

Implications of the American Recovery and Reinvestment Act of 2009 (the Recovery Act) on Audits of Federal Agencies and their Recipients and Subrecipients

Presentation by:

U.S. Department of Education – OIG

CIGIE/GAO Financial Statement Audit Conference

March 24, 2009

Objective of this Presentation

Provide information about the Recovery Act that sheds light on its impact for the audit and related work of the accountability community, including the OIGs, GAO and non-Federal Auditors performing Single Audits.

Accomplish this primarily by references to specific provisions of the Act and related guidance and information.

The American Recovery and Reinvestment Act (Public Law 111-5)

A \$787,000,000,000 Package



PURPOSES - Section 3(a)

“STATEMENT OF PURPOSES.—The purposes of this Act include the following:

- (1) To preserve and create jobs and promote economic recovery.**
- (2) To assist those most impacted by the recession.**
- (3) To provide investments needed to increase economic efficiency by spurring technological advances in science and health.**
- (4) To invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits.**
- (5) To stabilize State and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.”**

The \$787 Billion is funding the following:

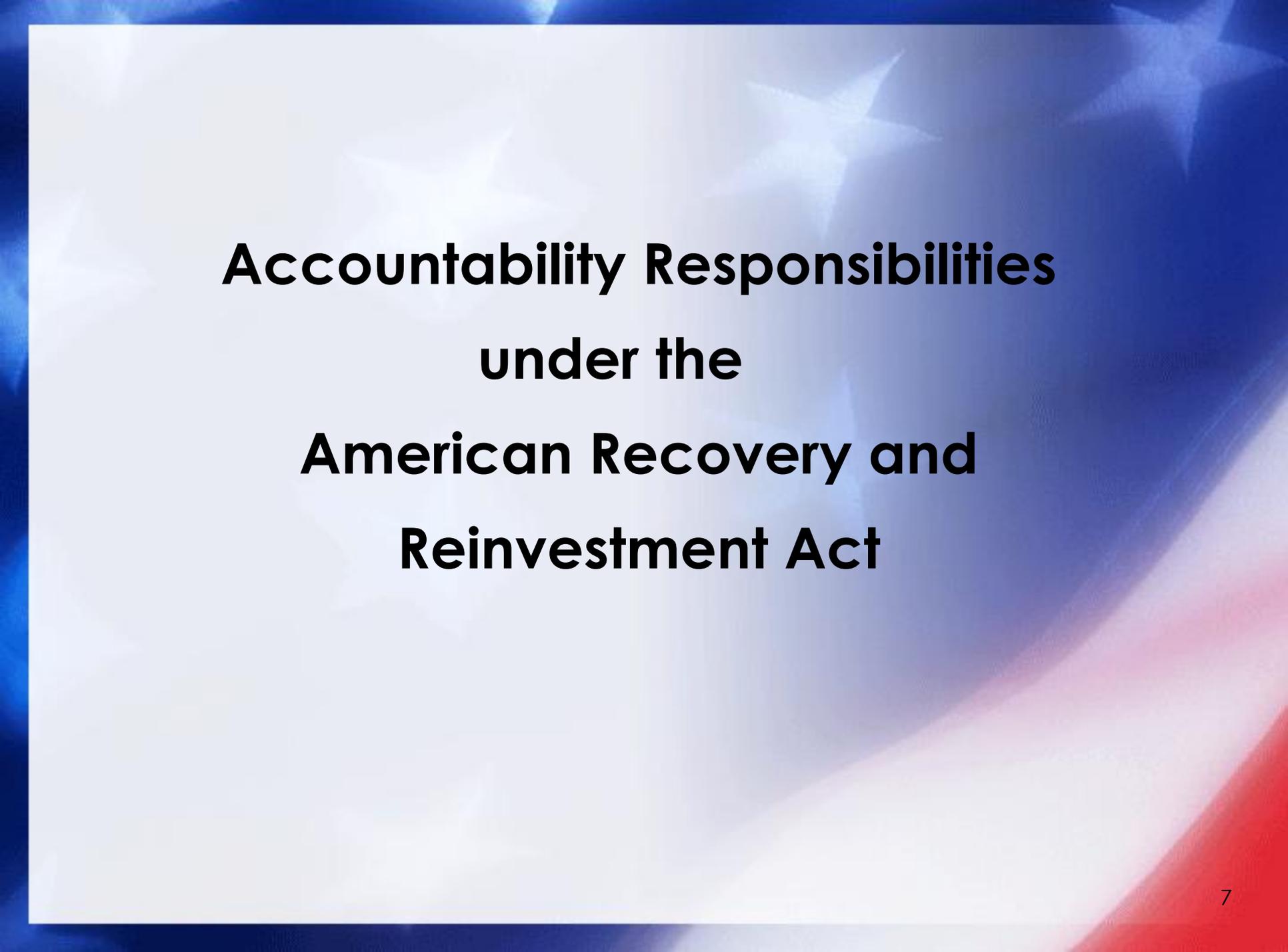
[Source: Recovery.gov 3/6/2009]

<u>Category</u>	<u>Amount</u> <u>(\$ Billions)</u>
Tax Relief	\$288
State and Local Fiscal Relief	\$144
Infrastructure and science	\$111
Protecting the Vulnerable	\$81
Health Care	\$59
Education and Training	\$53
Energy	\$43
Other	\$8

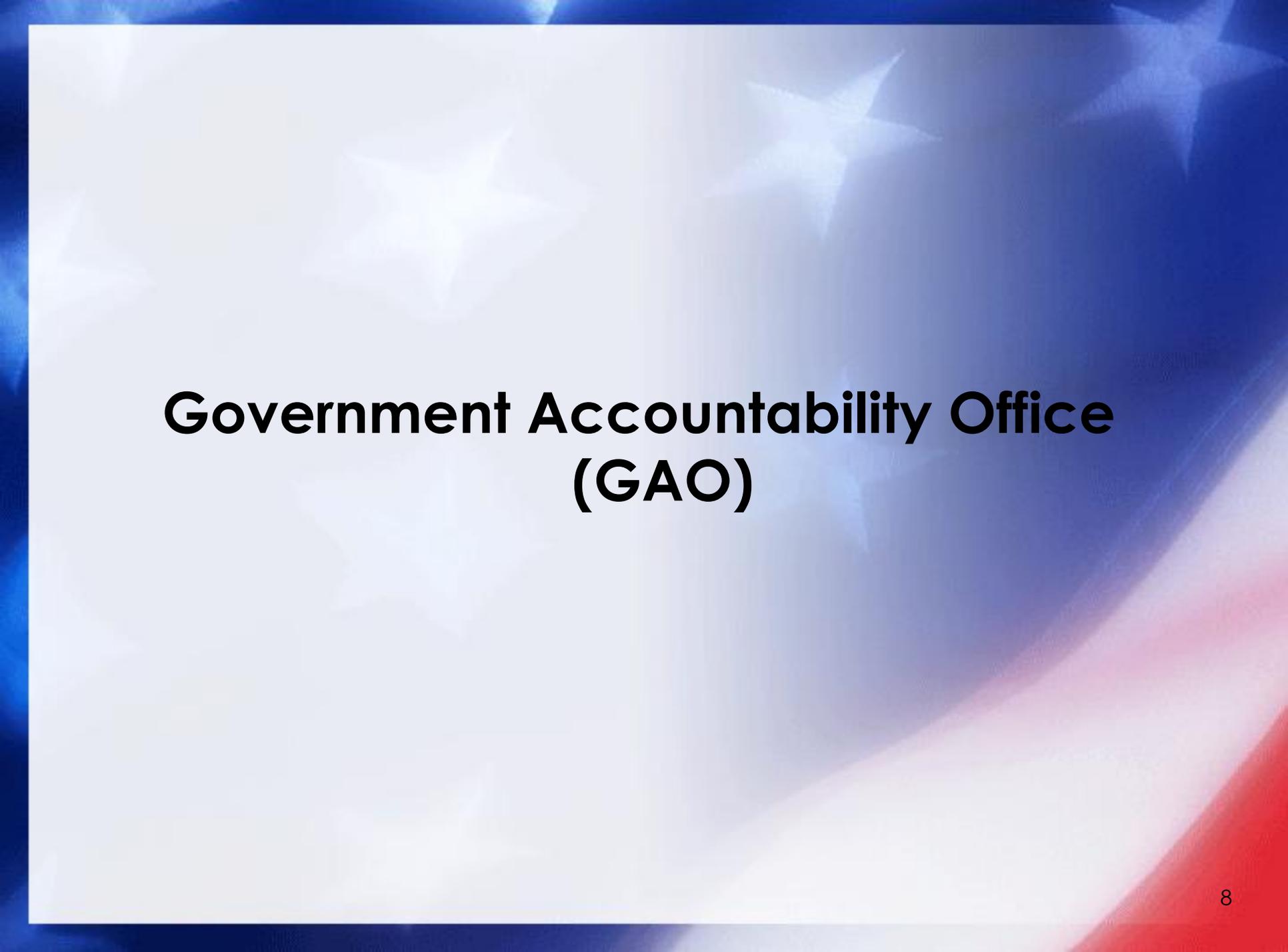
Recovery Act Funding for Accountability

The Recovery Act provides a total of:

- **\$25 Million to the Government Accountability Office (GAO)**
- **\$252.75 Million to Inspectors General for 22 funded Federal Departments and Agencies; and**
- **\$84 Million to the Recovery Act Accountability and Transparency Board.**

The background of the slide is a stylized American flag, featuring a blue field with white stars in the upper left and red and white stripes in the lower right. The text is centered in a bold, black, sans-serif font.

**Accountability Responsibilities
under the
American Recovery and
Reinvestment Act**

The background of the slide is a close-up, slightly blurred view of the American flag, showing the stars and stripes in shades of blue, white, and red.

Government Accountability Office (GAO)

Government Accountability Office (GAO)

The Recovery Act establishes mandatory responsibilities for GAO, including:

Section 901- Bimonthly Reports on Use of Funds by States (Recurring Responsibility)

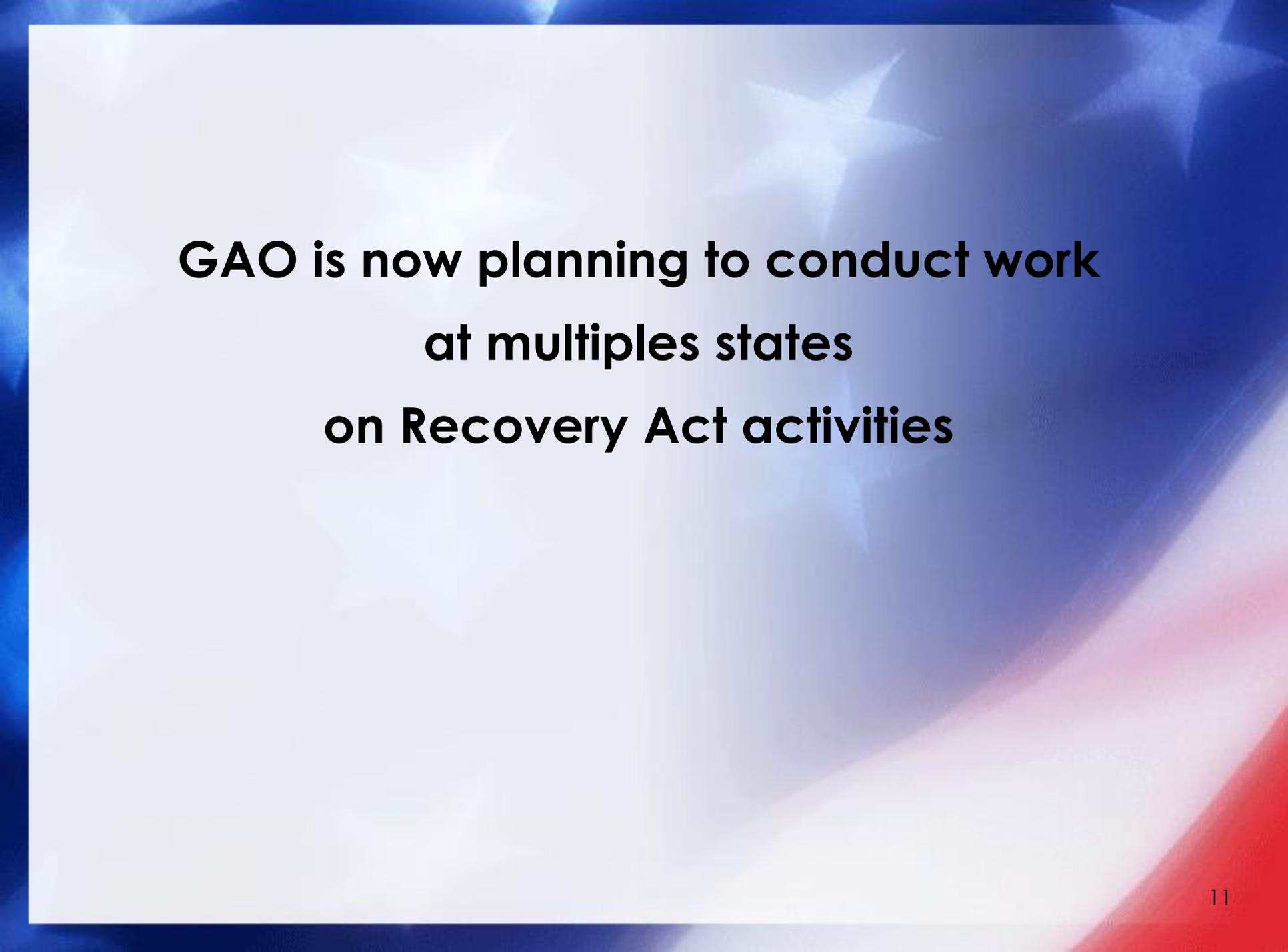
Section 1512 – GAO (and CBO) Comments on Recipients' Reports on Their Use of Funds and Localities (Recurring Responsibility)

GAO Mandatory Recovery Act Responsibilities include:

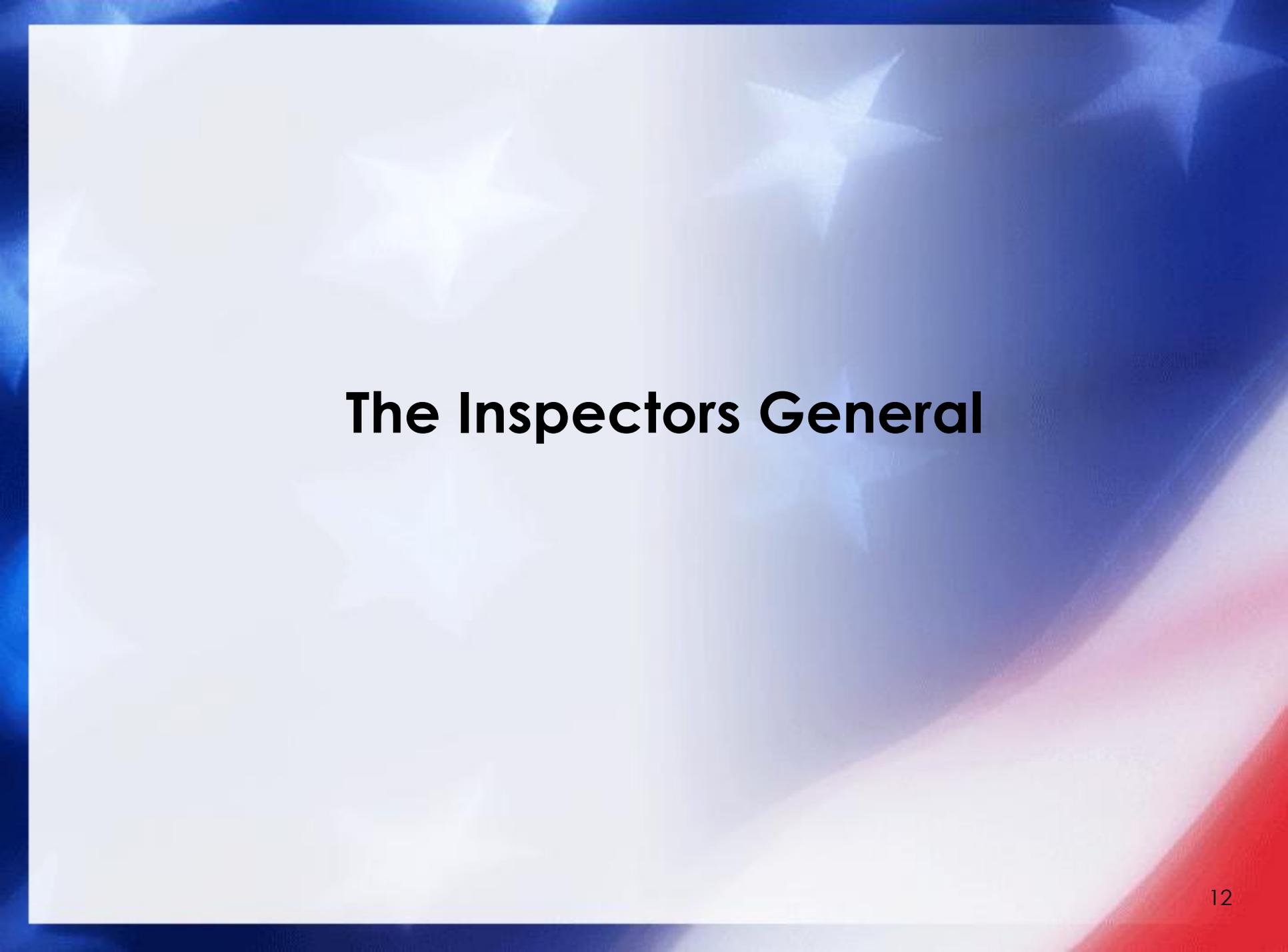
- **Section 13101 – Health Information Technology Policy Committee Appointments**
- **Section 507 – SBA Report (p. 44)**

No later than 60 days after enactment, GAO must report to Congress on the actions of the SBA Administrator in implementing various administrative authorities in the Act; and

- **Other specific responsibilities**

The background of the slide is a close-up, slightly blurred view of the American flag, showing the stars and stripes in shades of blue, white, and red.

**GAO is now planning to conduct work
at multiples states
on Recovery Act activities**

The background of the slide is a close-up, slightly blurred image of the American flag, showing the stars and stripes in shades of blue, white, and red. The stars are prominent in the upper left and right areas, while the stripes are visible in the lower right corner.

The Inspectors General

Section 1515(b)

“Nothing in this section shall be interpreted to limit or restrict in any way any existing authority of an inspector general.”

Thus, IG’s have full authority to audit, investigate and inspect Recovery Act programs, contracts and expenditures.

SEC. 1514. INSPECTOR GENERAL REVIEWS.

“Any inspector general of a Federal department or executive agency shall review, as appropriate, any concerns raised by the public about specific investments using funds made available in this Act. Any findings of such reviews not related to an ongoing criminal proceeding shall be relayed immediately to the head of the department or agency concerned. In addition, the findings of such reviews, along with any audits conducted by any inspector general of funds made available in this Act, shall be posted on the inspector general’s website and linked to the website established by section 1526”

SEC. 1553. - PROTECTING STATE AND LOCAL GOVERNMENT AND CONTRACTOR WHISTLEBLOWERS.

- **Provisions to protect such whistleblowers**
- **Provides that inspectors general investigate complaints by whistleblowers who allege they have been subject to reprisals**

Recovery and Accountability Transparency Board

Established by Section 1521 of the Act “to coordinate and conduct oversight of covered funds to prevent fraud, waste, and abuse.”

Section 1522 – Composition of Board

Chairperson – appointed by the President

Hon. Earl Devaney

Formerly

Inspector General, Dept. of the Interior

Under Section 1522, the Board shall include the Inspectors General of the Departments of:

Agriculture	Commerce
Education	Energy
Health & Human Services	Homeland Security
Justice	Transportation
Treasury	
and Treasury IG for Tax Administration	
and any other IG as designated by the President from any agency that expends or obligates covered funds	

Section 1523 describes the functions of the Board:

(A) reviewing whether the reporting of contracts and grants using covered funds meets applicable standards and specifies the purpose of the contract or grant and measures of performance;

(B) reviewing whether competition requirements applicable to contracts and grants using covered funds have been satisfied;

(C) auditing or reviewing covered funds to determine whether wasteful spending, poor contract or grant management, or other abuses are occurring and referring matters it considers appropriate for investigation to the inspector general for the agency that disbursed the covered funds;

(D) reviewing whether there are sufficient qualified acquisition and grant personnel overseeing covered funds;

(E) reviewing whether personnel whose duties involve acquisitions or grants made with covered funds receive adequate training; and

(F) reviewing whether there are appropriate mechanisms for interagency collaboration relating to covered funds, including coordinating and collaborating to the extent practicable with the Inspectors General Council on Integrity and Efficiency

Section 1524 describes the powers of the Board:

- **AUDITS AND REVIEWS**

The Board may—

- (1) conduct its own independent audits and reviews relating to covered funds; and**
- (2) collaborate on audits and reviews relating to covered funds with any inspector general of an agency.**

Powers of the Board (cont'd)

PUBLIC HEARINGS—The Board may hold public hearings. The head of each agency shall make all officers and employees of that agency available to provide testimony to the Board and Board personnel.

The Board may issue enforceable subpoenas to compel the testimony of persons who are not Federal officers or employees at such public hearings.

Under Sections 1524 and 1525, the Board also:

- **May enter into Contracts, including contracts and other arrangements for audits, studies, and analyses;**
- **Employ personnel; and**
- **Shall establish a website.**

Section 1523(b) – Board Reporting

- **“FLASH REPORTS”**, on potential management and funding problems that require immediate attention.
- **QUARTERLY REPORTS** to the President and Congress, summarizing the findings of the Board and the findings of inspectors general of agencies. The Board may submit additional reports as appropriate.

- **ANNUAL REPORTS** to the President and Congress, consolidating applicable quarterly reports.
- Submit to Congress such **OTHER REPORTS** as the Board considers appropriate on the use and benefits of funds made available in this Act.

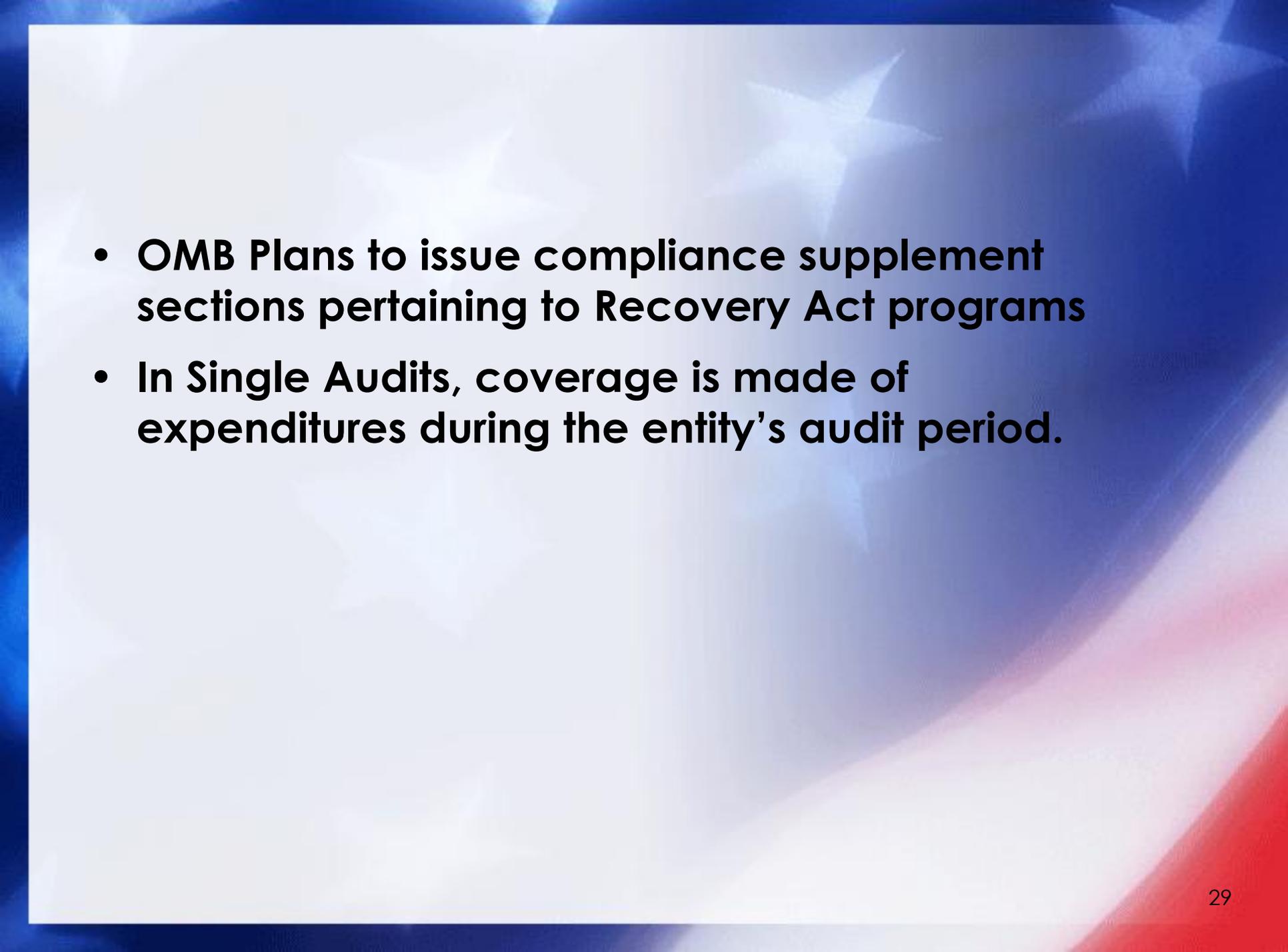
Other noteworthy provisions re: Board

- **Section 1512 - The Board shall coordinate its oversight activities with the Comptroller General of the United States and State auditors.**
- **Section 1523(c) - The Board shall make recommendations to agencies on measures to prevent fraud, waste, and abuse relating to covered funds. Agencies must report within 30 days to the President and House and Senate committees of jurisdiction on whether they agree or disagree with recommendation; and implementing actions.**

Annual Non-Federal Audit Conducted under Single Audit Act Amendments of 1996

**[(Public Law 104-156, which amended the Single
Audit Act of 1984, Public Law 98-502)]**

**Recovery Act Programs are covered in required
Annual Single Audits**

- 
- The background of the slide is a stylized American flag, featuring a blue field with white stars in the upper left and a red and white striped field in the lower right. The stars are slightly blurred and have a soft glow.
- **OMB Plans to issue compliance supplement sections pertaining to Recovery Act programs**
 - **In Single Audits, coverage is made of expenditures during the entity's audit period.**

In it's 2/18/2009 guidance, OMB:

Directed Federal Agencies to perform a risk analysis of Recovery Act programs and request OMB to designate any high risk programs as major programs that must be tested in a single audit. [Item 5.6]

Said Inspectors General will reach out to the auditing profession and provide technical assistance and training as well as perform quality control reviews to ensure single audits are properly performed and improper payments and other non-compliance is fully reported. [Item 5.7]

- **For fiscal years ending September 30, 2009 and later, all Single Audit reports filed with the Federal Audit Clearinghouse (FAC) will be made publicly available on the internet. [Item 5.8]**
- **Federal agencies will review Single Audits of Recovery Act funding and provide a synopsis of audit findings relating to obligations and expenditures of Recovery Act funding. [Item 5.9]**

Implications for the Accountability Community include:

We need to plan and begin our Recovery Act related work as quickly as possible.

Section 3(b) of the Recovery Act says:

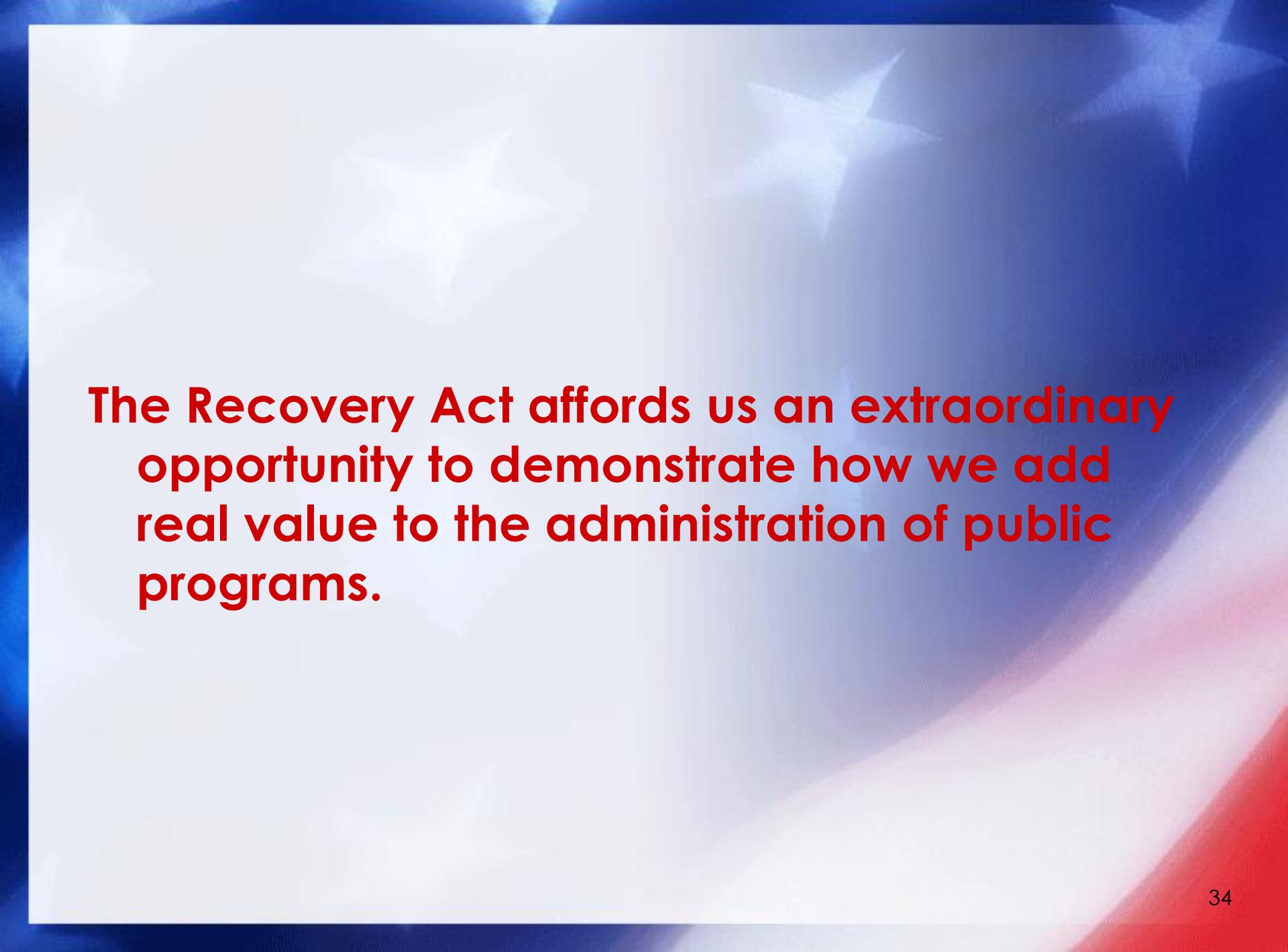
GENERAL PRINCIPLES CONCERNING USE OF FUNDS.—

The President and the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified in subsection (a), including **commencing expenditures and activities as quickly as possible** consistent with prudent management.

Implications for the Accountability Community

Accountability Provisions are contained in the Recovery Act, have been well publicized, thus Public Expectations regarding our work will be High.

The law requires internet posting of our audit work, enabling public scrutiny.

The background of the slide is a close-up, slightly blurred view of the American flag, showing the stars and stripes in shades of blue, white, and red. The stars are prominent in the upper right and center, while the stripes are visible in the lower right and bottom.

The Recovery Act affords us an extraordinary opportunity to demonstrate how we add real value to the administration of public programs.