

Alert: A Not-for-Profit Hot Topic



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Update on the American Recovery and Reinvestment Act

In early 2009, the *American Recovery and Reinvestment Act of 2009* (Recovery Act) was issued. As a result, federal agencies are able to pass down nearly \$300 billion in additional federal funding. These Recovery Act federal funds were intended to supplement existing programs, create new programs, or provide general fiscal relief. Requirements include an unprecedented amount of oversight and transparency around the spending of all Recovery Act funds. Some tax-exempt entities received these funds by June 30, 2009, and it is expected that organizations with a December 31 year end will benefit from more of an impact.

Compliance Supplement Addendum #1

According to www.recovery.gov, an estimated \$62.5 billion of the Recovery Act funds have been made available as of August 31, 2009. The government is continuously updating the audit requirements of the Recovery Act funds. In response to the oversight, the Office of Management Budget (OMB) has issued an addendum to the *March 2009 Compliance Supplement* titled, *Compliance Supplement Addendum #1* (the Addendum). This amendment is available at the Government Audit Quality Center website, <http://gaqc.aicpa.org>. Additional amendments are expected to follow, and the compliance supplements will be updated monthly. The current Addendum includes identification of a new cluster of federal programs, an updated matrix of compliance requirements, and new compliance requirement guidance.

The compliance requirement update states that all Recovery Act funds are to be identified by the Federal Department or pass-through entity by listing an "r" after the cfd number (ex: 93.778r). Initially, all Recovery Act funds, regardless of the dollar amount received, have been identified by the federal government as high-risk if the organization is required to have an OMB Circular A-133 audit. In Appendix VII, *Other OMB Circular A-133 Advisories*, the OMB clarified the 2009 Compliance Supplement by adding that auditors should consider all programs assessed for risk to be considered high-risk if they receive program funds from the Recovery Act. Normally, this would affect all programs receiving more than \$100,000 in federal funds. The OMB believes that the programs are high-risk because of new additional compliance requirements, an increase in available federal funds, additional requirements to monitor programs, and unprecedented levels of transparency and accountability requirements established by Congress.

Reporting and registering

On the *Schedule of Expenditures of Federal Awards and Data Collection Form*, the subrecipient is required to separately report all Recovery Act expenditures. All organizations receiving Recovery Act funds are expected to appear on the www.recovery.gov website, along with the amount received for each program. The Government Accounting Office (GAO) has provided guidance to states and federal agencies on how to monitor compliance with Recovery Act funds, including how to take action with organizations that report deficiencies in Recovery Act programs. Additionally, if an organization receives \$25,000 or more in Recovery Act funds, Section 1512 of the Recovery Act requires it to report on the expenditure of those funds. Organizations can register at www.FederalReporting.gov.

To discuss filing requirement concerns, questions, or more information, contact Krista Pankop at 414 777 5355 or Paul Batchelor at 414 777 5304.

Register

Organizations receiving \$25,000 or more of federal Recovery Act funds must report their expenditures. To register, visit: www.FederalReporting.gov.

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