

American Recovery and Reinvestment Act (ARRA)

Transparency & Accountability

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NJ DOE
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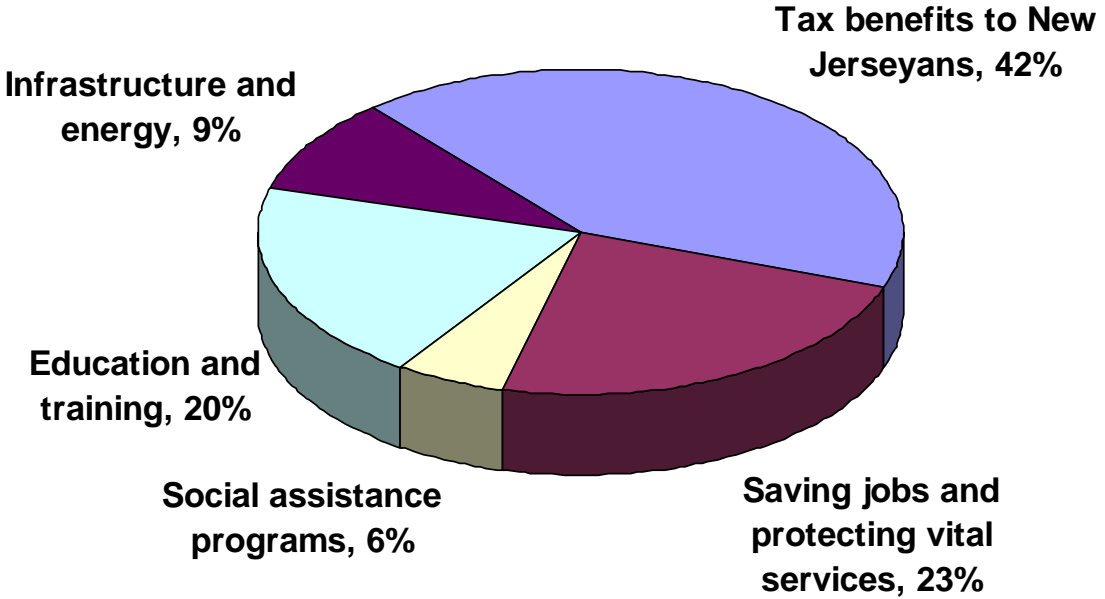
Summary of ARRA

- Authorizes expenditure of approximately \$787 Billion dollars in the form of:
 - tax cuts,
 - direct spending and
 - appropriations.

Purposes of ARRA

- Preserve/create jobs and promote economic recovery
- Assist those most impacted by the recession
- Increase economic efficiency by spurring technological advances in science and health
- Invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits
- Stabilize State and local government budgets in order to minimize and avoid reductions in essential services and state and local tax increases.

NJ Continued



Governor Corzine's New Jersey Recovery Accountability Task Force

- The New Jersey Recovery Accountability Task Force was created in March 2009 by Governor Corzine to review every step of the process and ensure that recovery funds are awarded based on clear and appropriate criteria and then distributed in a prompt, fair and reasonable manner.
- The Task Force is comprised of professionals with extensive backgrounds in government and government oversight. Its efforts are directed at creating a framework under which ARRA funds in New Jersey are spent transparently and effectively.
- The Task Force is Co-Chaired by the Governor's Chief of Staff Ed McBride and the State Comptroller Matt Boxer and includes:

NJ Medicaid Inspector General Mark Anderson

NJ Inspector General Mary Jane Cooper

NJ Chief Technology Officer Adel Ebeid

Former NJ State Auditor Richard Fair

NJ Director of Office of Management & Budget Charlene Holzbauer

Former NJ OMB Director Richard Keevey

Governor's Deputy Chief of Staff Diane Legreide

Former U.S. OMB Official David Sandahl

Task Force Mission Statement

- **Will not** be involved in selecting or recommending particular projects for funding as project selection is the responsibility of the government agency implementing the particular program.
- **Will** provide guidance and review concerning agency use of merit-based project selection criteria to ensure clarity and compliance with applicable standards;
- **Will** provide transparency and accountability in the use of American Recovery and Reinvestment Act (ARRA) resources in our State through its website(recovery.nj.gov);
- **Will** monitor the distribution of ARRA funds in New Jersey and promote the effective and efficient use of those funds.

Task Force Mission Statement

More specifically, the Task Force will work in partnership with federal and state agencies to:

- Ensure public access to information concerning use of ARRA funds, including programmatic, financial, project, and vendor-related information, as well as criteria for project selection;
- Provide guidance to agencies receiving ARRA funds on merit-based project selection, internal controls, accounting practices, and best practices in contract management and grant administration;
- Review project-selection criteria and processes used by New Jersey government agencies receiving ARRA funds to ensure clarity and compliance with applicable standards;
- Perform a coordination role concerning ARRA-related efforts being carried out by state and local government agencies as well as relevant oversight bodies;
- Provide a means to receive and address concerns from New Jersey residents about uses of Recovery Act funds; and
- Ensure ongoing assessments of results, through agency self-analysis or reviews by State oversight entities.

ARRA Principles

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, including commencing expenditures and activities as **quickly as possible** consistent with **prudent management**.
- These sometimes conflicting requirements make it critical to establish and operate an effective system of internal controls.

What is Internal Control?

Definition:

Internal control is a process, effected by an entity's management and other personnel, designed to provide reasonable assurance that the entity's objectives are being met without wasting resources.

Internal Controls: The Fundamentals

- Tone from the Top
- Written Policies and Procedures
- Document Retention and Segregation
- Safeguarding Assets
- Segregation of Duties
- Training
- Utilizing available resources, such as the Task Force
- Understanding the increased oversight and monitoring and new rules and regulations
- Monitoring to ensure that controls are working and are effective

Task Force Actions

- Goal:** To ensure ARRA funds are spent properly and effectively
- Our goal is your goal, protect the funds while meeting the goals and objectives of ARRA
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- First meeting held March 13, 2009

 - Task Force issued initial guidance memorandums:
 - April 21, 2009 Memorandum to State Department and Agencies

 - August 10, 2009 Memorandum to NJ Local Governmental Units

Task Force Internal Control Initiative

- In an effort to promote transparency and accountability with respect to the expenditure of ARRA funds in New Jersey, Governor Corzine's Recovery Accountability Task Force has committed to a state wide internal control training effort.
- Based upon the Task Force's understanding of the competing requirements of speed and accountability, held its first Internal Control Training in mid-May and will continue to provide training and make resources available for New Jersey recipients of ARRA funds throughout the Task Force's existence.
- The initial steps taken by the Task Force include meeting with the Commissioner and/or the top level managers at State Departments & Agencies receiving ARRA funds to reinforce the importance of the appropriate tone at the top, to work with the agencies to identify potential areas of risk of waste and abuse and to later collaborate with agency staff to create a curriculum and deliver training to identified individuals charged with expending ARRA funds.

Task Force Training Efforts

- Numerous training sessions (more than 35 to date) have been held or will be provided to State agencies receiving ARRA funds including:
 - DCA, DOT, DOE, DHS, DEP, DCF, BPU, L&PS, DLWD, AG, NJT, and DHSS.
 - Collaborated with State agencies to provide specific internal controls training to ARRA fund recipients including:
 - DCA – Weatherization Program
 - DOL – One Stop Agency - Summer Youth Job Training
 - DOT – MPO transportation projects and Transportation Enhancement Programs
 - DOE
- Collaborated with AGA to provide training to state audit and compliance personnel
- Training will be provided to local municipal, county, and other governmental organizations
- Continued training efforts will be provided to ARRA fund recipients as identified needs arise
- Training Library of recorded training events will be available on the NJ OIG website in the near future.

Training Support and Recognition

- GAO has positively commented on New Jersey's internal control training efforts in the two reports issued to date
- Federal agency support and assistance:
 - DOJ
 - DOT IG
 - EPA IG
 - DOE IG

Federal Agencies Emphasis on Internal Controls

- OMB Circular A- 133 : Single Audit Act
 - All units of local government that expend \$500,000 or more in Federal funds during the fiscal year are required to have a Single Audit
 - Additional Federal funds could cause need for Single Audit
 - Single Audit is organization-wide and includes the entity's financial statements as well as Federal awards

Federal Agencies Emphasis on Internal Controls

- OMB Circular A-133 Compliance Supplement Addendum #1:
 - indicates that the requirement for commencing expenditures and activities as quickly as possible consistent with prudent management makes the establishment and operation of effective internal controls critical. (June 30, 2009)
- GAO's July 2009 Report made recommendations concerning the Single Audit

GAO Recommendations

To leverage the importance of the Single Audit, GAO recommended that the Director of OMB should, among other things:

- develop requirements for reporting on **internal controls** during 2009, before significant ARRA expenditures occur, as well as ongoing reporting

- provide more direct focus on ARRA programs through Single Audit to help ensure that smaller programs with high risk have audit coverage in the area of **internal controls** and compliance .(GAO Report to Congress *Recovery Act States' and Localities Current and Planned Uses of Funds While Facing Financial Stresses* July 2009)

Compliance and Internal Control Considerations

- ARRA title 1 funds to supplement, not supplant
- Only allowable costs can be charged to grants
 - Requires staff to know applicable laws, regulations, agreements, and contracts
- Funds must be separately accounted for from receipt to obligation to expenditure
- Accurate and timely reporting of funds
- Effective cash management is essential

ARRA - Accountability

Fund Recipients:

- are responsible to ensure that ARRA funds are used prudently and in accordance with the law.
- must maintain records that will permit appropriate oversight: monitor, evaluate, and audit ARRA funds effectively.

ARRA Accountability and Transparency

Federal government has enacted several measures to ensure that ARRA funds are spent effectively and for the purpose intended through:

- Federal web site (recovery.gov) to ensure transparency for the entire program and to promote information sharing;
- The creation of an Accountability and Transparency Board, chaired by the Chief Performance Officer, comprised of Inspectors General from various federal agencies, and charged with oversight and enforcement of many of the accountability provisions in ARRA; and
- Adequate funding to support the expanded responsibilities of the Inspectors General and to hire an Executive Director and staff to support the work of the Board.

ARRA Fund Recipients Transparency

- Essential Record Keeping Requirements:
 - Current, Accurate, Complete (up to date)
 - Adequate supporting documentation
 - Organized
- Quarterly Reporting of program goals and financial performance

Unprecedented Oversight

- New Jersey is 1 of 16 states subject to GAO review
- New Jersey is 1 of 10 states under EPA IG review
- Federal IG's receive \$120M for additional oversight activities related to ARRA
 - Increase staff means more audits

State & Federal Oversight and Monitoring

- You can count on enhanced oversight, monitoring and scrutiny from the following:
 - State Department of Education
 - State Department of Agriculture (food service equipment grant)
 - NJ Attorney General – Division of Criminal Justice
 - State Auditor
 - State Comptroller
 - State Office of the Inspector General
 - State Commission of Investigation
 - State Ethics Commission
 - Federal OMB – Circular A-133: Single Audit
 - GAO
 - Federal Agencies
 - Federal Inspectors General
 - Public (Recovery.gov & NJRecovery.gov Websites)
 - Media
 - Local Independent Public Accountants

What does the enhanced monitoring and oversight mean?

- Each oversight agency has its recourses for lapses in compliance with the requirements under their cognizance
 - Reported audit findings (negative public perception)
 - Continued monitoring and oversight
 - Fines, penalties, return of funds
 - Criminal investigations

Being Prepared for the Audit

- You will be audited
- Be ready:
 - Maintain robust, effective internal controls
 - Understand funding requirements
 - Know applicable rules and regulations
 - Ensure timely, accurate reporting
 - Provide ongoing training
 - Continually monitor internal controls

If they find a problem – they will be back

GAO Reviews

- GAO will be auditing New Jersey for at least the next two years.
- GAO will be reviewing, among other things,:
 - New Jersey's use of and planning for ARRA funds, and
 - New Jersey's efforts to ensure accountability for ARRA funds.

GAO Review

- Bi-monthly reports
 - Two reports issued to date
 - Next report expected about September 23
 - NJ Appendix (and every other of the 16 states and DC)

Scope of reports:

Project based, use of funds, state, local and municipal level

Website: www.gao.gov

Federal Rules and Regulations

- Federal OMB guidance (www.omb.gov)
 - Ongoing, continual need to monitor new guidance
- For some these are new and unfamiliar
 - Davis Bacon, Buy American
 - Federal Suspended and Debarred Contractor List
- ARRA Enhanced Reporting:
 - Extensive and numerous reporting elements
 - Direct recipients responsible for sub-recipients
 - Quarterly reports due 10 th day after close of quarter
 - First reports due October 10
 - Need for data integrity and accuracy

New Federal Rules

- New wider reaching federal whistleblower protection
- Government and Contractor Whistleblower protection afforded to State and Local employees for disclosing waste or fraud relating to stimulus funds
 - Any employer receiving covered funds shall post notice of whistleblower rights and remedies provided for under ARRA.
 - The following is a poster outlining ARRA whistleblower rights that can be downloaded from the Recovery.gov website:

Know Your Rights Under the Recovery Act!

Did you know?

The American Recovery and Reinvestment Act of 2009 ¹ provides protections for certain employees of non-federal employers who make specified disclosures relating to possible fraud, waste and/or abuse of Recovery Act funds.

Who is protected?

Employees of non-federal employers receiving recovery funds. This includes State and local governments, contractors, subcontractors, grantees or professional membership organizations acting in the interest of recovery fund recipients.

How are Whistleblowers Protected?

You cannot be discharged, demoted or otherwise discriminated against as a reprisal for making a protected disclosure.

What types of disclosures are protected?

The disclosure must be made by the employee to the Recovery Accountability and Transparency Board, an Inspector General, the Comptroller General, a member of Congress, a state or federal regulatory or law enforcement agency, a person with supervisory authority over the employee, a court or grand jury, or the head of a federal agency or his/her representatives.

The disclosure must involve information that the employee believes is evidence of:

- gross mismanagement of an agency contract or grant relating to recovery funds;
- a gross waste of recovery funds;
- a substantial and specific danger to public health or safety related to the implementation or use of recovery funds;
- an abuse of authority related to the implementation or use of recovery funds; or
- a violation of law, rule, or regulation related to an agency contract or grant awarded or issued relating to recovery funds.

Take Action!

Log on to [Recovery.gov](http://www.recovery.gov) for more information about your rights and details on how to report at www.recovery.gov.

¹ Section 1553 of Division A, Title XV of the American Recovery and Reinvestment Act of 2009, P.L. 111-5

Reporting Fraud, Waste, and Abuse

- Everyone is responsible
- It's never too late
- Federal and State reporting mechanisms
 - Recovery.gov
 - Federal department and IG websites
 - Recovery.nj.gov
 - State.nj.us/oig
 - State.nj.us/comptroller

Training

- Take advantage of training opportunities and request guidance and assistance from the NJ Task Force and OIG
 - We are here to help
 - Federal DOE Web based training (ed.gov)
 - NJ DOE training opportunities (state.nj.us/education)
 - NJ OIG (state.nj.gov/oig)

Q & A

- There are no dumb questions – ASK!
- A copy of the presentation is available electronically – please contact us through www.state.nj.gov/oig or call OIG at 609-292-8183.
- Copies of Task Force initial guidance memorandums are available upon request.