



# Rebuilding the Economy: A perspective on The American Recovery and Reinvestment Act

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# Agenda

- ◆ Overview
- ◆ Jobs Reporting
- ◆ Section 1512 Quality Assurance
- ◆ Fraud Prevention & Detection
- ◆ Q & A

# Overview

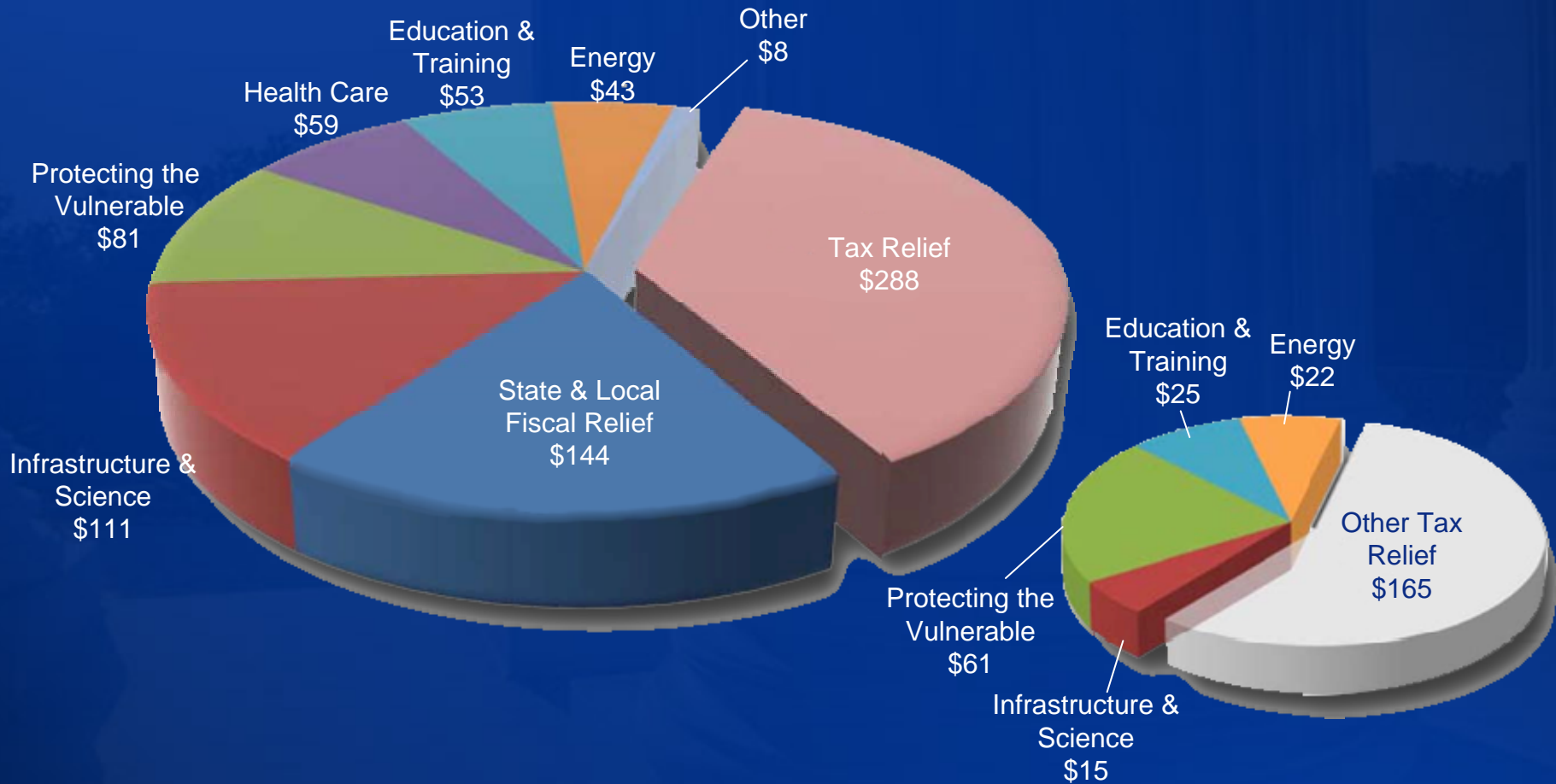
- ◆ **Signed into law by President Obama February 17, 2009: \$787 Billion\* in spending and tax relief over the next several years. Objectives include:**
  - Create/save 3.5 million jobs and promote economic recovery
  - Assist those most impacted by the recession
  - Increase economic efficiency through investment in technological advances in science and health, energy efficiency upgrades and tax incentives
  - Provide long-term economic benefits through investment in transportation, environmental protection and other infrastructure
  - Stabilize state and local budgets, minimize and avoid reductions in essential services and counterproductive state and local tax increases
  - Provide significant investment in improvements in education assistance

\* The bill is expected to cost \$862 Billion as per the latest CBO projections

•Source: recovery.gov; CQ House Action Reports – Fact Sheet No. 111-1



# Flow of Funds



Source: recovery.gov



# Stimulus Funding Level by State\*

Although the level of stimulus funding ranges from less than \$1 billion to over \$20 billion, all of the states face the same array of transparency, accountability, reporting and compliance requirements. In other words, states will face the same complexities, regardless of the dollars received and distributed.

Dollar Award Level	States
\$20 Billion +: 3 states	California, New York, Texas
\$10 – 20 Billion: 6 states	Florida, Illinois, Michigan, New Jersey, Ohio, Pennsylvania,
\$5 – 10 Billion: 12 states	Arizona, Georgia, Indiana, Maryland, Massachusetts, Minnesota, Missouri, North Carolina, Tennessee, Virginia, Washington, Wisconsin
\$1 – 5 Billion: 24 states	Alabama, Arkansas, Colorado, Connecticut, District of Columbia, Hawaii, Idaho, Iowa, Kansas, Kentucky, Louisiana, Maine, Mississippi, Montana, Nebraska, Nevada, New Hampshire, New Mexico, Oklahoma, Oregon, Rhode Island, South Carolina, Utah, West Virginia
Under \$1 Billion: 6 states	Alaska, Delaware, North Dakota, South Dakota, Vermont, Wyoming

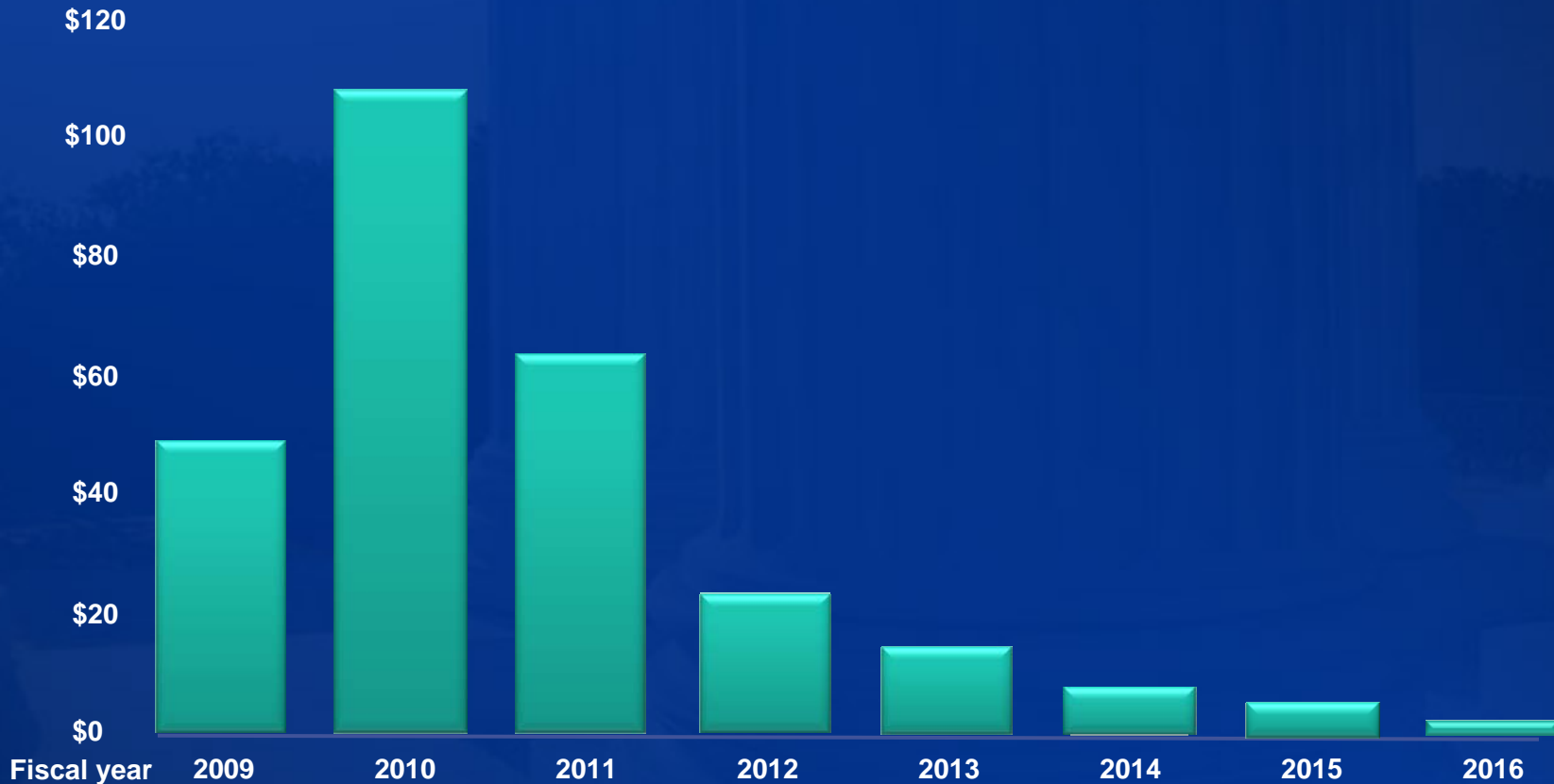
\* Including District of Columbia

Source: [recovery.gov](http://recovery.gov)



# Projected Timing of Recovery Act Funds Made Available by Fiscal Year

Dollars in billions

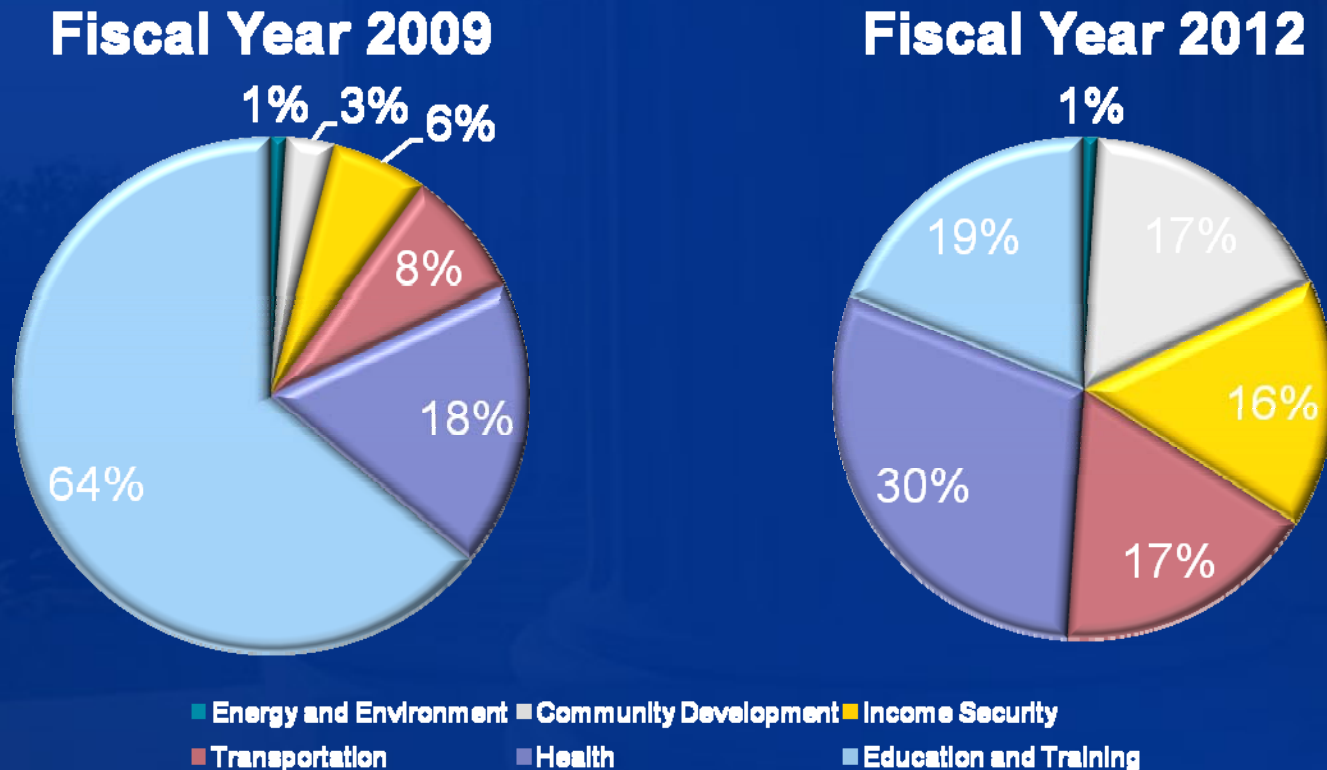


The projected timing of state and local-administered spending shows the time lag between when policy changes are first proposed and actual spending begins to flow from the enacted changes.

Source: GAO analysis of CBO and FFIS data.



# Composition of Recovery Act Funding, FY 2009 vs. FY 2012



Over time, programmatic focus of the spending will change. In 2009, about 2/3 of the funds will be health-related; health, education and transportation will account for about 90% of the first year's spending. By 2012, transportation will be largest segment of spending and, with community development, energy and environmental programs, will account for about 2/3 of total spending.



Source: GAO analysis of CBO and FFIS data.



# ***Jobs Reporting***

# Jobs: Background and Definitions

- ◆ **Recipients must report estimates of jobs directly created or retained by Recovery funded projects and activities on a quarterly basis**
  - Recipients report on projects wholly and partly funded by Recovery Act
- ◆ **Aggregate job estimates are reported in numeric and narrative form**
  - Narrative includes types of jobs created or retained
  - Descriptions can rely on job titles, broad labor categories or recipient's existing practice for describing jobs as long as terms are widely understood
  - Numeric estimate of FTEs

# Job Reporting – Created vs. Retained

- ◆ **Job Created – Defined as new position created and filled or existing unfilled position that has been filled as direct result of Recovery funding**
- ◆ **Job Retained – Defined as an existing position that would not have been continued to be filled without Recovery funding**
- ◆ **Recipients must distinguish between created and retained.**
  - Job cannot be counted as both created and retained
  - Jobs retained and created are reported in aggregate

# Job Reporting – Calculation

- ◆ OMB guidance requires estimates to be reported as ‘full-time equivalents’ (FTE)
  - FTE is calculated as total hours worked in jobs created or retained divided by the number of hours in a full time schedule.
  - Converts part-time or temporary jobs into FTEs
  - Charges to sponsored projects are applicable, i.e. individual charging 50% effort to ARRA funded project counts as .5 FTE
  - Updated guidance on Jobs Calculation was issued by Federal OMB on December 18, 2009

# Job Reporting – Excluded Information

- ◆ **Recipients should not report indirect or induced jobs, or employees not directly charged to Recovery Act supported projects/activities**
  - Clerical Admin Staff
  - Institutional review board staff members
  - Departmental administrators
  - Brick layers if ARRA only paid for the bricks
- ◆ **Only direct jobs paid by stimulus funding are to be reported due to possible insufficient insight or inconsistent methodologies to report indirect or induced jobs**

# Job Reporting - Data Collection

- ◆ **Prime Recipient will collect job estimates from subrecipients and vendors**
  - Prime recipient requirements should be communicated to subrecipients and vendors
  - Guidance should be developed to establish a methodology
  - Templates should be created to establish process and data collection for estimating FTEs, i.e. Amount funded, funding allocated to jobs, jobs directly created or retained

# Jobs Reporting – Quality Assurance

- ◆ Subrecipients or vendors can perform head count before and after funding
- ◆ Payroll data can also be compared based on allocated funding and receipt of funds
- ◆ Supporting documentation should be provided to detail process to determine FTEs



# ***Section 1512 Quality Assurance***

# Quality Assurance

**“Data quality is an important responsibility of key stakeholders identified in the Recovery Act. Prime recipients, as owners of the data submitted, have the principal responsibility for the quality of the information submitted.”**

***Source: Implementing Guidance for Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009, OMB, June 22, 2009***

# Quality Assurance Prime Recipients Responsibilities

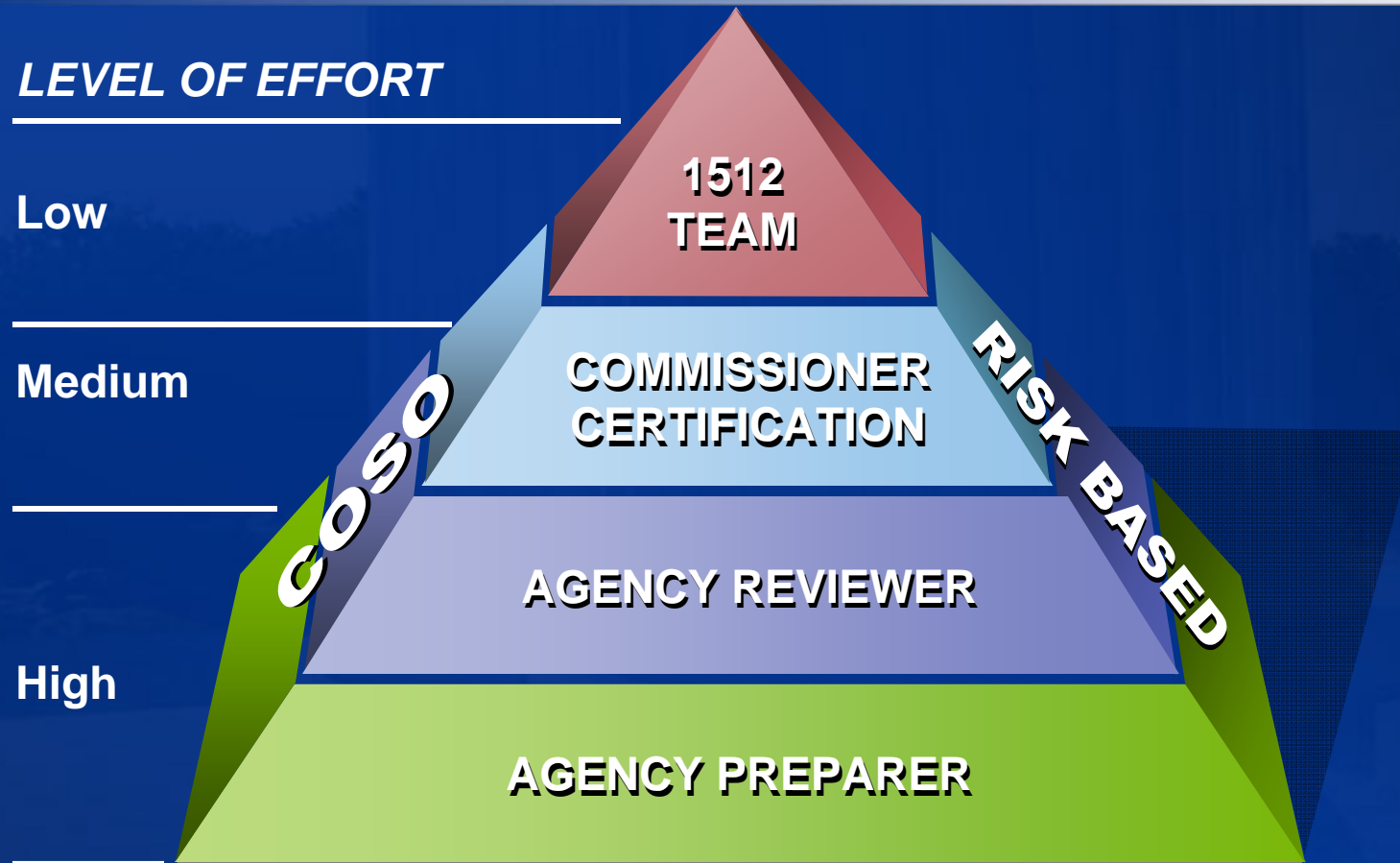
- ◆ Prime recipients are responsible for ensuring data quality and accuracy through a number of tasks including:
  - Ownership of recipient data and sub-recipient data
  - Initiation of appropriate data collection and reporting procedures
  - Implements action of internal control measures to help ensure accurate and complete information
  - Performance of data quality reviews for material omissions and/or significant reporting errors, making appropriate and timely corrections to prime recipient data and working with the designated sub-recipient to address any data quality issues.

# Quality Assurance Plan

## Important Concepts and Reasons

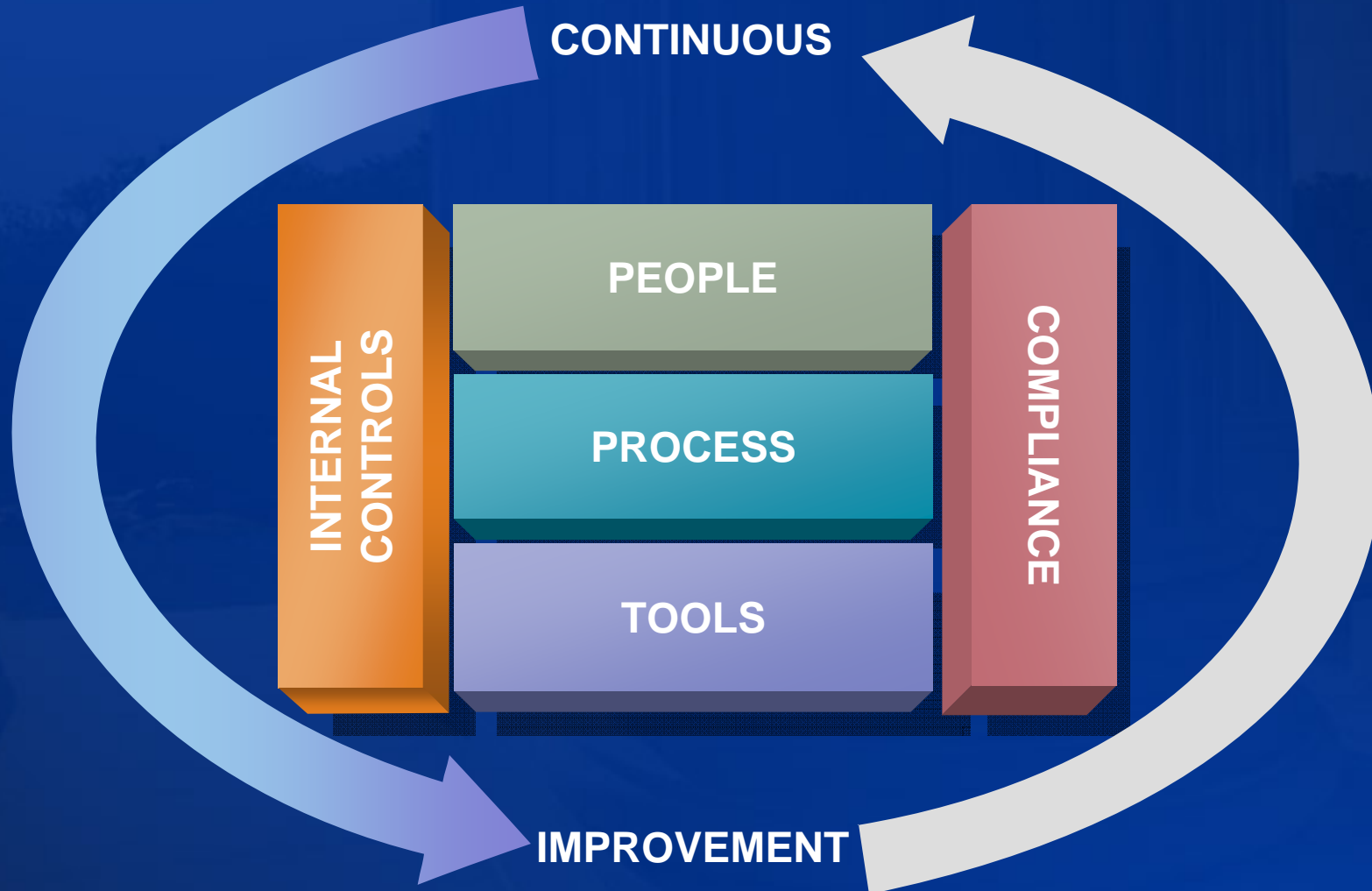
- ◆ **Several important concepts/reasons for building a well structured QA plan:**
  - New Data Elements – Many of the 99 data elements required under section 1512 are new for agencies
  - Reporting on Vendors and Subrecipient Vendors – Disbursements and jobs creation information are just a few of the new items required to be report on for subrecipient and vendors
  - Transparency – The public display of this information is unprecedented. Information will be available publicly every quarter.
  - Timing – The normal 45 day turnarounds have now been reduced to 10 days after each quarter

# Example - A 1512 Quality Assurance Plan: Decentralized Reporting



**Drives testing and decisions at an Agency level  
with oversight from Statewide 1512 Team**

# Elements of a Sec 1512 Team





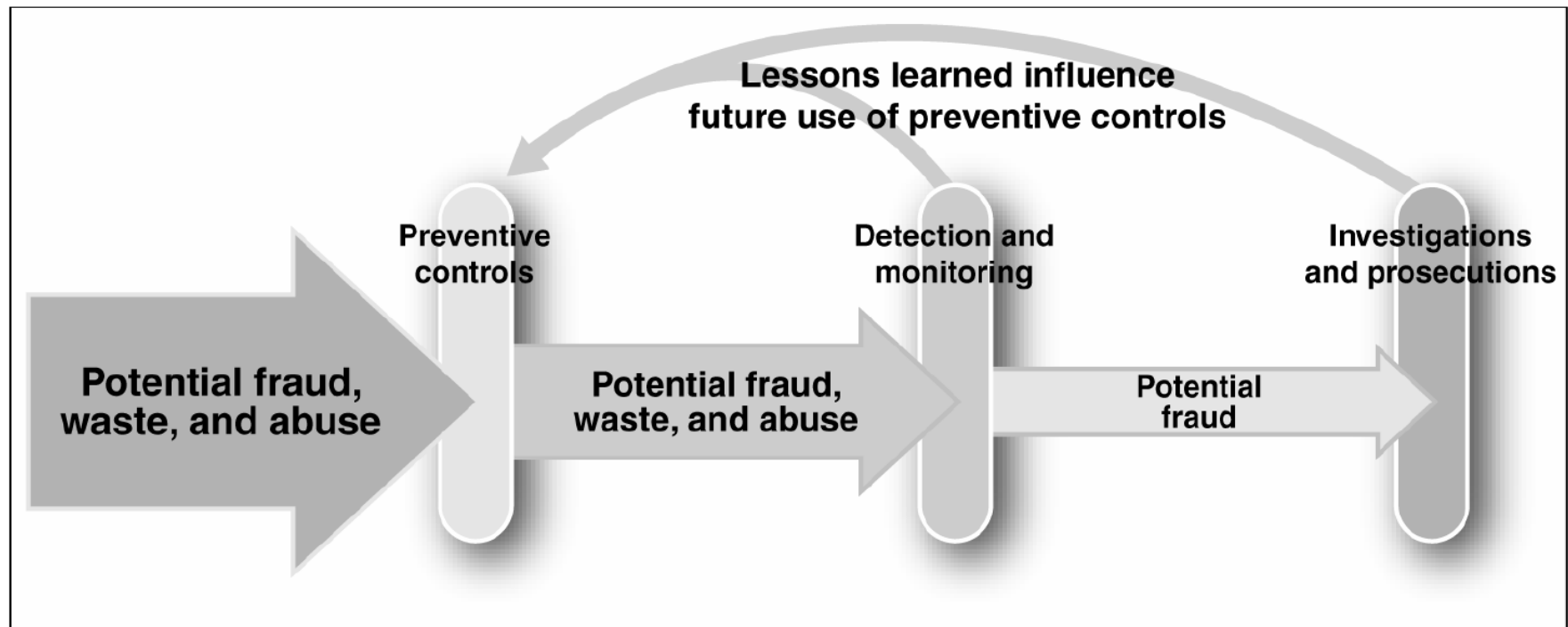
# ***Fraud Prevention & Detection***

# ARRA Fraud Considerations

- ◆ **A key objective of ARRA is to minimize fraud, waste and abuse**
  - Additional funding for audits, law enforcement and inspector general oversight
  - Even a 5% error rate places approximately \$40 billion of total program funding potential at risk for fraud, waste and abuse
  - The federal government expects states to embed anti-fraud, waste and abuse efforts into ongoing oversight of programs
  - Existing systems and controls may not be capable of addressing increased expectations
  - The public has zero tolerance for fraud, waste and abuse

# Anti-Fraud, Waste and Abuse Model

Figure 1: Program Designed to Minimize Fraud, Waste, and Abuse



Source: GAO.

# Sample Anti-fraud Program Elements

Prevention	Detection	Response
<b>Agency Leadership</b> <b>Internal Audit</b> <b>Compliance and Monitoring Functions</b>		
<ul style="list-style-type: none"> <li>◆ Fraud and misconduct risk assessment</li> <li>◆ Standards of conduct, policies and procedures</li> <li>◆ Employee and third-party due diligence</li> <li>◆ Communication plan</li> <li>◆ Training programs</li> <li>◆ Process-specific fraud risk controls</li> </ul>	<ul style="list-style-type: none"> <li>◆ Hotlines and whistleblower mechanisms</li> <li>◆ Auditing and monitoring</li> <li>◆ Forensic data analysis</li> </ul>	<ul style="list-style-type: none"> <li>◆ Internal investigations and investigative protocols</li> <li>◆ Enforcement and accountability protocols</li> <li>◆ Disclosure protocols</li> <li>◆ Remedial action protocols</li> </ul>

# Entity-Level Anti-fraud Program Elements

- ◆ An effective anti-fraud program should incorporate entity-level program elements to emphasize oversight, management accountability and an appropriate “tone at the top,” including the following specific elements:
  - Oversight Committee Function
  - Internal Audit Function
  - Compliance and Monitoring Function

# Prevention

- ◆ Preventive fraud controls are important tools for heightening awareness of fraud risks and building a proactive, rather than reactive, approach to fraud awareness.
- ◆ An effective fraud prevention program should include the following specific elements:
  - Fraud and Misconduct Risk Assessment
  - Standards of Conduct
  - Communication Plan
  - Training Programs
  - Employee and Third-Party Due Diligence
  - Process-Specific Fraud Risk Controls

# Detection

- ◆ Preventive controls can reduce, but not eliminate the propensity of fraudulent activity. As a result, detective controls are necessary to identify instances of fraud, waste and abuse.
- ◆ An effective fraud detection program should include the following specific elements:
  - Hotline and Whistleblower Mechanisms
  - Auditing and Monitoring, including:
    - Substantive Testing of Specific Fraud Risk Issues
    - Ongoing Monitoring of Antifraud Controls
  - Forensic Data Analysis

# Response

- ◆ When instances of fraud, waste and abuse are identified, an appropriate response is necessary to investigate the impacts, enforce anti-fraud rules and remediate control weaknesses.
- ◆ An effective fraud response program should include the following specific elements:
  - Internal Investigative Protocols
  - Enforcement and Accountability Protocols
  - Disclosure Protocols
  - Remedial Action Protocols

# Practical Implementation

## ◆ High-level Practical Implementation Plan for Grantees

- Assignment of responsibility for fraud & compliance monitoring
- Develop anti-fraud guidance and templates to be distributed to sub-recipients
- Provide training and communication
- Monitor compliance
- Coordinate investigations with Regulators

# Practical Implementation

- ◆ **High-level Practical Implementation Plan for Sub-Grantees**
  - Perform fraud risk assessment
  - Assess current state of anti-fraud programs to address risks identified
  - Design and implement new anti-fraud programs
  - Monitor vendor activities
  - Investigate and report on non-compliance



# Q & A



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