



# AUDIT AND ADVISORY SERVICES

## American Reinvestment and Recovery Act Audit Project No. 12-579

January 12, 2012

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January 12, 2012

John Wilton  
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We have completed our audit of the American Recovery and Reinvestment Act (ARRA) as per our annual audit plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

We noted the controls in place appear adequate to mitigate non-compliance risks with ARRA requirements. The results of our audit are expounded upon in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to Research Administration and Compliance's Sponsored Projects Office and Information Systems, Extramural Funds Accounting, and departmental support staff for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley  
Chief Audit Executive

cc: Interim Associate Vice Chancellor and Controller Delphine Regalia  
Assistant Vice Chancellor Patrick Schlesinger  
Director Lori Cripps  
Director Pamela Miller  
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**University of California, Berkeley  
Audit and Advisory Services  
American Recovery and Reinvestment Act**

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## EXECUTIVE SUMMARY

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The Sponsored Projects Office (SPO) and Information Systems (IS) support offices within Research Administration and Compliance as well as Extramural Funds Accounting (EFA) provide the campus with training, support and reporting tools to fulfill American Recovery and Reinvestment Act (ARRA) requirements. Through November 4, 2011, the campus has received 215 awards totaling \$93,027,594.

The audit objective was to evaluate the design and operating effectiveness of the process and controls to promote compliance with federal ARRA requirements and accuracy and completeness of reporting to the federal government.

We evaluated the non-compliance risks associated with key ARRA requirements. We found that controls and administration of the process appeared adequate and we did not have reportable observations regarding the security of the campus reporting portal, campus compliance with quarterly reporting requirements, compliance with construction project requirements and reasonableness of spend down rates in relation to project status.

Related to completeness of ARRA reporting, we performed a 100% evaluation of the population, reconciling between campus records and the Recovery.gov website. Minor differences were observed and resolved by SPO and EFA management. There were six instances noted where the award amount per Recovery.gov was twice the actual amount supported by the award notification. The campus accurately reported awards through the web portal. No action appears warranted by the campus.

We also identified minor discrepancies in a sample of recalculated jobs created as reported by departmental preparers. The training and tools provided by SPO and EFA to support the jobs created calculation are clear, thorough, easy-to-use and widely available. Instructions on Recovery.gov direct reporters to not make adjustments for the noted discrepancies. EFA reached out to the affected units reiterating the calculation methodology. No further action appears warranted by the campus.

Overall, we believe that the controls in place appear appropriate to promote ongoing compliance with ARRA requirements.

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## OVERVIEW

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### Purpose and Scope of the Audit

The purpose of the audit was to evaluate the design and operating effectiveness of the process and controls to ensure compliance with federal requirements and objectives of ARRA and accuracy and completeness of quarterly reports submitted to the federal government.

We also identified and assessed risks associated with non-compliance with ARRA requirements and inaccuracy of manually populated quarterly reporting fields, such as the number of jobs created.

The scope included ARRA contracts and grants awarded to the campus through June 30, 2011, including closed projects and projects where the campus is the subaward recipient. We reviewed a sample of 21 quarterly reports during the April-June 2011 reporting cycle.

We reviewed:

- Adequacy of controls in place to ensure data loss prevention and/or data recovery of the quarterly reports in the campus web portal reporting mechanism;
- The completeness of the campus award population;
- Campus compliance with quarterly reporting requirements;
- Compliance with construction project requirements, such as, ARRA and Whistleblower signage, "Buy American" and the Davis-Bacon Act;
- Accuracy of the reported number of jobs created/retained and the employees the FTEs purport to represent; and
- Adequacy of the spend down rate based on the project completion status reported and the start and end dates of the award.

However, we specifically **excluded** the items below from the scope due to recent audits in the following areas related to federal grants and contracts, such as:

- OMB Circular A-21 compliance;
- OMB Circular A-110 compliance including project close-out, cost sharing, and program monitoring of subawards;
- Payroll cost transfers; and
- Effort reporting.

To the effect that there were no unique ARRA related requirements for these topics, management responses and planned actions were adequate to mitigate noted risks and control deficiencies identified in those prior audits.

## Background Information

On February 17, 2009, Congress passed ARRA. A direct response to the economic crisis, ARRA has three immediate goals:

- Create new jobs and save existing ones;
- Spur economic activity and invest in long-term growth; and
- Foster unprecedented levels of accountability and transparency in government spending.

ARRA allocated \$21.5 billion for research, providing funding for a broad array of opportunities. Funds received from ARRA require special tracking and reporting as a condition of the award.

### **ARRA, Section 1512, Requirements**

Not later than 10 days after the end of each calendar quarter, each recipient that received recovery funds from a federal agency shall submit a report to that agency. The report must contain:

- The total amount of ARRA funds received.
- The amount of ARRA funds received that was expended or obligated.
- A detailed list of all projects or activities for which ARRA funds were expended or obligated.
- An estimate of the number of jobs created and the number of jobs saved by the ARRA-funded projects or activities.
- Infrastructure investments made by state and local governments and the purpose, total cost, and rationale of the agency for funding the infrastructure investment with ARRA funds.
- Detailed information on any subcontracts or subgrants awarded by the recipient, including data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006.

*[Source: The American Recovery and Reinvestment Act of 2009]*

Reports and information for projects funded by ARRA are published for public viewing on the Recovery.gov website within 30 days after the end of each quarter.

Current spending plans anticipate incurrence of campus ARRA-related expenditures through fiscal year 2015 (the award with the latest end date), although only a few projects have a period of performance that extend to fiscal year 2015. As of June 30, 2011, approximately 54 ARRA projects had reached their end dates, which represented over \$7 million of the campus awards.

## Conclusion

SPO and IS support offices within Research Administration and Compliance and EFA provide the campus with training, support and reporting tools to accomplish ARRA requirements. Through November 4, 2011, the campus received 215 awards totaling \$93,027,594.

During our review, we identified and assessed risks that could negatively impact the campus' reputation with sponsors and/or result in punitive loss of funding or other penalties due to non-compliance.

Overall, we believe that the controls in place appear appropriate to promote ongoing compliance with ARRA requirements. Our detailed observations are discussed below.

With respect to compliance with ARRA requirements related to construction, we noted that the campus received one ARRA award for construction. The project was at the design phase and expenses had not been reported through the June 2011 quarterly report.

In addition, during our review of the accuracy of reporting jobs created or retained, we identified minor discrepancies in a sample of recalculated jobs created as reported by departmental preparers. The training and tools provided by SPO and EFA to support the jobs created calculation are clear, thorough, easy-to-use and widely available. Instructions on Recovery.gov direct reporters to not make adjustments for the noted discrepancies. EFA reached out to the affected units reiterating the calculation methodology. No further action appears warranted by the campus.

We also evaluated the adequacy of the spend down rate based on the project completion status reported and the start and end dates of the award. With post period adjustments and extensions of project end dates, spend down rates appeared to be appropriate and/or extenuating circumstances sufficiently explained.

Lastly, to provide assurance for the completeness in recording and reporting of ARRA awards, we conducted reconciliation between campus reports of ARRA awards maintained by SPO and those reported on the federal government's Recovery.gov website. We were able to reconcile the vast majority of the over two hundred awards the campus received, but we identified minor differences between the two sources of information. One research award was not appropriately denoted as ARRA funded in campus records. We discussed these differences with SPO and EFA management and either necessary correction to campus records were identified and/or made or the award amounts being tracked by the campus were correct and supported by the underlying award documentation. We understand that the differences we observed may be due to recent modifications to the subaward or the timing of updates to Recovery.gov by the prime awardee or federal agency. In all of these cases, we noted the quarterly reports due October 10, 2011 were completed and filed as required. There were six instances noted where the award amount per Recovery.gov was twice the actual amount supported by the award notification. The campus accurately reported awards through the web portal. No action appears warranted by the campus.