

**WAP Recovery Funding:
An Increased Level of
Oversight and
Accountability**



American Recovery & Reinvestment Act (ARRA)

Making It Work in New Jersey

Richard Fair
NJ Recovery Accountability Task Force

Summary of the ARRA

- \$787 billion package
 - Tax cuts: At least 30%
 - Direct spending (UI, Medicaid, etc):
About 33%
 - Appropriations (education, housing,
etc): 39%

Purposes of ARRA

- Preserve/create jobs & 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.

Benefits for New Jersey

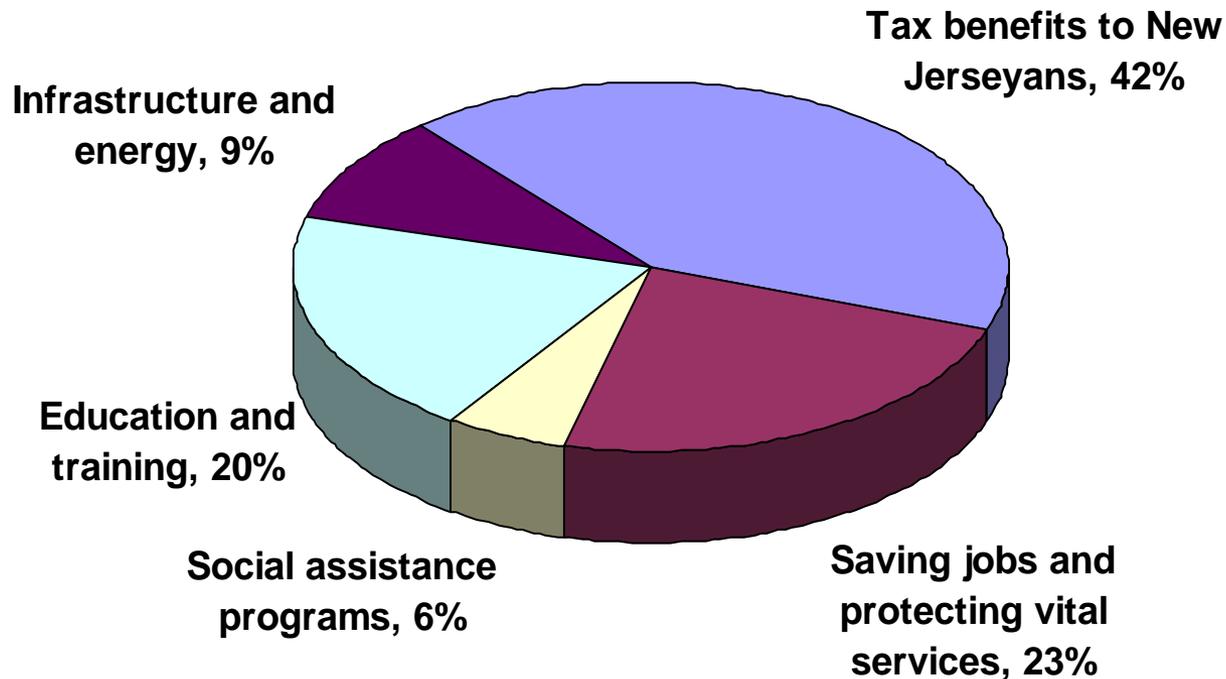
- Some estimates show benefits to NJ totaling about \$17.5 billion over three years (Source: Center for American Progress)
 - Over \$10 billion of that is in new funding opportunities for state and local government entities and private sector institutions
 - Remaining roughly \$7.3 billion is in tax benefits

Benefits for NJ (continued)

- ARRA will create or save about 100,000 jobs in NJ over next two years (Source: White House)
- Every dollar of federal relief used to avert state budget cuts increases economic activity by \$1.38. (Moody'sEconomy.com)

Benefits for New Jersey

Of the approx \$17.5B in benefits for NJ, they are allocated in the following way:



NJ Recovery Accountability Task Force

- Co-Chaired by the Governor's Chief of Staff Ed McBride and the State Comptroller Matt Boxer
- Purpose: The mission of the New Jersey Recovery Accountability Task Force is to provide for *transparency* and *accountability* in the use of American Recovery and Reinvestment Act (ARRA) resources in our State.

Transparency

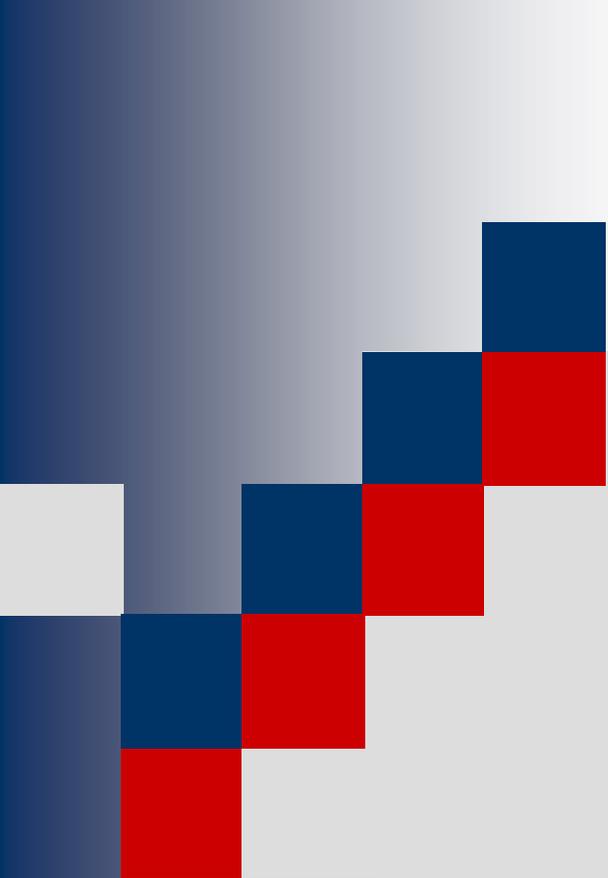
- Ensure public access to information concerning use of ARRA funds, including programmatic, financial, project, and vendor-related information, as well as criteria for project selection
- Review project-selection criteria and processes used by New Jersey government agencies receiving ARRA funds to ensure clarity and compliance with applicable standards

Transparency

- Provide a means to receive and address concerns from New Jersey residents about uses of Recovery Act funds
- Ensure ongoing assessments of results, through agency self-analysis or reviews by State oversight entities.
- www.recovery.nj.gov

Accountability

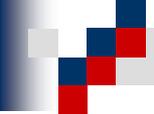
- Governor must make several certifications regarding the use of funds for their intended purposes.
 - Must ensure the efficient and effective use of funds, ensure the funds are used for job creation, etc.
- Unprecedented Oversight
 - GAO
 - IG's
 - State Comptroller
 - State Auditor



ARRA & Audits

Helpful Audit Information for
ARRA WAP Funding Recipients

Brian Phillips
Director, DCA Office of Auditing



Grantee Audit Requirements

- **Federal Circular A-133**

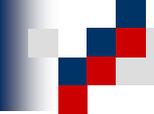
<http://www.whitehouse.gov/omb/circulars/a133/a133.html>

- **Compliance Supplement**

http://www.whitehouse.gov/omb/assets/a133_compliance/doe.pdf

- **State Circular 04-04-OMB**

<http://www.state.nj.us/infobank/circular/cir0404b.htm>

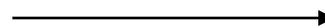


Grantee Audit Requirements

Federal Grants Expended \geq \$500,000

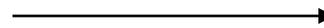
OR

State Grants/Aid Expended \geq \$500,000



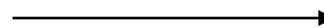
A-133 Single Audit Required

Expend $<$ \$500,000 in Federal **OR** State
Financial Assistance within your FY but
expend \$100,000 or more in Federal
AND/OR State Financial Assistance
within your FY

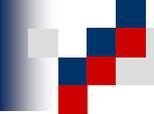


GAO “Yellow Book” Financial
Statement Audit required

Expend $<$ \$100,000 in Federal and State
financial assistance within your FY



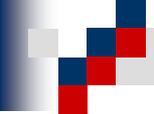
No audit required to be
submitted to Cognizant
agency. Grant funds
monitored in some other
fashion by Program
representatives



OMB A-133 Single Audit

Auditee responsibilities

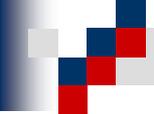
- (a) Identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity.
- (b) Maintain internal control over Federal programs that provides reasonable assurance that the auditee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs.
- (c) Comply with laws, regulations, and the provisions of contracts or grant agreements related to each of its Federal programs.



OMB A-133 Single Audit

Auditee responsibilities – cont.

- (d) Prepare appropriate financial statements, including the schedule of expenditures of Federal awards.
- (e) Ensure that the required audits are properly performed and submitted when due. When extensions to the report submission due date are granted by the cognizant or oversight agency for audit, promptly notify the Federal clearinghouse designated by OMB and each pass-through entity providing Federal awards of the extension.
- (f) Follow up and take corrective action on audit findings, including preparation of a summary schedule of prior audit findings and a corrective action plan.



OMB A-133 Single Audit

Required elements – (GAO Yellow Book Audit)

- Independent Auditors Report

(Auditor's Opinion on the Financial Statements)

- Financial Statements

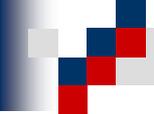
Statement of Financial Position (Balance Sheet)

Statement of Activities (Income Statement)

Statement of Cash Flows

- Notes to the Financial Statements

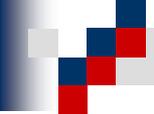
(These 3 bullet items are required in both an A-133 and GAO Yellow Book Audit)



OMB A-133 Single Audit

Additional Elements Required in A-133 Audit

- Auditor's Report on Internal Control over Financial Reporting
- Auditor's Report on Compliance with Requirements Applicable to each Major Program
- Schedule of Expenditures of Federal Financial Assistance
- Schedule of Expenditures of State Financial Assistance
- Schedule of Findings and Questioned Costs

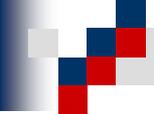


Schedule of Expenditures of Federal & State Assistance

Very Important: ARRA funding must be listed separately.

Schedules must include the following for each award listed:

- Federal/State Grantor Department
- Program Title
- CFDA Number (Federal Programs)
- Grant Award Number and/or State Account Number
- Program Award Amount (Total grant award amount)
- Program Grant (Contract) Period
- Fiscal Year Expenditures (Incurred during your FY)
- Total Expenditures to Date under the award

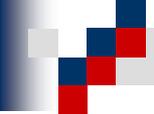


Financial Assistance Schedule - NJCFS

GN06 Report: NJCFS (State Accounting System)

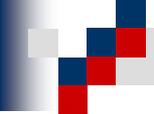
A report available to each grantee through the DCA Office of Auditing that is valuable to your auditor when preparing Schedules of State & Federal Expenditures

- Lists grants funds **disbursed** to agency during their fiscal year from the State of NJ (includes funds passed through from Federal gov't by NJDCA.)
- Sorted by State Department and Program
- Should begin listing ARRA funding and “regular” program funding separately as we go forward.



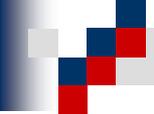
Role of DCA Office of Auditing

- Grant Expenditure Confirmation Process
- Ensure timely submission of grantee audit reports
 - (Audit reports are due to funding agencies 9 months after fiscal year end from non-profits)
- Audit Report Review process
- Financial health & soundness of agency
- Findings, Deficiencies, Going Concern Statements, Payment of Taxes, etc.
- Corrective Action Plans



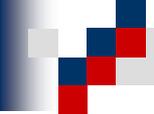
OMB Circular A-133 Compliance Supplement (Specific Compliance Areas Listed for DOE-WAP)

- Activities Allowed or Unallowed
- Allowable Costs / Cost Principles
- Eligibility
- Matching, Level of Effort, Earmarking
- Reporting



OMB Circular A-133 Compliance Supplement (General Compliance Areas Applicable for DOE-WAP)

- Cash Management
- Equipment and Real Property Mgmt.
- Procurement and Suspension & Debarment
- Program Income
- Subrecipient Monitoring

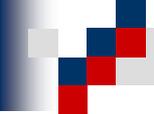


OMB Circular A-133 Compliance Supplement

(Due to timing of ARRA funding and issuance of the 2009 Supplement, compliance requirements unique to ARRA funding are not included in the supplement at present.)

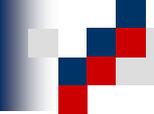
Going Forward Auditors should:

1. Review award contracts/documents, including terms & conditions
2. Check OMB Federal Circulars website for any addenda to the G/C Supplements
3. Use the framework in Parts 3, 4, 5 and 7 of the compliance supplement to identify material requirements and determine audit procedures.



Importance of Supporting Documentation & Written Policies and Procedures

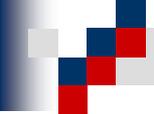
- **Eligibility** — This area is always examined by auditors and you must ensure that documentation is available to prove that recipients of benefits were entitled. (Intake process and client files.)
- **Reporting** — These requirements will be spelled out in your grant agreement and compliance with stated deadlines is very important under ARRA and for NJDCA to fulfill our reporting requirements to the federal government. (financial & performance)
- **Activities Allowed or Unallowed** — This part specifically spells out what the award funds can and cannot be used for. (expenditures for materials, labor, vehicles, insurance, audit, etc.)



Importance of Supporting Documentation & Written Policies and Procedures

- **Allowable Costs/Cost Principles** – under the WAP Program, expenditures cannot exceed an average dollar amount per dwelling unit weatherized within the State. (Cost per unit.)
- **Earmarking** – under the WAP program auditors will examine if the amount of funds used for administrative expenses was within the percentage allowed by the program. (i.e....10% of total award)

Auditors always want to see that written policies and procedures are in place for these specific compliance areas. Ensuring that supporting documentation is properly maintained and available is also critical when being audited.



DCA Office of Auditing

Contact Information:

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Beth Mann, Auditor 3

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(609) 943-5431

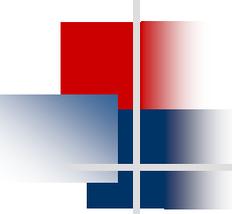
Weatherization Monitoring

Program Policy and Procedures

Verification Process

Clarice Sabree

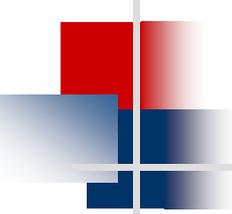
DCA Weatherization Program Monitor



Programmatic Monitoring

Major Areas of Concern

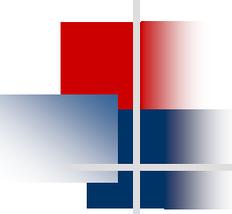
1. Eligible Households
2. Allowable Expenditures
3. Effective Weatherization
4. Expenditure to Savings Ratio
5. Required Support Documentation



Agency Performance Rating

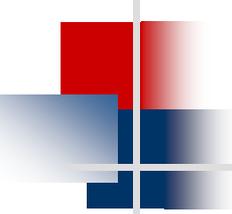
Rating System evaluates key areas for satisfactory performance in Weatherization

- 1. Adequate Staff
- 2. Adequate Expenditures
- 3. Adequate production
- 4. Quality of Work
- 5 Timely reporting



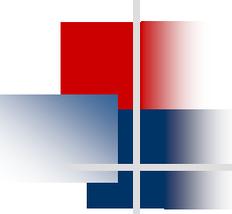
Allocation and Performance

- Performance Rating Is 50% of the Allocation Formula
- Percentage of Poverty within the Service Area is 50% of the Allocation Formula
- Marginal Performance reduces the grant allocation
- High Performance reduces the number of monitoring and inspection visits



Annual Monitoring Review

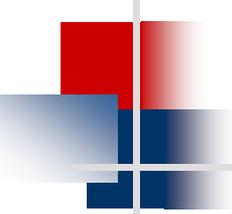
- Each Weatherization Agency has an Annual Monitoring Review conducted by the assigned program monitor.
- The review is comprehensive in nature and is based on the monitoring instrument developed by DOE.
- The review looks at Weatherization and procedures that are related to overall agency operations



Annual Review Con't

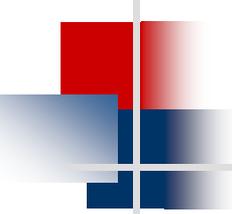
The annual review includes:

- An exit conference
- A summary letter listing exemplary issues and findings
- A follow-up letter is sent when findings are not addressed within the prescribed timeline



Monitoring Inspection Process

- Inspection of file documentation
- Inspection of a random sampling of completed jobs
- Review of bid packages
- Inspection of work in progress
- Review of report data



Other Monitoring Duties

- Provide training and technical assistance
- Problem solving and trouble shooting
- Assist with complaint resolution
- Act a liaison
- Advise the State Program Manager
- Provide information
- Draft reports

PREPARING FOR A FEDERAL AUDIT FROM AN AGENCY'S PERSPECTIVE

Dr. Silas M. Townsend,
Executive Director
Burlington County
Community Action Program

AUDIT READINESS

- Begins with having strong systems, policies and procedures in place to ensure the Agency operates within the rules of the Federal assistance provided
- Enhance existing internal controls
- Review and update your policies and procedures
- Be prepared for additional costs and effort associated with potential redesign and implementation of enhanced internal controls (example: enhanced inventory controls for crew operation)

Creating an environment that is hostile to fraud

- Define acceptable and unacceptable activities
- Careful monitoring
- Fully investigate suspected fraud

Ensure staff knowledge of Federal requirements

- All staff should know the laws, regulations and the provisions of the contracts under which the program operates
- Quiz staff to be certain they fully understand the rules and your standard operating procedures
- Quickly Communicate any changes your Agency has made to its standard operating procedures (In many cases the best preparation is proactive communication)

Self – Assessment

- Program Staff - Pull files and pre-audit before the Auditors arrive
- Take corrective action
- If your Agency has an internal audit group have them conduct an internal audit
- If not have another program audit your files
- Take corrective action
- Agency to Agency Peer Review is also helpful

Adequate Documentation

- Check financial and program records to ensure there is support for ALL costs and compliance with ALL of the provisions and regulations

Emphasize Quality Control

- Weekly measure performance in compliance with Federal and State guidelines and regulations
- Identify deficiencies
- Take prompt corrective action
- Increase Quality Control reviews of problem areas identified

Review and abate past findings

- Assure that corrective actions from Agency audits are still in place
- Review past monitoring reports to assure that all past problems are resolved

During the Audit

- Determine the scope of the audit
- Prepare for the entrance conference
- Ask the auditors to define the audit objectives
- Cooperate
- Gather any requested documentation
- Stay calm, demonstrate a genuine intent to do the right thing and have the right systems, procedures and people in place

Exit Conference

- Prepare for the Exit Conference
- Request the auditors preliminary findings
- Offer polite rebuttals
- Do not let the auditors leave with any misunderstandings

Presentation will be available on the
Department of Community Affairs, Division
of Housing and Community Resources,
Weatherization Assistance Program website
[http://www.nj.gov/dca/divisions/dhcr/offices/
wap.html](http://www.nj.gov/dca/divisions/dhcr/offices/wap.html)