



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 2009-02: Monitoring, Training and Consulting Services for the American Recovery and Reinvestment Act (ARRA)**

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).

As indicated in County Stimulus Monitoring Letter Number 2009-01, federal expectations as to compliance, risk management and internal control, combined with the recent decisions of the Auditor of State (AOS) to perform interim work in OMB Circular A-133 audits and to rely upon completed Guided Self Assessment (GSA) forms as the keystone of such audits of county family services agencies requires significant actions by county agencies to document their policies, procedures and internal controls by means of completed GSAs.

Monitoring, Training and Consulting Services

To assist county agencies in meeting federal ARRA expectations and in preparing for their initial OMB Circular A-133 audit, the Office of Fiscal and Monitoring Services (OFMS), Bureau of Monitoring and Consulting Services (BMCS) will be undertaking the following activities:

Revised Monitoring Approach – With the emphasis of both the ARRA and of the AOS audit approach upon risk management and internal control, timely and effective

completion of the GSA is critical to county agencies. To provide the necessary accountability, county agency management must design and place into operation effective internal controls. In most instances, county agencies have effective internal controls in place. However, it is not unusual to find the design of these controls is undocumented and that evidence of their operation and application is unavailable.

As current monitoring engagements are completed, the OFMS BMCS will be suspending detailed “substantive” testing in county agencies. This will permit staff to focus on assisting county agency management in the preparation of their GSAs. The nature of these GSA engagements will vary. They may involve teleconferences, video conferences, onsite visits or other actions to provide the necessary support for the satisfactory completion of the GSA. This will require, of course, the involvement of agency executive and financial management staff in the preparation of the GSA. This process will be completed with a BMCS staff review of the completed GSA and attached documentation and preparation of appropriate recommendations for changes to the policies, procedures and internal controls.

This revised monitoring/consulting process is currently in development and will change as circumstances require. Our focus is the assessment of the design of internal controls and the provision of technical assistance to remedy any deficiencies.

As the GSA process is completed across the state, the focus of BMCS activity in the counties will return to substantive testing in the county agencies. This return to a substantive focus may occur on a regional basis due to the geographical dispersion of staff. However, the center of our attention will continue to be remediation and support.

A specific BMCS staff member will be assigned responsibility for your agency and will conduct videoconferences, teleconferences or site visits with you on an “at least monthly” basis in order to satisfy the transparency and accountability requirements of the Act. The results of these conferences and visits may be shared with the ODJFS program offices and the OFMS Bureau of County Finance and Technical Assistance staff so they can address technical assistance needs as necessary.

Supplemental ARRA GSA – To a significant extent, the current GSA addresses fundamental process and control issues which are applicable to both current and ARRA funding. However, there are additional issues specific to ARRA funding which must be addressed. These issues include:

- Local monitoring processes and procedures relating to ARRA funds and activities;
- Administrative capacity, including the ability to account for and report ARRA expenditures and cash separately;
- Sufficient internal controls to mitigate risk and ensure compliance;
- Appropriate budgetary control, including actual to budget comparisons;

- Cost determination-the reasonableness, allowability, and allocability of costs, including source documentation, invoices, purchase orders, vouchers, etc.;
- Effective utilization of ARRA funds while maintaining existing formula-funded service and expenditure levels;
- Documentation of ARRA program development activities; and
- Outcome measurement.

To assure adequate preparation as to these issues, the BMCS staff is preparing a supplemental ARAA GSA for each ARRA funding stream. The ARRA GSA will address matters specific to ARRA requirements and federal expectations and will be distributed to all county agencies. Where a county agency has not undergone a monitoring review involving preparation of a GSA, the revised monitoring process noted above will include both the general GSA and the ARRA GSAs. Where a county agency has previously undergone a review and has a completed GSA, a supplemental review will be performed to address the ARRA GSAs and related issues.

Training – Staffing and travel limitations challenge our ability to provide the needed training to county agencies. However, we have scheduled presentations at the OJFSDA Conference in June, including a presentation on internal control and A-133 audits. In addition, we are planning to have staff onsite throughout the conference to address questions and concerns on ARRA funding, A-133 audits, and other issues. A more intensive internal control training session is planned for presentation around the state after the June conference. Staff will also be made available upon request for presentations and training at any other conferences or meetings of the various county agency associations.

Guidance Materials

Various guidance materials in development will be issued shortly. This includes, for example, basic procurement plan templates for all combinations of county agencies and an advisory bulletin on legal limitations upon interfund transactions. While these materials do not specifically address ARRA issues, they address basic compliance issues relevant to all federal monies, including ARRA monies.

Conclusion

As previously indicated, county monitoring staff with the BMCS will be available to the extent possible to assist you in dealing with inquiries by AOS staff in the course of audit field work.

The monitoring framework will need to be risk-based and solution-focused and will evolve as we assess your needs. These steps are considered necessary in light of the ARRA's emphasis on transparency and accountability.

As indicated in County Monitoring Advisory Letter Number 2009-01, 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 department.