



# **COMPLIANCE AND CONTROL AUDIT REPORT**

## **American Recovery and Reinvestment Act: A Review of Reporting**

**A Report to the Legislative Post Audit Committee  
By the Legislative Division of Post Audit  
State of Kansas  
December 2010**

# ***Legislative Post Audit Committee***

---

## ***Legislative Division of Post Audit***

**THE LEGISLATIVE POST** Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$13 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators

or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

### **LEGISLATIVE POST AUDIT COMMITTEE**

Senator Terry Bruce, Chair  
Senator Anthony Hensley  
Senator Derek Schmidt  
Senator Chris Steineger  
Senator Dwayne Umbarger

Representative John Grange, Vice-Chair  
Representative Tom Burroughs  
Representative Ann Mah  
Representative Peggy Mast  
Representative Virgil Peck Jr.

### **LEGISLATIVE DIVISION OF POST AUDIT**

800 SW Jackson  
Suite 1200  
Topeka, Kansas 66612-2212  
Telephone (785) 296-3792  
FAX (785) 296-4482  
E-mail: [LPA@lpa.ks.gov](mailto:LPA@lpa.ks.gov)  
Website: <http://kslegislature.org/postaudit>  
Scott Frank, Legislative Post Auditor

### **DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?**

The Legislative Post Audit Committee and the Legislative Division of Post Audit have launched an initiative to identify ways to help make State government more efficient. If you have an idea to share with us, send it to [ideas@lpa.ks.gov](mailto:ideas@lpa.ks.gov), or write to us at the address above.

You won't receive an individual response, but all ideas will be reviewed, and Legislative Post Audit will pass along the best ones to the Legislative Post Audit Committee.

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



LEGISLATURE OF KANSAS  
**LEGISLATIVE DIVISION OF POST AUDIT**

800 SOUTHWEST JACKSON STREET, SUITE 1200  
TOPEKA, KANSAS 66612-2212  
TELEPHONE (785) 296-3792  
FAX (785) 296-4482  
E-MAIL: LPA@LPA.KS.GOV  
WWW.KSLEGISLATURE.ORG/POSTAUDIT

December 6, 2010

To: Members, Legislative Post Audit Committee

Senator Terry Bruce, Chair  
Senator Anthony Hensley  
Senator Derek Schmidt  
Senator Chris Steineger  
Senator Dwayne Umbarger

Representative John Grange, Vice-Chair  
Representative Tom Burroughs  
Representative Ann Mah  
Representative Peggy Mast  
Representative Virgil Peck Jr.

This report contains the findings, conclusions, and recommendations from our completed compliance and control audit, *American Recovery and Reinvestment Act: A Review of Reporting*.

The report includes several recommendations for agencies. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in black ink, appearing to read 'S. Frank'. The signature is fluid and cursive, with a large initial 'S' and a long, sweeping tail.

Scott Frank  
Legislative Post Auditor

# READER'S GUIDE

<b><i>The Big Picture</i></b>		<b><i>The Details</i></b>	
<b>Audit Highlights</b>	The highlights sheet, inserted in each report, provides an overview of the audit's key findings	<b>"At-a-Glance Box"</b>	Used to describe key aspects of the audited agency; generally appears in the first few pages of the main report
<b>Conclusions and Recommendations</b>	Located at the end of the audit questions, or at the end of the report	<b>Side Headings</b>	Point out key issues and findings
<b>Agency Response</b>	Included as the last Appendix in the report	<b>Charts, Tables, and Graphs</b>	Visually help tell the story of what we found
<b>Table of Contents, and lists of figures and appendices</b>	Lets the reader quickly locate key parts of the report	<b>Narrative Text Boxes</b>	Highlight interesting information or provide detailed examples

This audit was conducted by Julie Pennington. Chris Clarke was the audit manager. If you need any additional information about the audit's findings, please contact Chris Clarke at the Division's offices.

Legislative Division of Post Audit  
 800 SW Jackson Street, Suite 1200  
 Topeka, Kansas 66612

(785) 296-3792  
 E-mail: [LPA@lpa.ks.gov](mailto:LPA@lpa.ks.gov)  
 Web: [www.kslegislature.org/postaudit](http://www.kslegislature.org/postaudit)

## Table of Contents

### **Question 1: Have Kansas Agencies That Receive ARRA Funds Filed Timely and Accurate Section 1512 Reports?**

*The State Has Implemented ARRA Reporting Requirements Fairly Well.* ..... page 9

**Question 1 Conclusion.** ..... page 13

**Question 1 Recommendations for executive action** ..... page 13

## List of Figures

**Figure OV-1:** Recovery Act Expenditure Categories ..... page 3

**Figure OV-2:** Projected Timing of Federal Recovery Act Monies Made Available to States and Localities by Federal Fiscal Year ..... page 4

**Figure OV-3:** Estimated American Recovery and Reinvestment Act Funds By Program ..... page 6-7

**Figure 1-1:** Number of Reports Flagged During Federal Review ..... page 11

## List of Appendices

**Appendix A:** Scope Statement ..... page 15

**Appendix B:** Agency Response ..... page 16

# ***Legislative Post Audit Committee***

---

## ***Legislative Division of Post Audit***

**THE LEGISLATIVE POST** Audit Committee and its audit agency, the Legislative Division of Post Audit, are the audit arm of Kansas government. The programs and activities of State government now cost about \$13 billion a year. As legislators and administrators try increasingly to allocate tax dollars effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by Legislative Post Audit helps provide that information.

We conduct our audit work in accordance with applicable government auditing standards set forth by the U.S. Government Accountability Office. These standards pertain to the auditor's professional qualifications, the quality of the audit work, and the characteristics of professional and meaningful reports. The standards also have been endorsed by the American Institute of Certified Public Accountants and adopted by the Legislative Post Audit Committee.

The Legislative Post Audit Committee is a bipartisan committee comprising five senators and five representatives. Of the Senate members, three are appointed by the President of the Senate and two are appointed by the Senate Minority Leader. Of the Representatives, three are appointed by the Speaker of the House and two are appointed by the Minority Leader.

Audits are performed at the direction of the Legislative Post Audit Committee. Legislators

or committees should make their requests for performance audits through the Chairman or any other member of the Committee. Copies of all completed performance audits are available from the Division's office.

### **LEGISLATIVE POST AUDIT COMMITTEE**

Senator Terry Bruce, Chair  
Senator Anthony Hensley  
Senator Derek Schmidt  
Senator Chris Steineger  
Senator Dwayne Umbarger

Representative John Grange, Vice-Chair  
Representative Tom Burroughs  
Representative Ann Mah  
Representative Peggy Mast  
Representative Virgil Peck Jr.

### **LEGISLATIVE DIVISION OF POST AUDIT**

800 SW Jackson  
Suite 1200  
Topeka, Kansas 66612-2212  
Telephone (785) 296-3792  
FAX (785) 296-4482  
E-mail: [LPA@lpa.ks.gov](mailto:LPA@lpa.ks.gov)  
Website: <http://kslegislature.org/postaudit>  
Scott Frank, Legislative Post Auditor

### **DO YOU HAVE AN IDEA FOR IMPROVED GOVERNMENT EFFICIENCY OR COST SAVINGS?**

The Legislative Post Audit Committee and the Legislative Division of Post Audit have launched an initiative to identify ways to help make State government more efficient. If you have an idea to share with us, send it to [ideas@lpa.ks.gov](mailto:ideas@lpa.ks.gov), or write to us at the address above.

You won't receive an individual response, but all ideas will be reviewed, and Legislative Post Audit will pass along the best ones to the Legislative Post Audit Committee.

The Legislative Division of Post Audit supports full access to the services of State government for all citizens. Upon request, Legislative Post Audit can provide its audit reports in large print, audio, or other appropriate alternative format to accommodate persons with visual impairments. Persons with hearing or speech disabilities may reach us through the Kansas Relay Center at 1-800-766-3777. Our office hours are 8:00 a.m. to 5:00 p.m., Monday through Friday.



LEGISLATURE OF KANSAS

**LEGISLATIVE DIVISION OF POST AUDIT**

800 SOUTHWEST JACKSON STREET, SUITE 1200  
TOPEKA, KANSAS 66612-2212  
TELEPHONE (785) 296-3792  
FAX (785) 296-4482  
E-MAIL: [lpa@lpa.ks.gov](mailto:lpa@lpa.ks.gov)

December 6, 2010

To: Members, Legislative Post Audit Committee

Senator Terry Bruce, Chair  
Senator Anthony Hensley  
Senator Derek Schmidt  
Senator Chris Steineger  
Senator Dwayne Umbarger

Representative John Grange, Vice Chair  
Representative Tom Burroughs  
Representative Ann Mah  
Representative Peggy Mast  
Representative Virgil Peck Jr.,

This report contains the findings, conclusions, and recommendations from our completed compliance and control audit, *American Recovery and Reinvestment Act: A Review of Reporting*.

The report includes several recommendations for agencies. We would be happy to discuss these recommendations or any other items in the report with any legislative committees, individual legislators, or other State officials.

A handwritten signature in blue ink, appearing to be 'S. Frank'. The signature is stylized and written in a cursive-like font.

Scott Frank  
Legislative Post Auditor

# READER'S GUIDE

<b><i>The Big Picture</i></b>		<b><i>The Details</i></b>	
<b>Audit Highlights</b>	The highlights sheet, inserted in each report, provides an overview of the audit's key findings	<b>"At-a-Glance Box"</b>	Used to describe key aspects of the audited agency; generally appears in the first few pages of the main report
<b>Conclusions and Recommendations</b>	Located at the end of the audit questions, or at the end of the report	<b>Side Headings</b>	Point out key issues and findings
<b>Agency Response</b>	Included as the last Appendix in the report	<b>Charts, Tables, and Graphs</b>	Visually help tell the story of what we found
<b>Table of Contents, and lists of figures and appendices</b>	Lets the reader quickly locate key parts of the report	<b>Narrative Text Boxes</b>	Highlight interesting information or provide detailed examples

This audit was conducted by Julie Pennington and Chris Clarke. Julie Pennington was the audit manager. If you need any additional information about the audit's findings, please contact Chris Clarke at the Division's offices.

Legislative Division of Post Audit  
 800 SW Jackson Street, Suite 1200  
 Topeka, Kansas 66612

(785) 296-3792  
 E-mail: [LPA@lpa.ks.gov](mailto:LPA@lpa.ks.gov)  
 Web: [www.kslegislature.org/postaudit](http://www.kslegislature.org/postaudit)



## Table of Contents

### **Question 1: Have Kansas Agencies That Receive ARRA Funds Filed Timely and Accurate Section 1512 Reports?**

*The State Has Implemented ARRA Reporting Requirements Fairly Well.* ..... page 9

**Question 1 Conclusion.** ..... page 13

**Question 1 Recommendations for executive action** ..... page 13

## List of Figures

**Figure OV-1:** Recovery Act Expenditure Categories ..... page 3

**Figure OV-2:** Projected Timing of Federal Recovery Act Monies Made Available to States and Localities by Federal Fiscal Year ..... page 4

**Figure OV-3:** Estimated American Recovery and Reinvestment Act Funds By Program ..... page 6-7

**Figure 1-1:** Number of Reports Flagged During Federal Review ..... page 11

## List of Appendices

**Appendix A:** Scope Statement ..... page 15

**Appendix B:** Agency Response ..... page 16

# American Recovery and Reinvestment Act: A Review of Reporting

---

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by the 111th Congress and signed into law on February 17, 2009. The Act was intended to provide a stimulus to the U.S. economy in the wake of the worst economic downturn since the Great Depression. The Act contained \$787 billion in domestic spending for items such as education, health care, infrastructure, and energy. It also provided for federal tax cuts and expansion of unemployment benefits and other social welfare provisions. Kansas agencies spent \$330 million in ARRA funds during fiscal year 2009, and an estimated \$1 billion in ARRA funding during fiscal year 2010. Currently, the State projects spending \$2 billion over the life of ARRA.

The federal government will distribute Recovery Act money directly to states, localities, not-for-profits, and other recipients. States may spend the money or distribute it to sub-recipients. The Act requires recipients to report on the funds awarded and spent, and the number of jobs created and retained. States and agencies all across the nation have struggled with the new reporting requirement (called Section 1512 reporting). For example, there has been confusion over how recipients and sub-recipients should report, which may result in double-counting or missing reports. Further, the federal government has been slow to publicize guidance.

The Act emphasizes transparency and accountability. Further, the consequences of not complying with ARRA and other regulations may be more serious than for other grant programs in the past. In Kansas, the external audit firm that performs the Statewide Single Audit (an audit that evaluates compliance with federal regulations) audited 96% of the programs receiving ARRA funding in the fiscal year 2009 audit. However, because new Section 1512 ARRA reports weren't due during the audit period, they weren't audited.

This compliance and control audit answers the following question:

**Have Kansas agencies that receive ARRA funds filed timely and accurate Section 1512 reports?**

A copy of the scope statement for this audit is included in *Appendix A*.

To answer this question, we reviewed federal guidance and criteria, as well as federal reporting information and summary reports. We reviewed a selection of 1512 reports submitted by Kansas agencies and supporting documentation, and checked for timeliness, accuracy, and a reasonable methodology for reporting jobs created or retained. We followed up with agency officials for clarification on any discrepancies we noted. Finally, we reconciled the expenditures listed on the 1512 reports to the state's accounting system.

We conducted this compliance and control audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

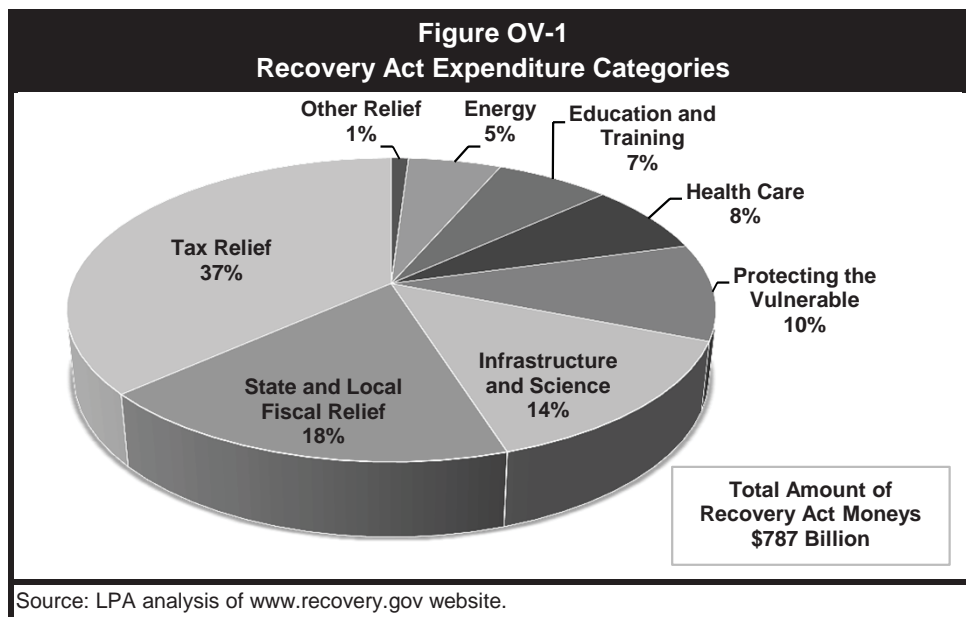
Our findings begin on page 9, following a brief overview.

## Overview of the American Recovery and Reinvestment Act

### ***Congress Will Provide \$787 Billion in Recovery Act Money Nationwide***

Congress passed the \$787 billion American Recovery and Reinvestment Act in February 2009. That Act was created as a way to stimulate the economy and create jobs in response to the economic crisis.

The money distributed under the Recovery Act generally can be categorized into eight areas, which are shown in *Figure OV-1* below.

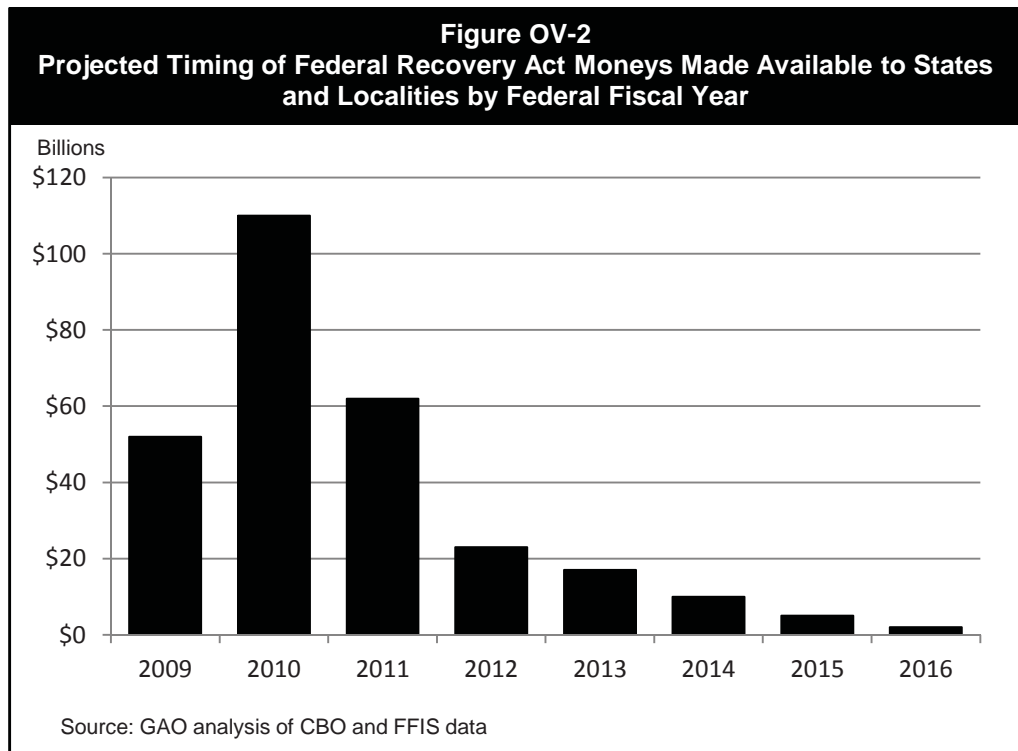


As the figure shows, more than half of the money is for tax relief and for state and local fiscal relief.

That money will be distributed in the following ways:

- \$288 billion provided in tax cuts and benefits for families and businesses
- \$244 billion in federal funds provided for education and health care as well as entitlement programs (such as extending unemployment benefits)
- \$275 billion made available for federal contracts, grants and loans

Recovery Act funds will be distributed over several years, as shown in *Figure OV-2* on the next page.



***Kansas Will Receive More Than \$2 Billion Under the Recovery Act***

State agencies in Kansas are expected to receive more than \$2 billion in Recovery Act money over the course of the program. These agencies, and expenditures of Recovery Act money by program, are shown in **Figure OV-3** on pages 6 and 7.

As the figure shows, the Department of Education, Health Policy Authority, and Department of Transportation are expected to spend the most Recovery Act funds.

***The Recovery Act Imposes Reporting Requirements on States Receiving Recovery Act Money***

One goal of the Recovery Act is that spending is transparent, and that recipients are held accountable for how they spend the money. To oversee this, Congress created the Recovery Accountability and Transparency Board made up of 13 Inspectors General from various federal agencies. This board has two primary goals:

- to prevent and detect fraud, waste, and mismanagement of Recovery Act money, and
- to ensure transparency in how Recovery Act money is spent

The Board issues quarterly and annual reports to the President and Congress and, if necessary, “flash reports” on matters that require immediate attention.

**Recipients of Recovery Act money are required to report expenditures and jobs created and retained on a quarterly basis.**

The federal government will distribute Recovery Act money directly to states, localities, not-for-profits, and other recipients. States may spend the money or distribute it to sub-recipients.

States can either aggregate all information centrally and file a single report for the state, or have each agency in the state that receives Recovery Act money report its own activities separately. Kansas uses the second approach and has each agency file its own reports.

All direct recipients, including states, must register with [www.federalreporting.gov](http://www.federalreporting.gov). This website is where recipients report on funds received and spent and on jobs created and retained. Generally, report information must be entered on the website within 10 days of the end of each calendar quarter.

A second website, [www.recovery.gov](http://www.recovery.gov), is the federal government's official website for providing the public with access to data submitted by recipients. This website also allows the public to report potential fraud, waste, and abuse involving Recovery Act money.

**Kansas established the American Recovery and Reinvestment Act Advisory Group to help oversee Recovery Act spending in Kansas.** Former Governor Sebelius created the advisory group in January 2009 to plan for the Recovery Act's implementation in Kansas. The Lieutenant Governor serves as chair. Other members include the Budget Director, cabinet secretaries, various agency directors and four members of the Kansas Legislature.

Further, Department of Administration staff have issued guidance to agencies about how to register and report on the website. Budget officials further advised agencies to separate Recovery Act moneys from other funds, and worked with officials at the Division of Accounts and Reports to help accomplish this.

**Figure OV-3  
Estimated American Recovery and Reinvestment Act Funds By Program**

State Agency/Program	Grant Expenditures	
	FY 09 Actual	FY 10 Estimated
<b>Department of Education</b>		
State Fiscal Stabilization - K-12	\$ -	\$ 224,649,000
Title 1 - Grants to Local Education Agencies	-	34,310,909
Title 1 - School Improvement	-	11,377,000
Special Education - Part B Grants	-	55,684,000
Education Technology Grants	-	2,276,000
Education for Homeless	-	230,000
Juvenile Delinquent Grant	-	816,000
School Lunch Equipment	-	850,000
AmeriCorps	-	139,000
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 330,331,909</b>
<b>Department of Transportation</b>		
Highways and Bridges	\$ 167,361,946	\$ 180,455,221
Transit Capital Grants	-	11,056,694
<b>Subtotal</b>	<b>\$ 167,361,946</b>	<b>\$ 191,511,915</b>
<b>Health Policy Authority</b>		
Enhanced Federal Share in Medicaid	60,922,686	105,920,730
<b>Subtotal</b>	<b>\$ 60,922,686</b>	<b>\$ 105,920,730</b>
<b>Social and Rehabilitative Services</b>		
Enhanced Federal Share in Medicaid	\$ 38,776,388	\$ 69,004,585
Child Care and Development Block Grant	-	17,205,188
Federal Food Surplus Admin	189,962	189,962
Federal Food Assistance Admin	50,252	1,095,859
Federal Foster Care Assistance	939,516	1,150,702
Federal Adoption Assistance	962,742	1,291,738
Community Alternatives to PRTFs	85,414	168,095
TANF Emergency Funds	-	3,466,686
Vocational Rehabilitation Services	-	2,554,377
Independent Living Grants	-	242,912
Independent Living for Older/Blind Persons	-	160,684
Child Support Enforcement	8,656,774	8,374,850
<b>Subtotal</b>	<b>\$ 49,661,048</b>	<b>\$ 104,905,638</b>
<b>Department of Labor</b>		
Unemployment Insurance Administration	\$ 220,770	\$ 2,352,835
Fed. Additional Unemployment Insurance Comp.	26,607,769	78,871,525
<b>Subtotal</b>	<b>\$ 26,828,539</b>	<b>\$ 81,224,360</b>
<b>Board of Regents &amp; Universities</b>		
State Fiscal Stabilization Fund	-	49,846,217
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 49,846,217</b>
<b>Department of Corrections</b>		
Federal Byrne JAG grant	\$ -	\$ 2,643,826
State Fiscal Stabilization Fund	-	40,500,000
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 43,143,826</b>
<b>Department on Aging</b>		
Nutrition Grant	\$ -	\$ 865,164
Enhanced Federal Share in Medicaid	21,108,252	40,997,424
<b>Subtotal</b>	<b>\$ 21,108,252</b>	<b>\$ 41,862,588</b>
<b>Housing Resources Corporation (a)</b>		
Weatherization	\$ 783,600	\$ 16,118,570
Tax Credit Assistance Program	-	8,109,318
Homelessness Prevention	-	1,511,739
Community Services Block Grant	952,270	5,557,426
<b>Subtotal</b>	<b>\$ 1,735,870</b>	<b>\$ 31,297,053</b>

<b>Department of Commerce</b>			
Community Development Block Grant Non-Entitlement	\$	-	\$ 3,678,437
Senior Community Service Employment		-	218,689
Workforce Investment Act (WIA)		1,200,084	14,156,654
Employment Service/Wagner-Peyser		158,924	4,833,332
<b>Subtotal</b>	<b>\$</b>	<b>1,359,008</b>	<b>\$ 22,887,112</b>
<b>Kansas Corporation Commission</b>			
Energy Efficiency Revolving Loan Program	\$	-	\$ 10,280,503
Energy Efficiency and Conservation		-	4,875,197
Electricity Regulators Assistance Grants		-	167,000
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 15,322,700</b>
<b>Department of Health and Environment</b>			
Immunization	\$	-	\$ 349,758
IDEA Part C - Infants & Toddlers		1,561,801	1,867,181
Medicare - Hospital Infection Prevention		-	53,000
Services to Health Centers		25,123	89,665
Clean Diesel Grants		2,936	4,457,737
Leaking Underground Storage Tanks		-	2,153,000
NRSA Water Quality & Database Assistance		-	278,751
<b>Subtotal</b>	<b>\$</b>	<b>1,589,860</b>	<b>\$ 9,249,092</b>
<b>Governor's Grants Program</b>			
Byrne/federal Justice Assistance	\$	74	\$ 6,945,344
Federal Crime Victims Assistance Grants		-	232,324
Violence Against Women		57	784,794
<b>Subtotal</b>	<b>\$</b>	<b>131</b>	<b>\$ 7,962,462</b>
<b>Highway Patrol</b>			
Byrne Grant	\$	-	\$ 981,568
Rural Law Enforcement		-	2,449,776
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 3,431,344</b>
<b>Juvenile Justice Authority</b>			
JAG Grant	\$	-	\$ 500,000
Title IV-E		53,932	95,784
Title XIX		365,373	644,519
Byrne Grant		-	378,884
<b>Subtotal</b>	<b>\$</b>	<b>419,305</b>	<b>\$ 1,619,187</b>
<b>Judiciary</b>			
Stop Violence Against Women	\$	-	\$ 217,926
Byrne JAG Grant		-	830,557
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 1,048,483</b>
<b>Adjutant General</b>			
Special Military Coop Agreement		-	977,000
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 977,000</b>
<b>Board of Indigent's Defense Services</b>			
Public Defenders Grant		-	468,721
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 468,721</b>
<b>Kansas Bureau of Investigation</b>			
JAG grant		-	409,347
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 409,347</b>
<b>Other - School for Deaf, Arts Commission, Water Office, Wildlife &amp; Parks, Attorney General</b>			
		-	1,801,769
<b>Subtotal</b>	<b>\$</b>	<b>-</b>	<b>\$ 1,801,769</b>
<b>Grand Total</b>		<b>\$</b>	<b>330,986,645</b>
		<b>\$</b>	<b>1,045,221,453</b>

(a) Amounts provided by Kansas Housing Resources Corporation  
Source: Unaudited data from the 2010 Governor's Budget Report.





## Have Kansas Agencies That Receive ARRA Funds Filed Timely and Accurate Section 1512 Reports?

### *Answer in Brief:*

*The State has implemented ARRA reporting requirements fairly well. Agencies generally have done a good job of filing their Section 1512 reports timely, and all agencies required to report have done so. We noted that all but two of 74 reports flagged by federal reviewers were satisfactorily resolved. The methodology agencies used to calculate jobs created and retained was consistent with federal guidance. However, two of the four programs we reviewed inaccurately calculated and reported the number of jobs created. We were able to reconcile expenditures listed on the Section 1512 report to the State's accounting system for 16 of 18 programs we reviewed. These and other findings are discussed in the sections below.*

### ***The State Has Implemented ARRA Reporting Requirements Fairly Well***

To answer the audit question, we reviewed Section 1512 reports, supporting documentation, and federal guidance in a number of areas. Specifically, we checked for the following:

- whether reports were filed late, or not filed at all
- whether federal reviewers had noted any issues with the report or flagged it in some way, and whether any subsequent follow-up was done to resolve the issue
- whether jobs reporting information was accurate, and the method used to calculate jobs created and retained was consistent
- whether reported ARRA expenditures agreed with the State's accounting system

Our findings in each area are summarized in the following sections.

**Agencies generally have done a good job of filing their Section 1512 reports timely.** Because the Act was passed in February 2009 and the initial reports were due in October 2009, recipients of ARRA funds had relatively quick timeframes to understand and comply with the new reporting requirements. As noted earlier, recipients are required to report jobs and spending information usually by the 10th day following the end of each calendar quarter.

The federal grantor agency tracks ARRA reports and notes if a grantee doesn't file the required Section 1512 report on [www.recovery.gov](http://www.recovery.gov) in a "non-reporters" summary. Further, federal information indicates when reports were initiated on [www.federalreporting.gov](http://www.federalreporting.gov) for each agency we reviewed. The information was limited in that it only showed when the report was initiated, and not when the report was completed. As a result, it's possible that some reports were initiated before the 10th but weren't completed on

time. Because we couldn't be sure, we didn't count those reports as late.

- **No agencies were “non-reporters.”** We reviewed the federal non-reporters summary and found only the Kansas Corporation Commission listed. However, the Commission didn't need to report. The Commission had withdrawn from the program before the moneys were distributed, and showed up on the list only because of the time it took to process the withdrawal.
- **The number and percentage of late reports has dropped significantly over time.** Based on federal information showing when the Section 1512 reports were initiated, it appears the number of late reports (initiated after the deadline) has decreased significantly, from 13.5% of the reports in October 2009 to 4.5% in April 2010.

Noncompliance with ARRA reporting requirements results in the same penalties as noncompliance with other federal reporting requirements. However, because of the emphasis on transparency, federal agencies have been instructed to be more strict in applying penalties. So far, State agencies haven't been penalized for late reporting.

**For all four quarters under audit, agencies satisfactorily resolved all but two of the 74 reports federal reviewers flagged for correction.** Federal reviewers analyze the Section 1512 reports and flag reports with errors or that need clarification. If a report is flagged, it's up to the State agency to resolve the issues by correcting the error, answering the reviewer's question, or assuring the reviewer that the information is correct.

For the periods we analyzed, reviewers flagged 74 out of 793 (9.3%) of Section 1512 reports filed by State agencies. We found that, in most instances, the flags were only minor requests for additional information or clarification. For example, we saw a report flagged because the agency reported spending ARRA funds but didn't report any jobs created. In this case, the agency had purchased some materials but otherwise hadn't started the project yet. In other cases, reviewers flagged reports because the number of jobs reported was more or less than expected. In these cases, the agencies were able to explain and or make minor adjustments to correct the information.

- **We only found two minor instances where the State agency didn't adequately address the federal reviewer's comments.** In the first instance, Fort Hays State University staff filed an ARRA Section 1512 report for the quarter ended June 30, 2010 for an award that was less than \$25,000. Because the award amount was less than \$25,000,

no report was necessary. The federal reviewer requested that Fort Hays University staff de-activate the report, but at the time of our audit University staff hadn't done this. In the second instance, Kansas Housing Resource Corporation staff didn't reply to the red flag on the June 30, 2010 report indicating the identifying number on the report didn't match what the federal agency had on file. Because the Kansas Housing Resource Corporation staff addressed this same issue when it was flagged on the March 31, 2010 report, staff didn't think another response was necessary.

- **The number of reports flagged by federal reviewers has decreased over time.** As shown in *Figure 1-1* below, federal reviewers generally are flagging fewer reports over time.

**Figure 1-1**  
**Number of Reports Flagged During Federal Review**

Quarter Ended	Number of Flags	Number of Reports (a)	% of Reports Flagged
9/30/2009	23	150	15.3%
12/31/2009	28	206	13.6%
3/31/2010	10	230	4.3%
6/30/2010	13	207	6.3%

(a)The number of entries includes only State agencies, not vendors or sub-recipients.  
Source: Unaudited data from [www.recovery.gov](http://www.recovery.gov)

**The methodology agencies used for reporting jobs created and retained was consistent with ARRA reporting requirements.** Job reporting is an important component of the Section 1512 reports. The federal government has issued guidance on how to measure and calculate jobs created and retained with ARRA funding. The goal is to have recipients consistently and accurately account for any jobs created or retained with ARRA funding.

We reviewed the methodology used by a selection of four agencies to calculate the jobs created and retained on their Section 1512 reports, and found that they were consistent with federal guidance. We didn't audit the appropriateness of the methodology, but audited agencies' compliance with it.

**Two of the four programs selected for jobs-created testing inaccurately reported the number of jobs created.** Federal guidance requires that all portions of a position (new or existing) funded with ARRA moneys be counted. The calculation is based on hours funded, and those hours are then converted to a full-time equivalent position.

We reviewed the job reporting accuracy for four programs in depth, and found the following:

- **Kansas Corporation Commission staff correctly entered the number of hours for each staff on a spreadsheet used to calculate jobs created or retained, but made an error when calculating the total.** In the Commission's spreadsheet that staff use to track jobs, the "total" calculation was incorrect, which resulted in an overstatement of 24 hours, or 0.05 full-time equivalent jobs created.
- **Department of Commerce staff didn't base their calculations on the calendar quarter, and miscalculated staff time spent on the project.** Agency staff used information from the Department's Time Allocation System, which is based on pay periods and doesn't line up with actual calendar quarter dates. Additionally, staff didn't notice that the hours worked by an employee from the previous quarter remained on the spreadsheet even though that employee had since retired. Combined, these errors resulted in an understatement of almost three full-time equivalent jobs created.

Agency officials stated that staff turnover at the Department of Commerce had contributed to this problem. Officials said new staff didn't have as much experience or knowledge about federal reporting which resulted in gaps in the reporting procedures and review process.

**We were able to reconcile expenditures reported on the ARRA Section 1512 report to the State's accounting system for 16 of the 18 programs we reviewed.** Section 1512 reporting requirements require recipients to report quarterly on the ARRA moneys spent. We reviewed ARRA reported expenditures with expenditures reported in the State's accounting system for 18 programs to check whether reported ARRA expenditures agreed with the State's accounting system

The two that didn't reconcile were both from Department of Commerce. However, the differences were relatively minor compared to the amount of total funds expended—1.1% and 3.3%. The Department of Commerce staff posted expenditures to the State's accounting system for both the Community Development Block Grant and Workforce Investment Act after staff had already submitted the ARRA Section 1512 reports for that quarter. Staff didn't subsequently amend the Section 1512 reports for these two programs to reflect these postings.

When we alerted them to this, Department officials began reconciling the Section 1512 report to expenditures in the accounting system. This helps them verify that the ARRA report matches expenditures staff post to the accounting system.

**Conclusion:**

*The Recovery Act will provide more than \$2 billion to Kansas entities. With those moneys come significant requirements for ensuring transparency and accuracy. State agencies reviewed generally have complied with the ARRA Section 1512 reporting requirements we tested. Officials administering the programs appear to be making concerted efforts to ensure compliance with the reporting requirements. Although we noted some discrepancies in our work, they were relatively infrequent and minor in scale.*

**Recommendations for Executive Action:**

- 1. To help ensure that reporting issues identified by federal reviewers are resolved appropriately and completely, Fort Hays State University and Kansas Housing Resources Corporation staff should follow up with their federal contact to resolve the items noted in this report.*
- 2. To help ensure that Section 1512 reports are as comprehensive and accurate as possible, Kansas Corporation Commission and Department of Commerce staff should create a system or process to verify that information, such as number of jobs created, is correct prior to submitting the report. For example, the agencies could create a checklist of items to review prior to submitting the ARRA Section 1512 reports.*



## APPENDIX A

### Scope Statement

This appendix contains the scope statement for this audit of ARRA reporting. This audit was conducted as part of the ongoing compliance and control audit work authorized by the Legislative Post Audit Committee.

#### **American Recovery and Reinvestment Act: A Review of Reporting**

The American Recovery and Reinvestment Act of 2009 (ARRA) was passed by the 111<sup>th</sup> Congress and signed into law on February 17, 2009. The Act was intended to provide a stimulus to the U.S. economy in the wake of the worst economic downturn since the Great Depression. The Act contained \$787 billion in domestic spending for items such as education, health care, infrastructure, and energy. It also provides for federal tax cuts and expansion of unemployment benefits and other social welfare provisions. During fiscal year 2009, State agencies spent \$165.8 million in ARRA funds. Currently, the State projects spending \$1.8 billion over the life of ARRA.

Along with the additional funds come additional reporting requirements including reports on the funds awarded and spent, and the number of jobs created and retained. However, states and agencies all across the nation have struggled with the new reporting requirement (called Section 1512 Reporting), and the federal government has been slow to publicize guidance. There has also been confusion over how subrecipients (legal entity to which a subaward is made which is accountable to the State agency for the use of funds) should report, which may result in double-counting or missing reports.

Because of the emphasis on transparency and because of the stance the current administration is taking on compliance, the consequences of not complying with ARRA and other regulations may be more serious than for other grant programs in the past. The external audit firm that performs the Statewide Single Audit (the portion of the audit aimed at compliance with federal regulations) audited 96% of the programs receiving ARRA funding. However, because none of the new Section 1512 ARRA reports were due during the audit period, the auditors did not audit those reports.

This compliance and control audit will answer the following question:

1. **Have Kansas agencies that receive ARRA funds filed Section 1512 Reports timely and accurately?** To answer this question, we would determine which State agencies received ARRA funding, either as a prime recipient or as a subrecipient. Of those, we would determine which projects the Section 1512 Reporting requirements apply to. We would select a number of projects to examine that are required to report under Section 1512. We would examine supporting documentation, including subrecipient reports and documentation, to determine whether the State agencies are reporting in compliance with Section 1512 and effectively monitoring subrecipients. We would also review the quarterly summaries on the Recovery.gov website to determine if any problems were noted during the federal review. We would conduct other test work as needed.

**Estimated resources:** 1 staff for 8 – 10 weeks



## **APPENDIX B**

### **Agency Response**

On November 23, 2010 we provided copies of the draft audit report to the Department of Administration, the Department of Commerce, the Kansas Corporation Commission, Fort Hays State University, and the Kansas Housing Resources Corporation. The Department of Administration did not provide a written response. The other four responses are included as this Appendix.



Mark Parkinson, Governor  
Thomas E. Wright, Chairman  
Joseph F. Harkins, Commissioner  
Ward Loyd, Commissioner

December 2, 2010

Mr. Scott Frank, Legislative Post Auditor  
Legislative Division of Post Audit  
800 Southwest Jackson Street, Suite 1200  
Topeka, KS 66612-2212

Dear Mr. Frank:

The Kansas Corporation Commission appreciates the opportunity to respond to the Legislative Division of Post Audit's compliance and control audit, *American Recovery and Reinvestment Act*. In reference to two of the findings the KCC provides the following response.

1. Kansas Corporation Commission staff correctly entered the number of hours for each staff on a spreadsheet used to calculate jobs created or retained, but made an error calculating the total. In the Commission's spreadsheet that staff used to track jobs, the "total" calculation was incorrect, which resulted in an overstatement of 24 hours or .05 full-time equivalent jobs created.

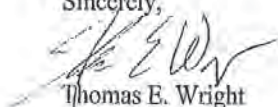
**Kansas Corporation Commission response:** The KCC cell formulas in the summary page total were confirmed. In addition, a control process has been established to cross-check the supporting detail for hours worked with the summary page total.

2. No agencies were "non-reporters". We reviewed the federal non-reporters summary and found only the Kansas Corporation listed. However, the Commission didn't need to report. The Commission had withdrawn from the program before the moneys were distributed, and showed up on the list only because of the time it took to process the withdrawal.

**Kansas Corporation Commission response:** The KCC contacted DOE about the non-reporting status on funding opportunity FOA DE-FOA 0000091 CFDA # 81.122 and the withdrawal was indeed processed.

Please let us know if we can be of further assistance.

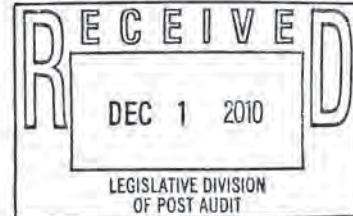
Sincerely,



Thomas E. Wright  
Chairman

1500 SW Arrowhead Road, Topeka, KS 66604-4027 • (785) 271-3100 • Fax: (785) 271-3354 • <http://kcc.ks.gov/>

**KANSAS HOUSING**  
RESOURCES CORPORATION



November 30, 2010

Scott Frank  
Legislative Post Auditor  
Legislative Division of Post Audit  
800 Southwest Jackson Street, Suite 1200  
Topeka, KS 66612-2212

Re: Response to ARRA Reporting Review

Dear Mr. Frank:

Please find attached Kansas Housing Resources Corporation (KHRC)'s formal response to Legislative Post Audit's completed compliance and control audit of the Section 1512 reporting requirements for our ARRA programs. I appreciate your staff's thoughtful review and recommendation.

I plan to attend the Post Audit Committee meeting on December 9<sup>th</sup>. Please do not hesitate to call if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Allsup".

Gary Allsup  
Executive Director

Enclosure

Kansas Housing Resources Corporation (KHRC) is proud to be a leader among housing finance agencies nationwide in implementing and administering American Recovery and Reinvestment Act (ARRA) funded programs. KHRC was the very first agency in the country to complete a multifamily housing development with the ARRA-funded Housing Credit Exchange Program. The U.S. Department of Treasury held a national press event recognizing KHRC for its achievement. KHRC was one of the earliest states to draft ARRA-funded Tax Credit Assistance Program documents, which have served as templates for housing finance agencies nationwide. Our novel approaches to efficiently implement and administer the influx of ARRA weatherization money and the ARRA-funded State Energy Appliance Rebate Program have served as models hailed by the U.S. Department of Energy.

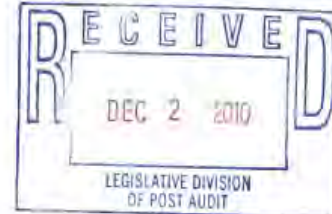
In response to Legislative Post Audit's review, KHRC appreciates this opportunity to review our compliance with the Section 1512 reporting requirements. We are pleased that the compliance audit did not identify any serious concerns and noted only one minor instance where KHRC may not have adequately followed up on a Federal reviewer's comments.

Specifically, KHRC's program staff received a notice from the Federal reviewer that the DUNS number entered did not match the number associated with the award. Our program staff had previously informed the Federal reviewer of the system's error so did not respond again. In the future, however, all KHRC program staff administering ARRA programs will be directed to more diligently (and repeatedly, if necessary) address every Federal reviewer's comments to avoid any error messages on the reporting system. After Post Audit's review, KHRC subsequently made e-mail and telephone contact with the Federal reviewer to resolve the discrepancy in the DUNS number.

To close, KHRC has not only met its Federal requirements as demonstrated in numerous Federal ARRA audits, but served as a national example in partnering with our Federal, State, and local partners in meeting the needs of our communities during these difficult economic times. KHRC is proud of its track record with ARRA and looks forward to continuing to serve the citizens of Kansas to meet their housing needs in the future.

December 1, 2010

Scott Frank  
Legislative Division of Post Audit  
800 SW Jackson St, Suite 1200  
Topeka, KS 66612



Dear Mr. Frank:

Thank you for the opportunity to review the Legislative Division of Post Audit's draft copy of the completed compliance and control audit. As you mention in your report, the States had relatively quick timeframes to understand and comply with the new reporting requirements for the ARRA funds.

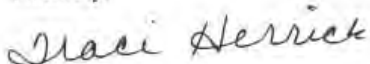
Considering the magnitude of change, it's not surprising there were minor issues that needed to be addressed and processes revised. Your report briefly mentions minor issues for the Department of Commerce regarding the reporting of jobs created/retained and the reconciliation of expenditures to the State accounting system. We appreciate your calling our attention to those changes.

For reporting jobs created/retained, the Department of Commerce partnered with U.S. Department of Labor. A revised report was then submitted and accepted. In addition, we have taken steps to create a procedures document to reflect that the request for time, now being pulled from the State's new accounting/time reporting system, SMART, should be for the specific quarter dates rather than pay period dates.

It is this newly created procedures document that Department of Commerce has also used to assure that expenditures are appropriately reconciled to the State accounting system. We felt that the procedures document would be a more comprehensive approach rather than a checklist to assure the reconciliation is done appropriately. As of the September 30, 2010 reporting, all expenditures have been reconciled for all reporting.

The Department of Commerce feels these issues have been addressed for the time period being reviewed and procedures put in place to assure compliance going forward.

Sincerely,



Traci Herrick  
Chief Fiscal Officer



**FORT HAYS STATE  
UNIVERSITY**

*Forward thinking. World ready.*

December 6, 2010

NURSING

Julie Pennington, CPA, CIA, CFE  
Financial-Compliance Audit Manager  
Legislative Division of Post Audit  
800 SW Jackson, Suite 1200  
Topeka, KS 66612

Dear Julie Pennington and the Legislative Post Audit Committee;

This memo is written in response to the draft report, *American Recovery and Reinvestment Act: A Review of Reporting*. I am the author of the FY 10 nurse faculty loan program awarded to FHSU. Upon receipt of this award, I was notified that a report of expenditures was required within a few days of notification of grant award. I was instructed to complete the form with a \$0 (zero) dollar amount since no funds had been dispersed to students. This was completed.

When I was out of the office for a few days (later in the summer) a second request was received to submit a de-activation report because the grant amount received was less than 25,000. Because the notification and deadline occurred while I was out of the office, there was no de-activation report submitted. Hence, the current flag relates to the need for the de-activation to occur. Despite communication between FHSU and HRSA, this has not yet been de-activated. I continue to persist in contacting HRSA to de-activate the report.

Please do not hesitate to contact me if you have questions.

Sincerely,

Liane Connelly PhD, RN, NEA-BC  
Chair and Professor of Nursing  
Fort Hays State University  
[lconnell@fhsu.edu](mailto:lconnell@fhsu.edu)

cc: Mike Barnett, FHSU

129 Stroup Hall · 600 Park Street · Hays, KS 67601-4099

Chair (785) 628-4498 · Undergraduate (785) 628-4256 · Graduate (785) 628-4327 · FAX (785) 628-4080 · [www.fhsu.edu/nursing](http://www.fhsu.edu/nursing)