



The American Recovery and Reinvestment Act of 2009: Accelerating Readiness for Enhanced Sustainability

Northern Virginia Government Finance Officers Association

May 18, 2009

KPMG LLP



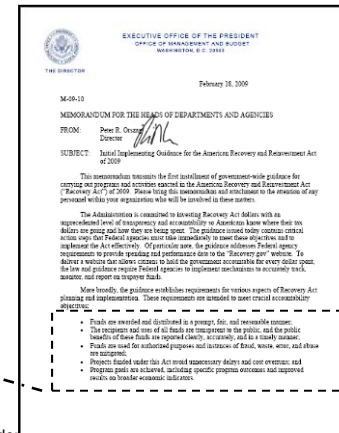
Agenda

- Objectives
- Where is Virginia's Money Going
- Recent Developments and Trends
- ARRA: Significant Requirements
- Recipients' Needs
- ARRA Program Management Considerations
- Next Steps for ARRA Leaders

The Recovery Act of 2009 Accountability Objectives

The Recovery Act requires a combination of speed, transparency, accountability, efficiency, and effectiveness.

- Funds are awarded and distributed in a prompt, fair, and reasonable manner;
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and in a timely manner;
- Funds are used for authorized purposes and instances of fraud, waste, error, and abuse are mitigated;
- Projects funded under this Act avoid unnecessary delays and cost overruns; and
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.



Source: KPMG IT Strategy & Performance



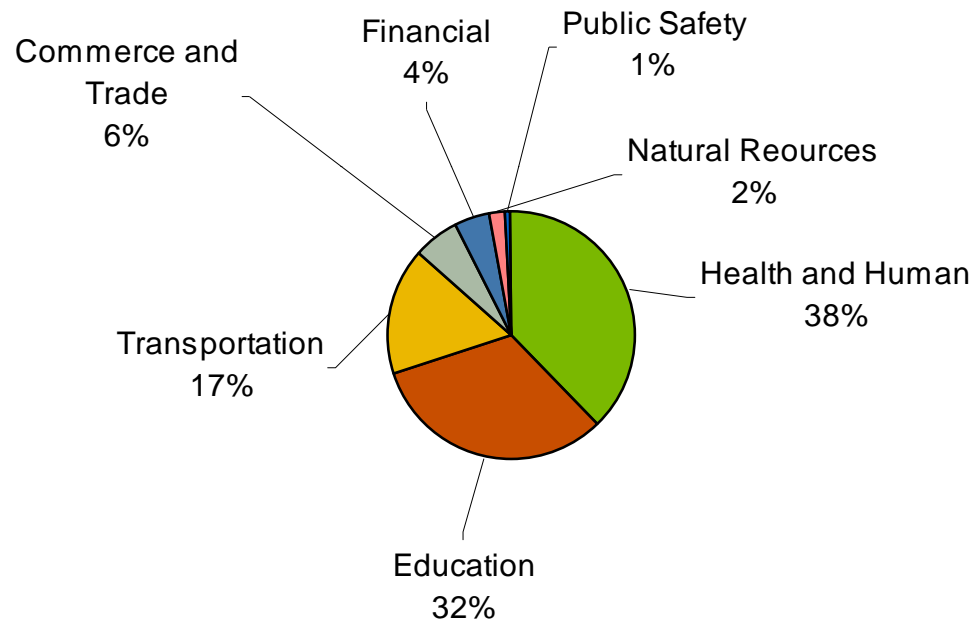
Stimulus Funding Is Broad Creating Management Complexity

Potential Investment Areas	Examples of VA Agencies	Potential Further Allocations			
		Non-Profits	Healthcare	For-Profit Contractors	Direct Payments to Citizens
Aid to Poor and Unemployed/Direct Cash Payments Unemployment Insurance, Food Stamp Benefits, Temporary Welfare Payments, Home Heating Subsidies, Community Action Agencies, Supplemental Security Income, Child Care Services, Employment Services	DSS, VEC	X			X
Infrastructure Transportation Projects, Public Infrastructures, Rail and Mass Transit Projects, Public Housing Improvements, Clean and Drinking Water Projects	DOT, DRPT, DEQ, VRA, VDH-ODW, VHDA, DHCD			X	
Healthcare COBRA, Medicaid, Modernize Health Information Technology Systems, Preventative Care, Community Health Centers, Avian Flu, AIDS, STDs, TB, Health Research and Construction of NIH Facilities	DMAS, DMHMRSAS, VDH, GOSAP		X	X	X
Education State Relief to Prevent Cuts in Education Aid and Provide Block Grants, School Modernization, Pell Grant, Head Start, Special Education and No Child Left Behind	DOE, SCHEV, VCCS	X			X
Energy Energy Efficiency and Renewable Energy Programs, "Smart Electricity Grid", Fossil Fuel R&D, Renewable Energy Projects, Advanced Battery Systems, Weatherization	DMME			X	X
Law Enforcement and Homeland Security Grants to State and Local Law Enforcement to Hire Officers and Purchase Equipment	VSP, VADOC, VDEM			X	

Where is Virginia's Money Going?

The bill targets investments in the following areas

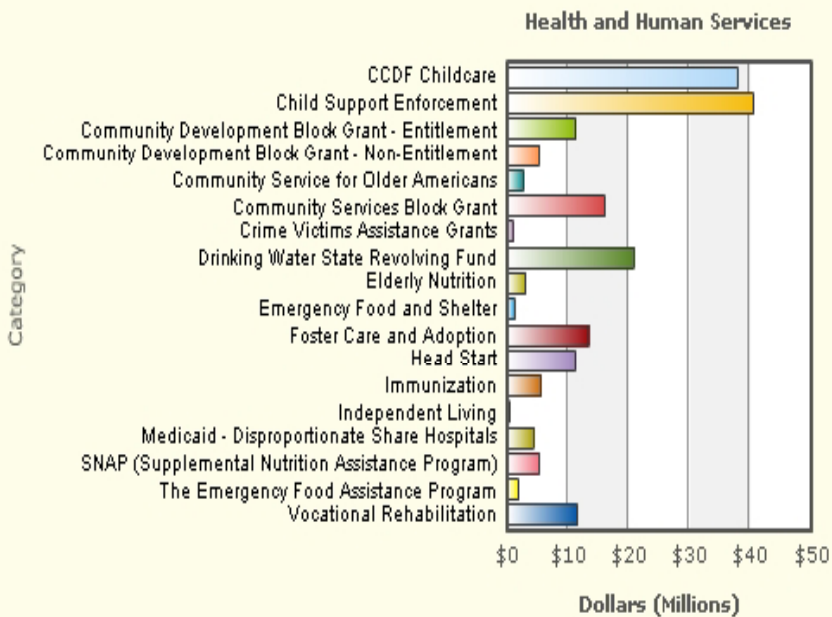
Breakdown of targeted investment – \$ 4.9 billion*



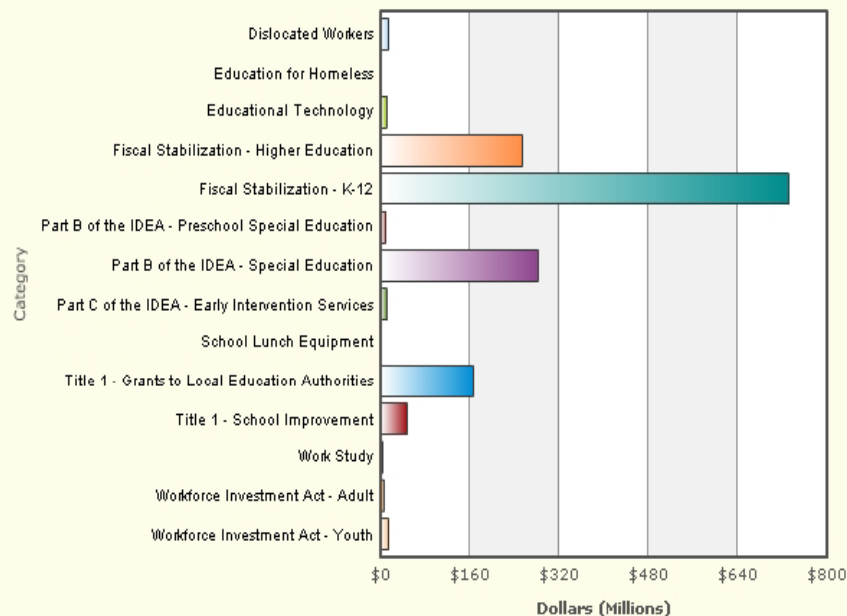
* Information is based on information from the Commonwealth's Stimulus.Virginia.gov website

Where is Virginia's Money Going?

Health and Human Services

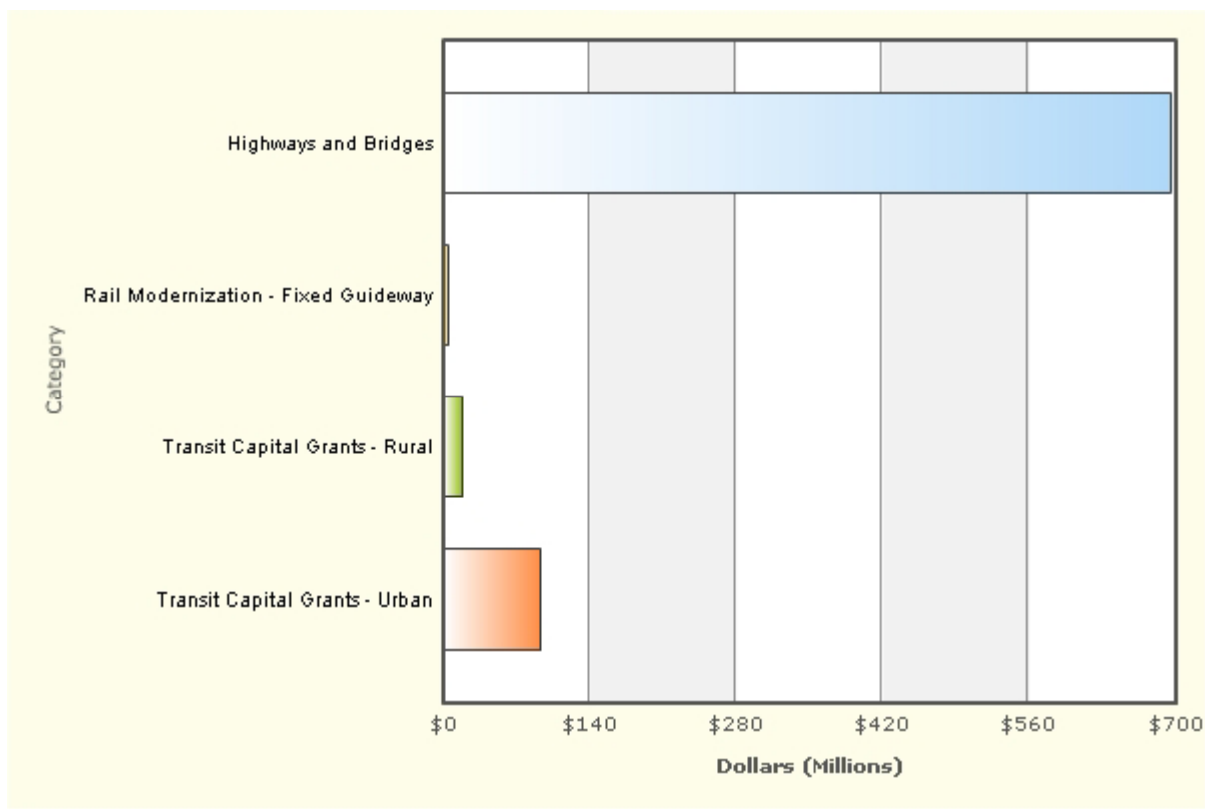


Education



Where is Virginia's Money Going?

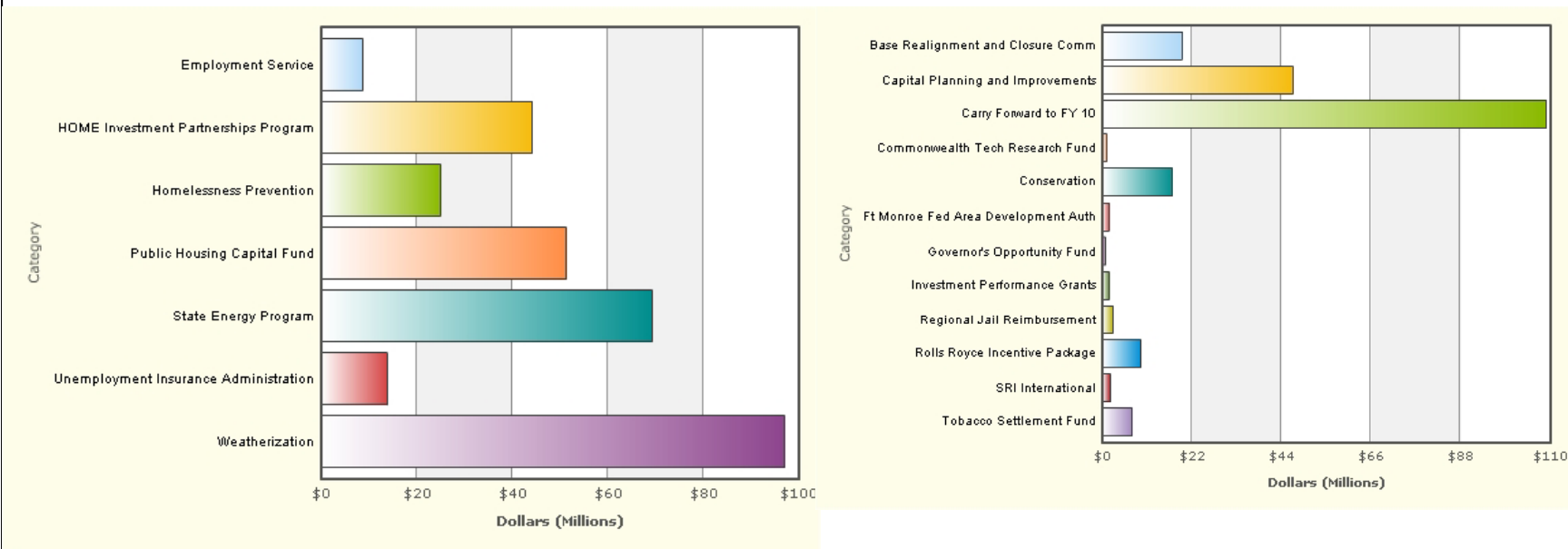
Transportation



Where is Virginia's Money Going?

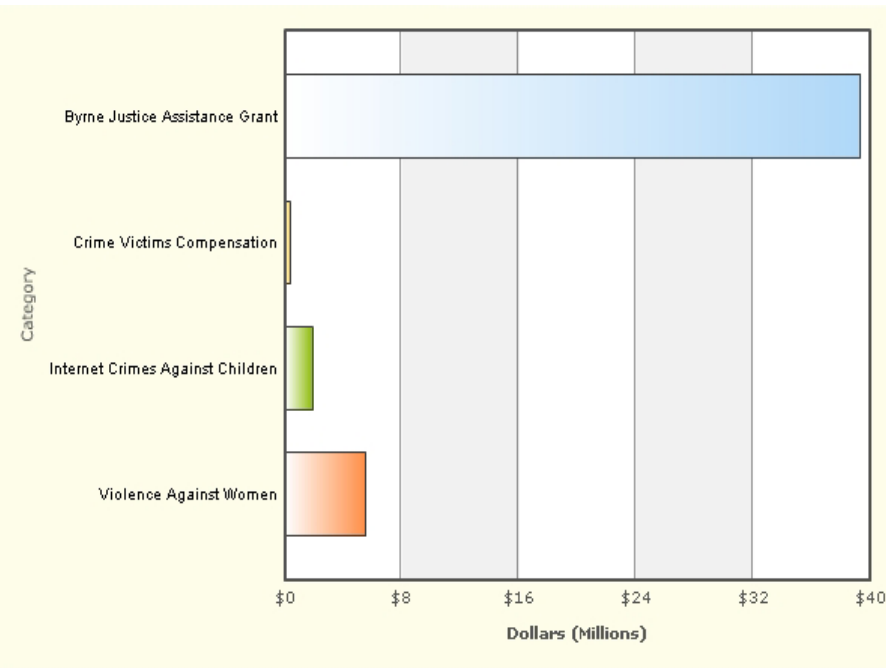
Commerce and Trade

Finance

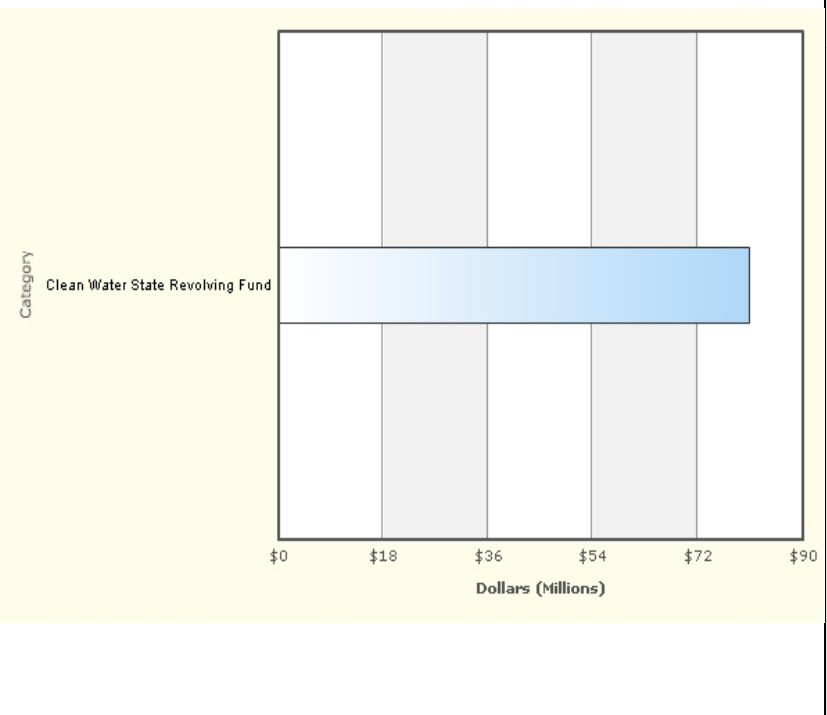


Where is Virginia's Money Going?

Public Safety



Natural Resources





Recent Developments and Trends

- The pace of activities is accelerating and stakes appear to be rising
- Accountability and transparency has risen to the most discussed of the five objectives
 - Issues with TARP accounting must not reoccur
 - Daily articles and news coverage will continue
- The focus on fraud, waste and abuse is high on IG's agenda
 - AIG bonuses, historical performance and public perception are accelerating this issue
 - Controls will include fraud hotline with investigation, IG audits, A-133 audits
- GAO has a broader focus on meeting overall program objectives – focus on 16 States
- Guidance was issued to Federal Agencies with direction to recipients and sub-recipients
- Updated CFDA numbers were issued and initial A-133 direction is being prepared
- Complex items remain to be resolved:
 - Recovery.gov reporting processes and architecture – currently under review
 - New procurement rules for formula programs
 - Additional Federal agency and State specific guidelines
 - A-133 compliance supplement



ARRA: Significant Requirements

- Recovery.gov Requirements
- Certification and Maintenance of Effort
- Obligation of Funds
- Reporting
- Program Risk Considerations
- Potential Responsibilities for Pass-through Funding
- Anti-fraud, Waste and Abuse Considerations
- Auditing
- The Role of GAO



Recovery.gov Website

Reporting – Information Available to Public (Including Recipients)

- Detailed data on contracts and grants
- Progress reports on spending and accomplishments
- Links to grant, loan, contract opportunities
- Map-based view of where the spending is going
- Subscription content to be informed with targeted changes
- Ability for access to bulk data for individual analysis
- Reports from GAO, IG, CEA
- Vignettes on results/accomplishments
- Top 10 lists
- Responses addressing public feedback

From the “Recovery Act Architecture Package v0.032”



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Data Elements

- Data elements to be collected were published in *Federal Register* 4/1/09
- States and other direct recipients will be required to file one report for each award
- Reports will need to be filed 10 days after the end of the quarter
- Each award report should present cumulative amounts and contain five sections:
 - General Section - Award and Award Recipient Information
 - Project period
 - Awarding Federal agency
 - Section 1: Project/Activity Information
 - Cash received
 - Fund expenditures
 - Section 2: Project/Activity Information
 - Status of work completed
 - Jobs created or retained
 - Cost and outcome of Infrastructure investment (if applicable)
 - Section 3: Subrecipient Information
 - Cash disbursed and to be disbursed by recipient
 - Date of subaward and grant period
 - Subrecipient five most highly compensated officers (if applicable)
 - Section 4: Aggregated Award Information
 - Total number of awards <\$25,000
 - Cash disbursed

Recovery.gov: Enterprise View of Information Flows

Key Actors and the Information Flows to Recovery.gov

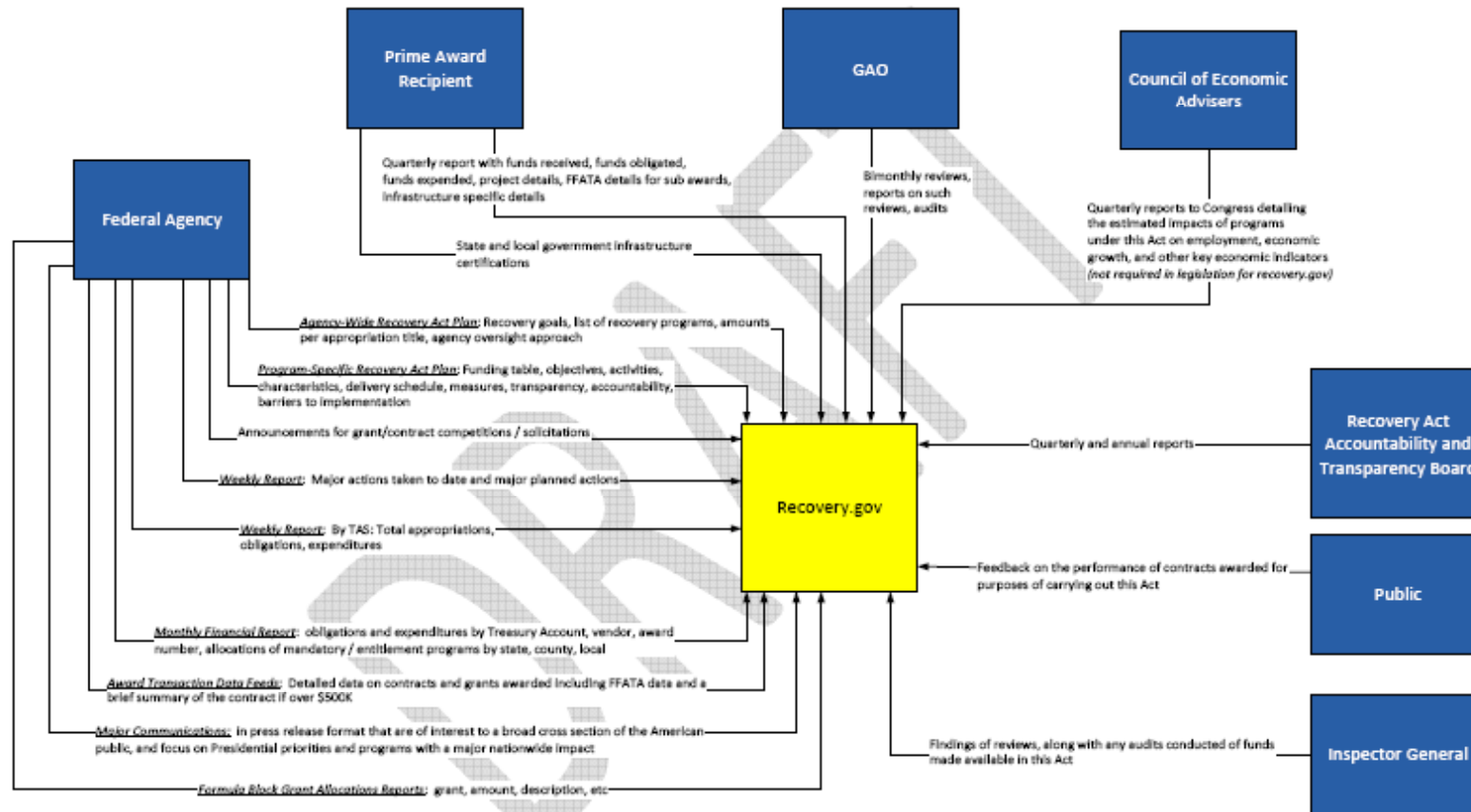
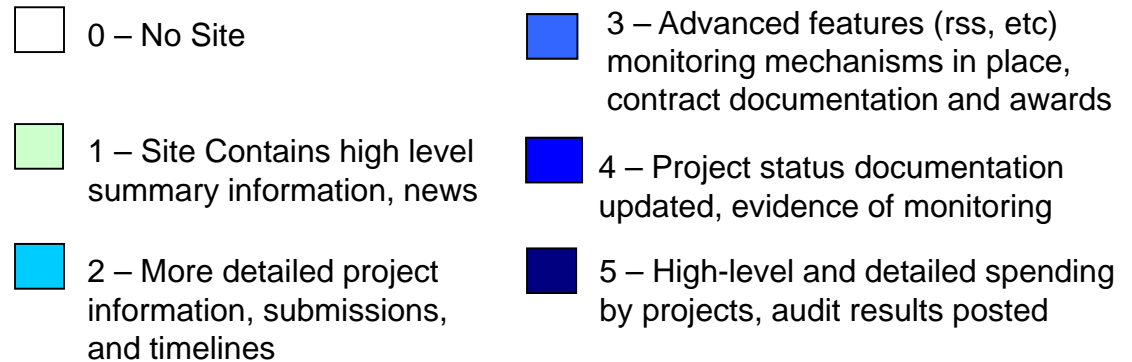
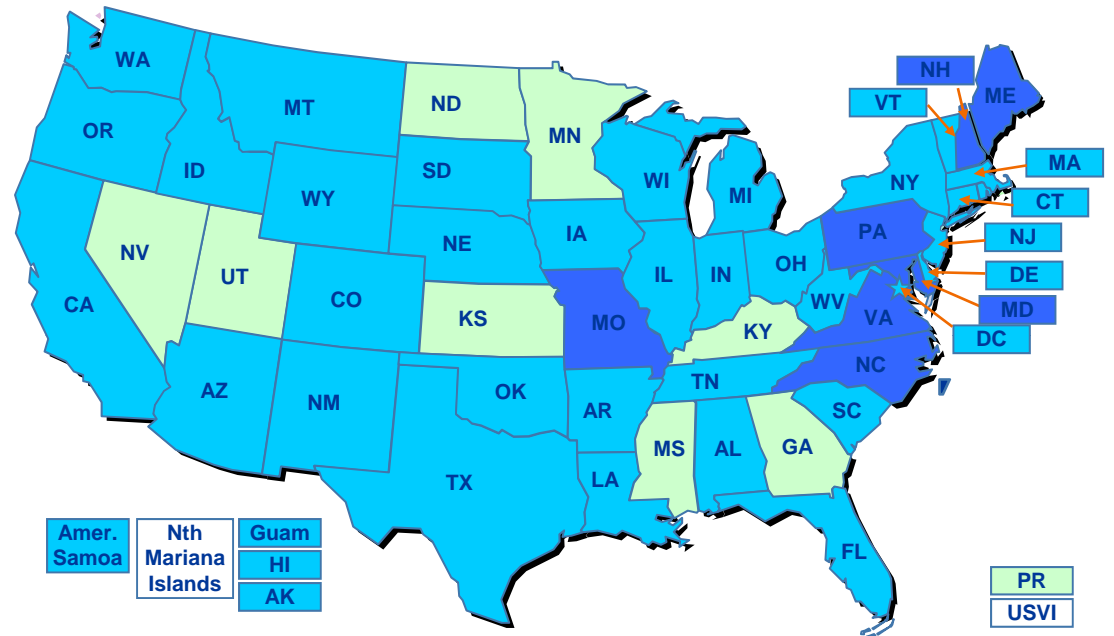


Figure 2: Key Actors and the Information Flows to Recovery.gov

Recovery.gov – States’ Websites

- 50 States, 5 Territories, and the District of Columbia have noted an interest in ARRA (56 total):
 - 7 are in the advance stages of website development
 - 38 have informative websites
 - 9 have begun portal development
 - 2 have yet to develop websites
- The content of sites is still not homogeneous
- Many sites link to intricate state procurement systems instead of presenting data
- Little data is presented on spending or monitoring of spending
- *ARRA Recovery.gov - Recommended Guidelines for Related State Web Pages* were published by GSA on March 12, 2009.





Certification and Maintenance of Effort

Certification

- Certification elevated to the Governor, Mayor or other State officials
- Upfront certification prior to spending
 - Infrastructure investment has been reviewed
 - Full responsibility is accepted as to the appropriate use of the tax payers' funds
- Unprecedented intent by Federal government to ensure accountability
- Currently Governors of all States, Territories and the District of Columbia have provided their certification
- Process for complying with the Governor's certification of the use of funds

Maintenance of Effort

- Federal funds cannot be used to supplant local funding
- Must be used for additive projects, not applied to cut-backs
- Governments will need to document current level of effort; difficult due to “baked in” cuts and decreases



Obligation of Funds

- Program Management/Responsibility to “Obligate” funds as soon as possible
- Timeframes to obligate funds vary by program
- Difficulties:
 - May need to streamline procurement processes to comply
 - Definition of “Obligation”
 - Conservative definition: encumbrance
 - Can vary by jurisdiction
 - May raise issue of new or supplanting dollars
 - Streamlining may increase risk of project overruns
 - Stimulus restrictions such as “Buy American” and focus on distressed areas may increase time pressures



Section 1512 Reporting: OMB Guidance

- Federal level – central collections will be required through Federalreporting.gov, no reporting through Federal agencies
- State level - collection of data can be centralized or decentralized
- State is responsible for timeliness and accuracy of all reporting submitted through Federalreporting.gov
- If a State chooses agency-level reporting, they will need strong processes and controls
- Reporting required only on state administered programs, e.g., Title I, transportation, etc.
- Reporting for entities outside the state, e.g. public housing authorities, is not required
- July 10 (required by earlier guidance) versus October 10 (required by the law)
 - Federalreporting.gov will not be ready by July 10
 - Objective: “dry-run on July 10 as test and to prepare for October 10
 - More information to come



Program and Performance Reporting

- As with 90's welfare reform, Federal initiatives often mandate new reporting requirements
- Possible reporting areas:
 - Number of jobs created/saved
 - Timeliness of disbursements
 - Other project performance measures
 - Educational achievement
 - Compliance with corrective actions for low-performing schools
- Current government reporting systems may need to be supplemented to meet new requirements

Program Risk Considerations

- Reporting
 - Prompt website reporting
 - Accurate, required data fields
 - Issues identification/response
 - Review/approval process
 - Timely management updates
 - Timely reports on risk management effectiveness
- Human Capital
 - Qualified oversight personnel
 - Staff empowerment
 - Performance management training
 - Adequate staffing
 - Alternative hiring possibilities
- Financial
 - Separate Treasury Account Fund Symbols
 - Controls to avoid co-mingling of funds
 - Controls to mitigate fraud, waste, abuse
- Acquisition
 - RFP language
 - Required terms/clauses in contracts
 - Minimization of fraud, waste, error and abuse
 - Prompt, fair, reasonable contract awards
 - Contract Transparency, Clarity, Timeliness
 - Delay/cost overrun avoidance
 - Potential contactor performance issues
- System
 - Financial and operations systems
 - Configuration
 - Data elements for analysis and reporting
 - Financial and operations systems capacity



Potential Responsibilities for Pass-through Funding

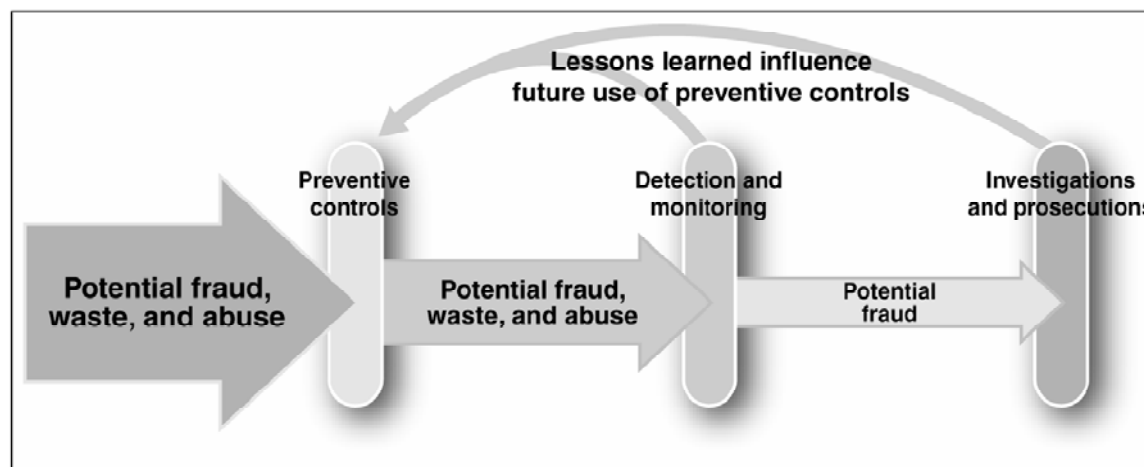
- At the time of the award, identify for the subrecipient all Federal award information (e.g. CFDA, award name, name of the Federal Agency) and applicable requirements
- Conduct risk assessment of subrecipient
- Communicate Stimulus reporting requirements
- Ensure subrecipient systems and processes are adequate to track and report recovery funds
- During the award, monitor the use through reporting, site visits, regular contracts or other meetings to provide reasonable assurance that :
 - Stimulus dollars were used in compliance with laws, regulations, provisions of contracts or grant agreements, and
 - performance goals were achieved

Anti-Fraud, Waste and Abuse Considerations

A key objective of ARRA is to minimize fraud, waste and abuse

- Additional funding for audits, law enforcement and inspector general oversight
- Even a 5% error rate places \$40 billion of total program funding potentially at risk for fraud, waste and abuse
- The federal government expects States to embed anti-fraud, waste and abuse efforts into ongoing oversight of programs
- Existing systems and controls may not be capable of addressing increased expectations
- The public has zero tolerance for fraud, waste and abuse

Figure 1: Program Designed to Minimize Fraud, Waste, and Abuse



Source: GAO.



Auditing

- Federal Government has signaled strong intent to ensure accountability
 - \$253 million set aside for the Office of Inspector General to hire additional staff and audit stimulus spend by fund recipients
 - \$25 million set aside for the Government Accountability Office to provide additional oversight
 - The Recovery Act Accountability and Transparency Board will be established
 - Will include Inspectors General and deputy cabinet secretaries
 - Role: To review management of recovery funds and provide early warning of any problems
 - \$84 million set aside for the Accountability and Transparency Board
- Provides .5% of each appropriation for administration, management and oversight
- Focus on:
 - Internal controls
 - Reporting accuracy
 - Anti-fraud program and processes



Role of the GAO

- Primary responsibilities include:
 - Bimonthly reviews of the use of selected states and localities over the next 2 -3 years
 - Review recipient reports from all 50 State

- GAO's Objectives:
 - Ensure:
 - States' spending is consistent with ARRA
 - States establish safeguards early to prevent fraud, waste and abuse
 - Identify:
 - Issues that need clarification
 - Opportunities for improvement

GAO – Bi-monthly State Visits

- For first bimonthly reviews, GAO has formulated several questionnaires by interviewee, including but not limited to the:
 - Governor (Chief of Staff or Policy Director)
 - Recovery Czar
 - State Auditor
 - State Budget Director
 - Controller
 - Chief Information Officer
 - Chief Procurement Officer
 - Treasurer
 - Various Program Heads
- General areas covered by GAO Questionnaires:
 - PMO / Oversight
 - Contracting / Procurement
 - Reporting Systems and Processes
 - Funding and Monitoring of Pass-through funds
 - Program Specific / Statistical Reporting
- GAO's Bi-monthly Report:
 - Will include state-by-state summary
 - States will have two days to fact-check their own sections
 - GAO will provide advance summary report to OMB and Federal agencies

The header image features a photograph of classical stone columns in a courtyard, with the text "Recipients' Needs" overlaid in white. The text is positioned on the left side of the image, which shows a perspective view of the columns receding into the distance.

Recipients' Needs

- Assistance in establishing Stimulus Program Management Offices (PMO)
- Identifying new compliance requirements and assistance with establishing new compliance programs
- Process review and gap analysis of reporting, controls, documentation and organizational responsibilities
- Agency level Readiness Assessments
- Assisting with ARRA reporting requirements including processes to capture new data elements, reporting from pass-thru agencies and state consolidation
- Data base analysis and reporting for projects and programs
- Assessments related to processes and controls to prevent fraud, waste and abuse
- Assessments related to new purchasing requirements



ARRA Program Management Office Considerations

Program Management Considerations

“The Recovery Act includes several provisions that require agencies to take steps beyond standard practice, including reporting, information collection, budget execution, risk management, and specific actions related to award type.”

OMB Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009



Program Management Considerations, continued





Next Steps for ARRA Leaders

- Develop an inventory of compliance requirements by program and a detailed plan, schedule and responsibilities for compliance
 - Develop and execute periodic compliance testing
 - Make this process transparent – share approach and findings
- Develop 1512 Reporting – define data sources, processes for collection, timing and responsibilities
 - Trial run as soon as possible to allow input to Federal agencies
 - Audit the data sources and controls at least initially
 - Review reports for transparency and understanding – use financial and public information specialists
- Perform, document and publish formal risk assessment by program
 - Performance and compliance risks and strategies
 - Fraud, waste and abuse concerns and mitigation plans
- Perform Agency level readiness assessments for compliance and reporting – focus on highest risks
- Design internal program “audit” assessments related to fraud, waste and abuse
- Perform detailed review of new agency requirements related to purchasing, reporting, calculating job creation and other new, complex requirements
- Assess results, report progress transparently and re-plan next steps.



With You Today

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