



May 8, 2009

To: All County Family Services Agency Directors

From: Michelle Horn, Deputy Director
Monitoring Services Division
Office of Fiscal and Monitoring Services

Subject: **County Stimulus Monitoring Letter Number 2009-01: American Recovery and Reinvestment Act (ARRA) Requirements; OMB Circular A-133 Guidance**

Background

As you are aware, the American Recovery and Reinvestment Act includes significant funding for programs administered on the local level by county family services agencies. County family service programs expected to receive additional funding include:

- Food Stamp Administration (CFDA #10.561);
- Child Support Incentive (CFDA #93.563);
- Child Care Development Fund (CFDA #93.575);
- Title IV-E Foster Care (CFDA #93.658);
- Title IV-E Adoption Assistance (CFDA #93.659; and
- Temporary Assistance to Needy Families (TANF) (CFDA 93.558).

The ARRA includes unprecedented accountability and transparency requirements with which all participating entities must agree to comply. In response to this emphasis on accountability, various federal and state agencies have indicated their intent to significantly increase oversight as to ARRA monies received by public offices in the state of Ohio. This includes:

- Bimonthly Government Accountability Office (GAO) reviews of the use of ARRA monies by selected states and localities, including Ohio;
- Additional Auditor of State (AOS) reporting and audit requirements for all public offices receiving ARRA monies, including “interim” A-133 audit work in state and local governments.

Federal Expectations

The key features for implementation of the ARRA include:

- Management controls operating to identify and prevent wasteful spending and minimize fraud, waste, and abuse;
- Qualified personnel overseeing program activities supported with ARRA funds;
- Timely, accurate and appropriately accounting for recognition of awards of dollars;
- Appropriate recognition, accounting for and reporting of expenditures of funds; and
- Minimization of improper payments.

In administering ARRA monies, as with all public monies, county agency management and staff are responsible for assessing risk and for designing and placing into operation internal controls to reduce risk of fraud, waste, abuse and noncompliance to a reasonable level. Federal guidance suggests the following characteristics should be taken into account when assessing risk with regard to ARRA monies:

- The volume of ARRA funding being received by various programs within your agency;
- The clarity and measurability of program outputs and outcomes and the presence of tools within the program to measure those outputs and outcomes;
- The extent to which existing resources are sufficient to achieve program objectives;
- The risk profiles of final recipients of funds (e.g., vendors, subcontractors, non-profit organizations);
- The presence of internal controls sufficient to adequately mitigate the risk of fraud, waste, abuse, and noncompliance;
- Performance issues with potential funding recipients; and
- Availability of tools for program staff to monitor ongoing program performance frequently.

County Agency Audit Implications

In addition to this enhanced federal oversight, the Auditor of State (AOS) is requiring all government recipients of ARRA monies to register that receipt at the AOS website and has indicated her intention to perform interim audit work in entities receiving ARRA monies. **In effect, this means that audit field work by Auditor of State staff as part**

of your initial OMB Circular A-133 audit, originally planned for early to mid-2010, may start in mid-2009.

The AOS has indicated that this additional audit work . . .

. . . will emphasize whether the proper controls are in place and operating, whether the ARRA funds are properly identified as required and whether compliance requirements over the use of stimulus dollars are being met.

This is significant in that the Federal Award Compliance Control Records (FACCRs) under development by the Auditor of State for the audit of county family services agencies clearly indicate the Auditor of State's assumption that **each county agency will have available documentation of its internal controls in the form of completed Guided Self Assessment (GSA) forms with attached documentation to support the agency's answers to the GSA questions.**

Failure to have properly documented policies, procedures and internal controls in the form of a completed GSA may result in the performance of additional audit work by the AOS, increasing:

- **Demands upon your staff;**
- **The length of the audit field work at your agency; and**
- **The cost of your audit.**

In a worst case scenario, failure to have such documentation may result in increased audit findings, required corrective action, and more extensive A-133 audit work in subsequent years.

In light of the increased federal and state scrutiny of county family services agencies' internal control over the accounting and use of ARRA stimulus monies, and the significant prospect that audit field work by the Auditor of State's staff may be starting in the immediate future, **we strongly recommend that any agency which has not yet completed a GSA form and appended the related supporting documentation, do so as expeditiously as possible.**

Agencies which have previously completed a GSA form should ensure that it is updated on an on-going basis. Any planned corrective actions as a result of a monitoring review should be expedited.

Pending Actions

The ODJFS Office of Fiscal and Monitoring Services, Bureau of Monitoring and Consulting is developing plans for additional monitoring of county family services agencies, including additional guidance, training and consulting support with regard to risk management and accountability. These plans will be forwarded to you in the immediate future.

OFMS looks forward to working with your agency during this process. To facilitate the submission and coordination of inquiries, the BMCS has established a GroupWise e-mail account for questions related to ARRA monies, the GSA form, the pending OMB Circular A-133 audits, and any other issue for which you may require technical assistance. Questions may be submitted through the GroupWise system to BMCS_INQUIRIES or through the Internet to BMCS_INQUIRIES@jfs.ohio.gov.

The e-mail account will be checked frequently for new inquiries. Within the limits of our resources, we will respond to you as quickly as possible. Any inquiries which are appropriate to another ODJFS Office or Bureau will be forwarded to that organization.