
American Recovery and Reinvestment Act Single Audits

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American Recovery and Reinvestment Act Single Audits

- As of May 7, 2010, the federal government has paid out about \$114.8 billion (41 percent) of the estimated \$282 billion of total Recovery Act funds for programs administered by states and localities.
 - The Recovery Act imposed new transparency and accountability requirements on federal awarding agencies and their recipients.
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Higher Risks Are Associated with Recovery Act Funds

- Recovery Act programs may be new and may not have the necessary internal controls and accounting systems in place.
 - Funding increases for existing programs may exceed the capacity of existing internal controls and accounting systems.
 - Risks are increased because of the need to spend funds quickly.
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Single Audits As A Key Accountability Mechanism

The Single Audit process was identified as a key accountability mechanism over:

- recipient's use of federal funds and the related reporting, and
 - use of funds for authorized purposes and mitigating instances of fraud, waste, error, and abuse.
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Concerns Raised About Single Audits for Recovery Act Programs

- Single Audits may not provide the accountability needed for recipients to strengthen internal controls so that Recovery Act funds are effectively spent.
 - The Single Audit reporting deadline is too late to provide audit results in time for the audited entity to take corrective action before additional funds are spent.
 - Recipients with a June 30 fiscal year end have a reporting deadline of March 31—leaving management only 3 months to take corrective action on audit findings before the end of the subsequent fiscal year.
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Needed Improvements in the Single Audit Process Identified during Recovery Act Work

- GAO made several recommendations and two matters for Congressional consideration to address concerns with the Single Audit process as it relates to Recovery Act funding.
 - OMB has implemented several GAO recommendations but needs to take further action.
 - OMB's Single Audit Internal Control Project is nearing completion.
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GAO's Recommendations to OMB for Improving Single Audits

Leverage Single Audit as an effective oversight tool for Recovery Act programs:

- Move to earlier reporting on internal controls,
 - Focus on Recovery Act programs,
 - Give relief for low-risk programs,
 - Fund more timely, effective Single Audits, and
 - Provide more timely Single Audit guidance and federal agency decisions on corrective action plans.
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Matters for Congressional Consideration for Single Audits of Recovery Programs

- Amend the Single Audit Act or enact new legislation that provides for more timely internal control reporting on programs funded by the Recovery Act, as well as audit coverage for smaller Recovery Act programs with high risk.
 - Create mechanisms to provide additional resources for Recovery Act-related audit work to support those charged with carrying out the Single Audit and related audits.
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OMB Implemented a Single Audit Internal Control Project

- OMB developed the Single Audit Project to address concerns about the timeliness of Single Audit reporting for Recovery Act programs.
 - One goal was to encourage auditors to communicate audit deficiencies in internal control over compliance for selected major Recovery Act programs 3 months sooner than the current 9 month time frame.
 - Participation in the project was voluntary.
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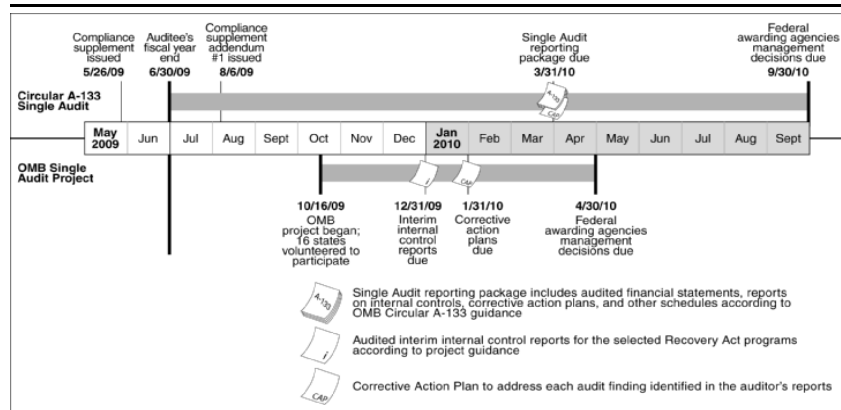
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16 States Volunteered to Participate in the OMB Single Audit Internal Control Project

- Alaska
 - California
 - Colorado
 - Florida
 - Georgia
 - Louisiana
 - Maine
 - Missouri
 - Nevada
 - North Carolina
 - Ohio
 - Oklahoma
 - South Dakota
 - Tennessee
 - Texas
 - Virginia
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Timelines of OMB Circular A-133 Single Audits and OMB's Single Audit Internal Control Project for June 30 Fiscal Year End



Source: GAO.

Results of OMB's Single Audit Internal Control Project

- Auditors' interim internal control reports were submitted earlier.
- Management's corrective action plans were submitted earlier and some corrective actions were taken.
- Most management decisions from federal awarding agencies due April 30 were not submitted as of May 14, 2010.

Results of OMB's Single Audit Internal Control Project (continued)

- OMB had not yet completed its assessment of the project as of May 14, 2010.
- OMB's Single Audit guidance needs to be issued more timely.

Closed Recommendations for Improving Single Audits Related to Recovery Act Programs

GAO recommended that OMB:

- Develop mechanisms to help fund the additional Single Audit costs and efforts related to Recovery Act programs.
- Advise the federal cognizant agencies to adopt and widely communicate a policy of no longer approving extensions of the due dates of Single Audits submissions beyond the 9-month deadline, and
- Take steps to achieve sufficient participation and coverage in OMB's Single Audit Internal Control Project.

Recommendations from GAO Single Audit Work: Opportunities Exist to Improve the Single Audit Process and Oversight
GAO-09-307R

GAO previously recommended that OMB:

- Evaluate the single audit process, including federal agencies' roles and performance,
- Designate a federal work group to evaluate the current single audit process to identify simplified alternatives for meeting the accountability objectives of the Single Audit Act for the smallest audits while achieving the proper balance between risk and cost-effectiveness for all single audits, and
- Monitor the status of OMB work groups, AICPA task forces, and other activities aimed at addressing the PCIE report recommendations and improving single audit quality.

GAO Recovery Act Reports

- Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability GAO-10-604, May 26, 2010
- Recovery Act: One Year Later, States' and Localities' Uses of Funds and Opportunities to Strengthen Accountability GAO-10-437, March 3, 2010
- Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability GAO-10-231, December 10, 2009
- Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed GAO-09-1016, September 23, 2009
- Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses GAO-09-829, July 8, 2009
- Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential GAO-09-580, April 23, 2009

Questions???

