

Audit and Accounting Considerations – Stimulus Funds

Overall Considerations Relating to Expenditure of American Recovery and Reinvestment Act (Recovery Act) Funds

We recognize that the top priority is the distribution and utilization of funds for the purpose they are intended. The requirements for accounting and auditing should not inhibit nor prevent the timely distribution or utilization of these stimulus funds.

This presentation highlights the accounting and audit issues we are aware of at this time.

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- 1) Issues for Agencies
- 2) Issues Related to State Accounting for Recovery Act Funds
- 3) Next Steps

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Agencies should have resources to ensure the following:

- 1) Accurate and timely accounting and sufficient documentation.

The federal government has issued some preliminary guidance and is committed to issuing further guidance through a website

(Recovery.gov). The State may wish to issue specific accounting guidance related to the recovery funds as soon as the information becomes available.

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2) Internal Controls and Protection of Assets and Investments.

Internal Auditors at state agencies should have sufficient resources to review internal controls and assess the protection of assets and investments. Internal Auditors should consider incorporating internal control and compliance issues related to the new federal funds into their audit plans.

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- 3) Adequate Waste, Fraud and Abuse Prevention Programs. State agencies should maintain adequate waste, fraud and abuse prevention programs. Agencies that have internal processes should continue to use those. In addition, agencies should refer complaints to the State Auditor's Office through any of the mechanisms currently in place, including the SAO fraud hotline.

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Issues Related to State Accounting for Recovery Act Funds

1) Reporting on Federal Expenditures. The federal government will likely require reporting on Recovery Act funding expenditures by **contract or grant award**, specific to the **Recovery Act funding**. In addition, the Act will require recipients of the funds, including a state that receives funds, to provide quarterly reporting on funds received, funds expended, and various programmatic matters such as a description of the program and the number of jobs created or other relevant data.

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2) State Reporting Requirements

- Currently, federal funds received by state agencies are appropriated by the General Appropriations Act. Some riders also contain reporting requirements for state agencies relating to expenditure of federal funds.

- There will be federal reporting requirements for the states. The Legislature may wish to request that all reports related to the Recovery Act be submitted to relevant committees and to the LBB and the Governor at the same time as they are submitted to the federal government.

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- Additionally, the Legislature may wish to **require quarterly reports** with financial and programmatic reporting on matters of particular interest to the state. These reports should go to the House Appropriations Committee, the House Select Committee on Federal Economic Stabilization Funding, the Senate Finance Committee, and substantive committees. Any agency that receives Recovery Act funds should provide a timeline to those parties regarding the anticipated expenditure of the funds and attainment of goals and performance targets.

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- 3) Audit Requirements. Preliminary federal guidance indicates that expenditures of Recovery Act funds will be audited under existing federal Single Audit requirements (this audit is the responsibility of the State Auditor's Office). Agencies should continue to coordinate with their federal funding partners to ensure that they are aware of **specific program or grant requirements, including documentation and other matters** that will be subject to audit.

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There are also provisions in the Act requiring additional audits related to the expenditure of these funds. The Recovery Act creates the Recovery Accountability and Transparency Board that is authorized to conduct audits and investigations. This is in addition to a specific role envisioned for federal auditors related to oversight of audit of the Recovery Act funds.

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Next Steps

- 1) Initial implementing guidance for the American Recovery and Reinvestment Act has been issued by the Office of Management and Budget. This guidance is directed towards federal agencies but does provide some insight into potential reporting and audit requirements for the state.
- 2) There will be a conference call Thursday between the U.S. Government Accountability Office (GAO) and state auditors that may provide some additional guidance on federal reporting and auditing requirements.

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I would be happy to answer any questions you have at this time.