



**American Recovery and Reinvestment Act Webcast Series:
No. 3 – The Impact of the Recovery Act on the Single Audit**

September 21, 2009

KPMG LLP

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**American Recovery and Reinvestment Act
Webcast Series: No. 3 – The Impact of the
Recovery Act (ARRA) on the Single Audit
September 21, 2009**

Welcome and Introduction

Nancy Valley, Government Sector Leader, KPMG LLP



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Today's Guest Speakers

- ◆ **Mandy Nelson**
 - Partner, KPMG LLP's (KPMG) Department of Professional Practice
- ◆ **John Fisher**
 - Office of the Inspector General – Department of Health and Human Services
- ◆ **Nancy Valley**
 - Partner, National Government Line of Business Leader
- ◆ **Shawn Warren**
 - Partner, KPMG's Government Audit Sector Leader



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Agenda

- ◆ Welcome and Introductions Nancy Valley
- ◆ Recent OMB Updates – OMB Circular A-133 Compliance Supplement Addendum #1 Mandy Nelson
- ◆ Open Q & A John Fisher
- ◆ Status of Administrative Cost Recovery Nancy Valley
- ◆ Group Q & A All



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Recent Updates and Changes: OMB Compliance Supplement Addendum #1

Mandy Nelson
KPMG's Department of Professional Practice

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ARRA and the Single Audit

- ◆ **Complete Single Audit reports (including findings) will be publicly available for years ending on/after September 30, 2009**
- ◆ **Ongoing OMB/GAO discussions**
 - Additional work on internal control?
 - Change in submission deadline?
- ◆ **2009 Compliance Supplement Appendix VII**
 - Part of original 2009 Compliance Supplement
- ◆ **Compliance Supplement Addendum #1**
 - Issued August 2009
 - Effective for June 30, 2009 year ends



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2009 Compliance Supplement Appendix VII

- ◆ **Clustering of ARRA dollars**
- ◆ **Major program determination**
 - Any ARRA expenditure makes program higher risk
- ◆ **Award terms and conditions**
- ◆ **Schedule of Expenditures of Federal Awards (SEFA) presentation**
 - Separate presentation of ARRA expenditures



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Knowledge Check # 1

Any expenditure of ARRA dollars makes a program higher risk.

- A. True
- B. False



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Knowledge Check # 1

A. True



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Addendum #1-Part 3

- ◆ **Activities Allowed or Unallowed: Adds a new unallowable activity to ensure ARRA monies are not used for any casino or other gambling establishment, aquarium, zoo, golf course, or swimming pool.**
- ◆ **Davis-Bacon Act: Includes the ARRA and related OMB implementing guidance as a source for requirements.**
- ◆ **Procurement and Suspension and Debarment: Adds a new audit objective to determine:**
 - Whether an award includes Buy-American
 - Compliance with Buy-American ARRA provisions
 - If any waivers have been granted



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Addendum #1- Part 3 (Continued)

- ◆ **Reporting: Clarifies that the reporting requirements imposed by Section 1512 of the ARRA are not applicable for audit periods with ending dates in June, July, and August of 2009.**
 - An additional Addendum will be issued by September 30, 2009, which will identify audit objectives and related procedures for Section 1512.
- ◆ **Subrecipient Monitoring: Adds a new audit objective to determine if the subrecipient has communicated to their first-tier subrecipients the requirement to register in the Central Contractor Registration.**



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Addendum #1- Part 3 (continued)

◆ Three (3) New special tests and provisions: **Adds audit objectives for three new special tests:**

- 1) Separate accountability for ARRA funding
- 2) Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (DCF) presentation requirements
- 3) Requirements for the prime recipient to identify for their subrecipient
 - (a) Federal awards and CFDA numbers
 - (b) The amount of Recovery Act funds
 - (c) SEFA and DCF presentation requirements



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Addendum #1- Part 4

◆ The agencies that have included new programs:

- Education
- Housing and Urban Development
- Environmental Protection Agency
- Homeland Security
- Department of Labor

◆ Health and Human Services did not include any programs



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Knowledge Check # 2

Which of the following agencies has NOT included any new programs in Addendum #1?

- A. Education
- B. Housing and Urban Development
- C. Health and Human Services
- D. EPA
- E. Homeland Security
- F. Labor



Knowledge Check # 2

C. Health and Human Services



Addendum #1- Part 5, Cluster Changes

- ◆ Identifies cluster changes due to the Recovery Act
- ◆ Clarifies treatment of Federal Pell Grant (FPG) and Federal Work Study (FWS)
 - Disbursements under these programs were made without separate identification of the Recovery Act.
 - All expenditures for FPG and FWS should be reported under the Student Financial Aid cluster.



Addendum #1- Part 6, Internal Control

- ◆ Auditors are encouraged to promptly inform management of identified control deficiencies related to ARRA funding.
- ◆ Entities receiving ARRA funds may face a material increase in resources needed to:
 - Properly manage ARRA
 - Monitor and account for federal awards
 - Effectively operate related internal controls
- ◆ Auditors should consider “capacity” issues as part of internal controls considerations.



Addendum # 1

**cfda.gov: can be relied upon for
determination of inclusion of program or
SEFA.**

www.cfda.gov



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Open Q & A: Recovery Act Impact on the Single Audit

***John Fisher
Department of Health and Human Services***

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John Fisher, Office of the Inspector General, Department of Health and Human Services

Q & A



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Polling Question # 1

We expect the level of effort for our 2010 single audit to increase:

- A. Not at all
- B. Less than 10%
- C. 10–25%
- D. 25–50%
- E. More than 50%



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Status of Administrative Cost Recovery

Nancy Valley
KPMG's Government Practice Leader

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OMB Guidance: Memorandum M-09-18

- ◆ Central administrative costs associated with the Recovery Act are permissible under guidelines of OMB Circular A-87:
 - Alternative 1 – *Use of Estimated Costs for Centralized Services* requiring service description, units rendering and receiving services, bases for budgets and allocations
 - Alternative 2 - *Billed Services* requiring service description, units rendering and receiving services, schedule of rates, and supporting justification for rates assigned
- ◆ Both options state cannot exceed the 0.5% of total recovery act funds received by the state
- ◆ Allows for a faster turnaround and reimbursement than traditional SWCAP process



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Calculating the Limit: What Is Included and Excluded

- ◆ Only those costs incurred solely to comply with ARRA oversight requirements, e.g.:
 - Costs for data collection requirements
 - Auditing
 - Contract and grant planning and management
 - Investigations of fraud, waste, and abuse

- ◆ Costs do not include existing general administrative costs or other specific administrative costs



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Example Calculation

Total Awards Anticipated	\$5,000,000,000
Anticipated ARRA Support Needs	
– Stimulus Office infrastructure (Director, Reporting Analysts, etc.)	3,200,000
– Information Technology (transparency website, supporting servers, contractor assistance)	4,300,000
– HR (analysts)	875,000
– Procurement (buyers)	950,000
– Additional Oversight Support (State Auditor, Inspector General, Attorney General)	2,400,000
Total Support Needs	\$11,725,000
Allowable percentage of Central Admin costs (0.5%)	\$25,000,000

Total award amount includes FMAP and competitive grants



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Steps Your Government Needs To Take

- ◆ Calculate your state's cap/limit
- ◆ Identify costs associated with ARRA administrative oversight
- ◆ Select the option for SWCAP or billed services
- ◆ Identify the relevant cost pools
- ◆ For each cost pool, identify suitable allocation methodology
- ◆ Submit your state's plan to DCA
- ◆ If choosing SWCAP, work with component agencies to determine impact on existing Agency Indirect Cost Plans



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Administrative Cost Recovery: FAQs

- ◆ Does this include existing general administrative or other program costs?
- ◆ What happens if state does not submit a supplemental ARRA SWCAP proposal?
- ◆ Have any states had their plans approved?
- ◆ Are local governments eligible for administrative recovery?
- ◆ How long will DCA take to issue an agreement approving the supplemental SWCAP?
- ◆ How do I ensure agencies don't spend the 0.5% before the approvals are in place?



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Knowledge Check # 3

The two alternatives for recovering administrative costs under OMB Circular A-87 include: SWCAP or billed services.

- A. True
- B. False



Knowledge Check # 3

A. True





Discussion/Q & A

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Polling Question #2:

On which of the following topics would you like to see a future Recovery Act Webcast?

- A. Post-October 10 Reporting Challenges**
- B. Issues Encountered During Single Audit**
- C. Job Guidance**
- D. Quality Assurance Plans Related to 1512**



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Closing Items

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