received ARRA funds from a Federal agency will be required to submit quarterly reports within 10 days of the end of the calendar quarter, beginning with the quarter ended September 30, 2009 (i.e., October 10th serving as the first 1512 quarterly reporting deadline). Detailed reporting instructions will be made available at www.FederalReporting.gov no less than 45 days before the October 10, 2009 reporting deadline.

In summary: *The reporting required under ARRA 1512 is a separate reporting requirement and is in addition to the reporting required on the Auditor of State's Stimulus Tracker.* ARRA 1512 reporting requirements will be mandated by each Federal Agency and certain State Agencies (other than the Auditor of State's Office) as described within the terms and conditions of ARRA grant and loan award documents. Reporting ARRA receipt and expenditure activity in the AOS Stimulus Tracker will not satisfy these additional 1512 reporting requirements if they exist.

Single Audit Considerations

State and local governments expending more than \$500,000 in Federal Awards (including both ARRA and non-ARRA Federal funds) during a single fiscal year will be required to receive a single audit under the Single Audit Act Amendments of 1996 and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. The AICPA Government Audit Quality Center archived a conference call and a related PowerPoint slide show (available to both members and non-members) on its website. The subject of the conference call is *Preparing for a Single Audit from an Auditee's Perspective*. Auditees that have not historically received many (or any) single audits may find this conference call and slide show to be particularly helpful. The link is <http://gaqc.aicpa.org/Resources/Preparing+for+Your+Single+Audit+Conference+Call.htm>.

Each Federal Agency will develop its own criterion for identifying and reporting ARRA funding on the Schedule of Expenditures of Federal Awards (SEFA). Many have created new Catalog of Federal Domestic Assistance (CFDA) numbers for ARRA programs, including pre-existing Federal programs that are receiving an influx in ARRA dollars. Other Federal agencies have retained the original CFDA number for pre-existing Federal

⁷ Certain Federal ARRA funds will pass through the State of Ohio or another local government prior to distribution to other units of local government. In these circumstances, the State of Ohio (or a local government making a sub-award) is the prime recipient of ARRA funds. However, pursuant to ARRA Title XV, section 1512(c), the State agency (or a local government making a sub-award) will be responsible for reporting ARRA activity for sub-awards and subcontracts. Therefore, State agencies (or a local government making a sub-award) may filter certain "1512 reporting requirements" down to local units of government within the terms and conditions of their individual ARRA grant award and loan documents. Local governments should thoroughly review these documents to determine whether they will be responsible for reporting certain ARRA financial and performance data to the applicable State or local grantor agency. ***Reporting ARRA information in the AOS Stimulus Tracker will not satisfy these additional 1512 reporting requirements if they exist.***

programs, but will label ARRA allocations in the grant award notification with an “ARRA” or similar identifier. State and local government recipients of ARRA funds should refer to the terms and conditions of their grant award and loan documents to determine the ARRA portion of Federal Awards and applicable CFDA number. Recipients can also refer to www.cfda.gov to identify and locate CFDA numbers for ARRA funds.

Appendix VII of the 2009 OMB Compliance Supplement requires State and local governments to identify ARRA Federal expenditures separately from non-ARRA Federal expenditures on the SEFA by CFDA number and inclusion of the prefix “ARRA-“ in front of the Program Title name. Similarly, State and local governments should separately identify ARRA awards on the Data Collection Form submitted to the Federal Audit Clearinghouse as separate rows under Item 9, part III of the DCF and with “ARRA-“ identifiers preceding the names in Item 9d of Part III on the DCF. (Item 9d on the DCF is the name of the program.)

Additional ARRA Resources

In light of its swift passage and implementation, ARRA requirements are continually evolving. State and local governments may find the following ARRA websites useful for locating ARRA information and identifying State and local government ARRA allocations: www.recovery.gov and www.recovery.ohio.gov.

Questions and Comments

If you have any accounting or auditing related questions regarding the information presented in this Bulletin, please contact the AOS Accounting and Auditing Support Group at (800) 282-0370.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

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Auditor of State