



ARRA FUNDING & REPORTING ILLINOIS ASSOCIATION OF SCHOOL BUSINESS OFFICIALS 2010 ANNUAL CONFERENCE

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AMERICAN RECOVERY & REINVESTMENT ACT (ARRA)

[HTTP://WWW.ISBE.NET/ARRA/DEFAULT.HTM](http://www.isbe.net/ARRA/default.htm)

EMERGENCY ACCOUNTING RULES

Because of the tracking necessary for ARRA federal funds, ISBE implemented emergency accounting rules. They were necessary to:

- ◎ Designate ARRA revenue districts receive, and
- ◎ Document ARRA expenditures paid via each type of ARRA revenue source

ISBE EMERGENCY RULES

Accounting Requirements for ARRA Revenues and Expenditures

Emergency Rules and Regulations have been posted
for accounting requirements and are located at:

[http://www.isbe.net/rules/archive/pdfs/23IAC100
EmergAmnd_Code.pdf](http://www.isbe.net/rules/archive/pdfs/23IAC100
EmergAmnd_Code.pdf)

ISBE EMERGENCY RULES (CONTINUED)

- ARRA Expenditures must reflect Fund, Function, Object, and now a NEW fourth dimension -- *revenue account code*:

<u>Fund</u>	<u>Function</u>	<u>Object</u>	<u>Revenue Source Code</u>
XX	XXXX	XXX	XXXX
01	1100	100	4850

ISBE EMERGENCY RULES (CONTINUED)

- ◎ All funds must be expended in accordance to their respective purposes as authorized by the relevant federal law, regulation, and guidance;
- ◎ In order to comply with the federal regulations, each district receiving funds under ARRA shall include in its annual financial report (AFR): a detailed schedule of its receipts and expenditures for each revenue source received;

ACCUMULATED INTEREST

Since the ARRA GSA payments are considered federal funds, ISBE is asking for guidance as to whether these funds can accumulate interest.

Until this guidance is received, it is recommended that districts reflect ARRA GSA revenues as used to pay for allowable expenditures (ex. payroll) and reflect other local revenue as invested.

LATEST ISBE GUIDANCE

- ◎ American Recovery and Reinvestment Act of 2009
- ◎ Local Education Agency Reporting Requirements and Instructions - March 2010, Revision #3
 - (Page 4): LEAs should report “direct jobs” if the position is funded by the LEA or vendor of the LEA and that position is being filled *as a result of ARRA funding*. Direct jobs include employees paid directly using ARRA funds, jobs that are charged to a project/activity funded by ARRA funds, and jobs that are attributable to ARRA funds.

ARRA REVENUE CODES AND CFDA NUMBERS PROGRAM NAME	REV CODE	CFDA	ARRA CODE	ARRA CFDA
General State Aid – Education Stabilization Fund *	3001	N/A	4850	84.394
General State Aid – Govt. Services Stabilization Fund **	3001	N/A	4850	84.397
Title I – Low Income	4300	84.010	4851	84.389
Title I Neglected – Private	4305	84.010	4852	84.389
Title I Delinquent – Private	4306	84.010	4853	84.389
Title I School Improvement (Part A)	4331	84.010	4854	84.389
Title I School Improvement 1003(g)	4339	84.377	4855	
IDEA Part B Preschool	4600	84.173	4856	84.392
IDEA Part B Flowthrough	4620	84.027	4857	84.391
Title II D Technology Formula	4971	84.318	4860	
Title II D Technology Competitive	4972	84.318	4861	
McKinney-Vento Homeless Education	4920	84.196	4862	84.387
Child Nutrition Equipment Assistance	N/A	N/A	4863	10.579
* Begins in FY 2009				
** Begins in FY 2010				

FY2010 SCHEDULE OF PAYMENTS

- The following schedule should be used to record GSA payments through the 1st April 2010 payment:
 - 1st August 2009 payment: Revenue Code 4870 (ARRA SFSF Other Gov't Services) (1 payment)
 - 2nd August 2009 - 1st February 2010 payment: Revenue Code 3001 (regular GSA non-ARRA) (12 payments)
 - 2nd February 2010 - 2nd March 2010 payment: Revenue Code 4850 (ARRA SFSF) (3 payments)
 - 1st April 2010 payment: Revenue Code 3001 (regular GSA non-ARRA) (1 payment)
 - 2nd April 2010 SCHEDULED payment: Revenue Code 3001 (regular GSA non-ARRA) (1 scheduled payment)
 - Last 4 payments (May - June): ???
 - Check the ISBE FRIS schedule at:
<http://webprod1.isbe.net/FRISInquiry/>

ARRA RESOURCES

- ◎ ISBE ARRA Webpage:
<http://www.isbe.net/arra/default.htm>
- ◎ Illinois ARRA Webpage:
<http://www.illinois.gov/recovery/>
- ◎ ED ARRA Webpage:
<http://www.ed.gov/policy/gen/leg/recovery/index.html>

THE AUDIT PERSPECTIVE

- ◎ ARRA funds may lead to additional audit requirements:
 - A-133 audits are required for entities with Federal expenditures of \$500,000 or more from all sources (direct and indirect);
 - ARRA funds are federal and must be included in determining if entity meets \$500,000 threshold; and
 - Many districts/joint agreements previously exempt may now be required to have an A-133 audit.
<http://www.isbe.net/funding/html/a133.htm>
http://www.isbe.net/funding/pdf/potential_A133_audits.pdf
- ◎ Auditors performing school district audits and A-133 audits must meet requirements under Government Auditing Standards
http://www.isbe.net/funding/pdf/audit_qualifications.pdf

BASIC RULES

- ◎ LEA must administer and use SFSF program funds in accordance with all applicable statutes, regulations, and applications;
- ◎ LEA must use fiscal control and fund accounting procedures ensuring proper disbursement of, and accounting for, Federal funds paid to that agency under SFSF program;
- ◎ LEA must submit reports to ISBE and to the secretary as may reasonably be necessary;
- ◎ LEA must provide reasonable opportunities for participation by teachers, parents, and other interested agencies, organizations, and individuals in planning for and operation of each program funded.

BASIC RULES (CONTINUED)

- ◎ Any application, evaluation, periodic program plan or report relating to each program funded through SFSF must be made readily available to parents and other members of the general public;
- ◎ LEA may use Education Stabilization funds for modernization, renovation, or repair of public school facilities, including modernization, renovation, and repairs consistent with a recognized green building rating system, to extent consistent with state law.

BASIC RULES (CONTINUED)

- ◎ If Education Stabilization funds are used for modernization, renovation, or repair of public school facilities or for construction of new school facilities, the LEA must comply with ARRA requirements relating to use American iron, steel, and manufactured goods;
- ◎ All laborers and mechanics employed by contractors/subcontractors on projects funded in whole or in part by ARRA must be paid prevailing wage rates. These vary by location

(<http://www.state.il.us/agency/idol/rates/rates.HTM>)

BEST PRACTICE

- ◎ Best practice is to apply ARRA SFSF funds to next available payroll period:
 - Properly matches timing of revenue to expense
 - Avoids any significant accrual of interest on investment of ARRA SFSF funds
 - Application of ARRA SFSF funds to reimburse payroll expense in regular programs allows for consistency in reporting
 - Allows for proper accounting of number of jobs saved

GENERAL COMPLIANCE ISSUES

- ◎ SFSF will be treated as federal funds for ARRA reporting requirements and other OMB Circular requirements, including threshold requirements for Single Audit purposes;
- ◎ GSA payments paid with SFSF funds will be identified with a new revenue code in order to segregate ARRA receipts;

GENERAL COMPLIANCE ISSUES (CONTINUED)

- ◎ SFSF funded GSA payments will substantially increase the amount of federal funds received;
- ◎ Additional requirements related to compliance, reporting, and recordkeeping will be forthcoming; and
- ◎ Teachers Retirement System (TRS) members paid with SFSF funds will be subject to regular TRS contribution rate only and not federal contribution rate.

CHANGES TO THE AUDIT

- ◎ Scope has largely remained the same:
 - Assessment of internal controls:
 - Ensure compliance with federal laws and regulations; and
 - Ensure compliance with grant/contract terms and conditions.
 - Conduct expenditure sampling to ensure federal compliance.

CHANGES TO THE AUDIT (CONTINUED)

- ◎ So what has changed?
 - All Type A programs with ARRA expenditures will now be designated as high risk and major;
 - Recipients may be subject to additional compliance requirements:
 - Davis-Bacon Prevailing Wage Rate Requirements;
 - Buy American Provisions;
 - Contract Work Hours and Safety Standards Act; and
 - The A-133 Compliance Supplement identifies most of these requirements for most programs.
 - Anticipated rule changes still to be determined.

CHANGES TO THE AUDIT (CONTINUED)

- ◎ Areas of special focus due to ARRA requirements:
 - Internal controls over reporting:
 - Separate accounting for ARRA and non-ARRA monies;
 - Data quality; and
 - Timely and accurate reporting to FederalReporting.gov and federal awarding agencies.
 - Use and communication of accurate CFDA numbers;
 - Procurement:
 - Compliance with “Buy American” provisions;
 - Use of contract language and clauses in accordance with OMB Circulars, Davis Bacon, and other regulations; and
 - Use of funds for allowable expenditures by the prime and sub-recipients.

QUESTIONS ?