



DEPARTMENT OF EXECUTIVE MANAGEMENT BUREAU OF FINANCE AND MANAGEMENT

500 East Capitol Ave. • Pierre, South Dakota 57501-5070 • Voice: (605) 773-3411 • Fax: (605) 773-4711

MEMORANDUM

TO: Agency ARRA Contacts

FROM: Ron Wire, Bureau of Finance & Management

SUBJECT: BFM Guidance on ARRA Internal Controls

DATE: 08/28/09

The American Recovery and Reinvestment Act (ARRA) has resulted in an increased emphasis on accountability and transparency for programs funded under the Act. All federal grant recipients are required to comply with federal internal control standards. ARRA is no different and grant recipients receiving ARRA grant awards must establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements.

Although the audit requirements for ARRA funds are generally unknown as of this point, it is apparent that ARRA funds have a high probability of audit. It is likely the first thing any state or federal auditor will ask for when auditing your ARRA grants (or any other federal funding) will be the documentation of your procedures and internal controls. Except for ARRA Section 1512 reporting (§1512), BFM is not aware of any new compliance requirements for ARRA grants that are not already required for non-ARRA grants. Therefore, your current procedures and internal controls, if currently satisfactory and documented for non-ARRA grants, should be a good starting point for procedures and internal controls necessary to meet your ARRA grant specific compliance requirements.

New for ARRA grants is the §1512 reporting. This compliance requirement will likely be subject to auditing requirements. As indicated in the §1512 Reporting meetings with each agency, BFM is taking a major role in helping agencies meet the reporting requirements. We also plan on assisting in the documenting of procedures and internal controls for §1512 reporting. Our goal is to have BFM's procedures and internal control over the reporting well documented after the first reporting period. We also intend to provide agencies with an internal control template that will help agencies document their procedures and internal controls for ARRA §1512 reporting. That template will likely be fashioned after the reporting template itself and will have a few short questions for each reporting data element (i.e. Where did the data come from? Who filled in the individual data elements in the spread sheet? And who checked to make sure it was accurate?)

In the meantime, DLA is suggesting that agencies take some simple notes while completing the §1512 reporting elements. Those notes should focus on steps that were taken to ensure the reporting is complete, accurate and timely. If you have any questions feel free to contact Ron Wire, Colin Keeler or Keith Senger.