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Article for *Minnesota Counties*

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### **ARRA Funds and Counties** **“Know and Show”**

*By Rebecca Otto, State Auditor*

The Office of the State Auditor recently presented to a group of County Commissioners at the AMC Legislative Conference. Topics covered included what counties need to do to be prepared for their annual audit. Included was a specific discussion on what the county board can do to positively impact audit preparation and costs, as well as factors that can increase audit costs. One of these factors is ARRA funds. This article expands the discussion of the impact of ARRA funds on a county.

The American Recovery and Reinvestment Act (ARRA), passed last year by Congress, was intended to stimulate the economy by preserving and/or creating jobs. The federal government awarded state and local governments with ARRA funds in a variety of areas. Chances are high that most Minnesota counties are receiving ARRA funds.

#### **Unprecedented Level of Transparency and Accountability**

With the passage of the ARRA came an unprecedented level of accountability and transparency for any entity receiving ARRA funds. Some counties are receiving ARRA funds directly from the federal government, and some are receiving ARRA funds through the state. ARRA funds can be for existing programs or for new projects or programs. Counties did not necessarily have to apply to receive these funds. ARRA funds that counties may be receiving include:

- Supplemental Nutrition Assistance (formerly Food Stamps) – CFDA No. 10.561
- Edward Byrne Memorial Justice Assistance (JAG) – CFDA No. 16.804
- Workforce Investment Act (WIA) – CFDA Nos. 17.258, 17.259, 17.260
- Highway Planning and Construction – CFDA No. 20.205
- Child Support Enforcement – CFDA No. 93.563
- Foster Care Title IV-E – CFDA No. 93.658

## **Know and Show**

It will not be business as usual in regards to management and use of ARRA funds. By accepting ARRA funds, you have certain obligations. It is management's responsibility to "know" both what ARRA funds are being received and the compliance requirements that come with the funds. It is also your responsibility to "show" that the county has met the compliance requirements. In order to ensure compliance, counties must determine whether existing internal control procedures in place over federal expenditures are appropriate, working properly, and designed to prevent unallowable expenditures or whether additional controls are needed to meet the stringent requirements attached to ARRA funds.

## **Steps Counties Should Take**

The County Board and management should communicate to all county staff the importance of actively monitoring ARRA funds. Following are steps counties should take to provide for the appropriate management and use of ARRA funds in light of the unprecedented level of accountability and transparency:

- 1) Assign and give an individual from county staff the authority and responsibility for coordinating identification of ARRA funds that the county is receiving in various departments.
- 2) Ensure that county staff, in all departments receiving ARRA funds, is knowledgeable of the compliance requirements.
- 3) Seek information from the funding source (state or federal government) if there are questions regarding the compliance requirements.
- 4) Be aware that all ARRA funds must be separately accounted for and reported on by the county.
- 5) Keep the County Board informed to enable proper oversight for ARRA funds.
- 6) Be prepared for the audit by properly identifying ARRA funds, by knowing the compliance requirements for each program, and by showing compliance with those requirements.

## **How Will ARRA Funds Affect Your Audit?**

The federal government is requiring additional work be performed by auditors on ARRA funds. This additional work could increase your audit costs. Therefore, it is important for counties to take proactive steps to prepare for a smooth and efficient audit. If your county staff has any questions in regard to ARRA funds, please have them contact Office of the State Auditor staff for additional guidance.