

AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

Transparency & Accountability

NJ Medicaid Inspector General Mark Anderson
September 17, 2009

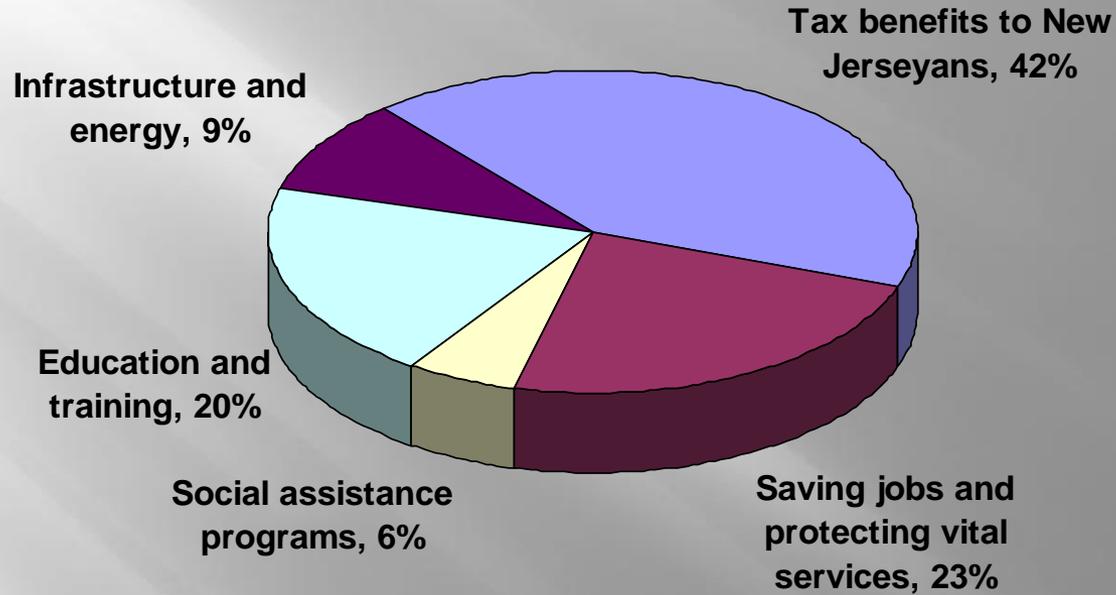
Summary of ARRA

- Authorizes expenditure of approximately \$787 billion dollars in the form of:
 - tax cuts
 - direct spending
 - 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.

New Jersey



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.

Governor Corzine's New Jersey Recovery Accountability Task Force

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 OMB 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

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. Created by Governor Corzine, the Task Force will monitor the distribution of ARRA funds in New Jersey and promote the effective and efficient use of those funds.

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 Actions

Goal: Our goal is your goal, to protect the funds while meeting the goals and objectives of ARRA

- ▶ Bi-weekly public meetings
- ▶ Issuance of guidance memorandums
- ▶ Training sessions to all State departments and agencies.

ARRA Principles

- ▣ 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

Area Agencies on Aging must develop and implement a system of internal controls that will safeguard the assets purchased with Older Americans Act, State and County funds, check the accuracy and reliability of account data, promote operational efficiency, and encourage adherence to prescribed managerial policies.*

**Office of AAA Administration Policies and Procedures for the Administration of Area Plan Contract Programs and Services-Section O - Internal Controls.*

Internal Controls: The Fundamentals

Never hurts to hear some of the fundamentals again

- ▣ Tone from the Top
- ▣ Written Policies and Procedures
- ▣ Document Retention and Segregation
- ▣ Safeguarding Assets
- ▣ Segregation of Duties
- ▣ Training (Utilize available resources, such as the Task Force)
- ▣ Monitoring to ensure that controls are working and are effective

Federal Agencies' Emphasis on Internal Controls

- ▶ OMB Circular A- 133: Single Audit Act
 - \$500,000 or more
 - Single Audit includes financial statements as well as Federal awards
- ▶ OMB Circular A-133 Compliance Supplement Addendum #1:
 - The requirement for commencing expenditures and activities as quickly as possible makes **the establishment and operation of effective internal controls critical**. (June 30, 2009)

Federal Agencies' Emphasis on Internal Controls

- ▶ GAO's July 2009 Report* made recommendations concerning the Single Audit
 - 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

Accountability & Transparency

- ▶ The focus on internal controls directly correlates to ARRA's unprecedented accountability and transparency requirements.
- ▶ Increased accountability and transparency translates into increased oversight and new rules and regulations.
- ▶ Your existing internal control systems must prepare you for scrutiny and ensure compliance with all rules and regulations.

Federal Rules and Regulations

- ▣ Federal OMB guidance (www.omb.gov)

- ▣ ARRA Enhanced Reporting:
 - Extensive and numerous reporting elements
 - Direct recipients responsible for sub-recipients
 - Quarterly reports due 10th day after close of quarter
 - First reports due October 10, 2009
 - 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 must post notice of whistleblower rights and remedies provided for under ARRA.

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
- ▣ Accountability and Transparency Board

ARRA Fund Recipients Accountability

Fund Recipients:

- ▶ are responsible for ensuring 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 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

Recommendations

- ▶ Continue dialogue with the Department.
- ▶ Follow the guidance of the Department. (i.e. Information & Policy Memorandums)
- ▶ If you have questions or concerns –

Don't Wait

Ask Someone, Anyone!

Unprecedented Oversight

- ▣ New Jersey is 1 of 16 states subject to GAO review
- ▣ Federal IGs receive \$120M for additional oversight activities related to ARRA
 - Increased staff means more audits

State & Federal Oversight and Monitoring

- ▣ You can count on enhanced oversight, monitoring and scrutiny from the following:
 - **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 Agencies :GAO, OMB, 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

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

 - 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
- Website: www.gao.gov

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
 - Have your ARRA documents segregated and ready.

If they find a problem - they will be back

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
- ▣ 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.