

**ARRA IN MISSISSIPPI:  
AN UNPRECEDENTED APPROACH TO  
ACCOUNTABILITY & OVERSIGHT**



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**A report from the Performance Audit Division  
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**Office of the State Auditor  
Stacey E. Pickering**

**Performance Audit Division Report #128**

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December 30, 2011

***Executive Summary***

Even before the American Recovery and Reinvestment Act of 2009 (ARRA) was signed by the President, Mississippi State Auditor Stacey E. Pickering realized the potential impact that such a rapid influx of federal dollars could have on the State. With the mandate to spend quickly, even without federal guidance, ARRA could definitely cause a negative impact on Mississippi.

With Katrina fraud as a backdrop and his ongoing efforts to stop fraud, waste, and abuse of taxpayers' money, Auditor Pickering knew that, even though they planned extensive auditing, the federal government would not be able to provide comprehensive ARRA outreach. He realized that there would need to be a unified effort amongst all oversight entities in Mississippi to not only watch the expenditure of dollars, but also provide the necessary training and technical assistance that would help protect the taxpayers' funds. He wanted to provide training opportunities to ARRA recipients so there would be no surprises when OSA began its accountability audits.

With his theory that "it is better to prevent a fire in the first place, than to have to go in after to determine why the house burned," Auditor Pickering, using the Performance Audit Division, created a multifaceted project plan to help ensure Mississippi's use of ARRA would be appropriately monitored. The plan included assessments, preparation and training, and auditing.

The results and replicability of this project reach far beyond ARRA. Ultimately, through Auditor Pickering's efforts and the project plan he implemented, Mississippi government—including its oversight agencies—have closer, more cooperative communication; entities throughout the State have a better understanding of internal controls and management; federal agencies have opened up channels of communication with the Auditor's Office; and ultimately, more entities want to understand their responsibility to be good stewards of our citizens' tax

money. The ARRA Accountability plan for Mississippi included the following four objectives:

***Objective I: Assessing the State's Preparedness for ARRA***

- Ensuring State procurement and bid laws did not conflict with ARRA and changing them where necessary (exhibit 1);
- Ensuring the Auditor's legal authority to audit private and non-profit sector ARRA recipients (exhibit 2);
- Creating intergovernmental teams to coordinate Mississippi's response to ARRA (exhibit 3);
- Completing an initial internal controls assessment of State agencies' preparedness to receive, disburse, and oversee ARRA funds (exhibit 4);
- Finding ways to reduce the one-time costs facing many recipients related to ARRA contracts, bids, and hiring;
- Questioning the federal government about their plans, regulations, guidance, etc., to gain better understanding and to foster better communication with the federal government (exhibit 5).

***Objective II: Preparing entities throughout Mississippi for ARRA rules, regulations, and audits***

- Conducting training and providing technical assistance to entities throughout the State that are receiving ARRA funds—this included local governments, schools, non-profits, and for-profits (exhibit 6);
- Creating networks of subject matter experts (SMEs), especially as they relate to such areas as Davis-Bacon, Buy America, ARRA bond programs, etc. from the government and private sector who were willing to assist others at no cost and were willing to aid in OSA's training efforts;
- Creating and distributing ARRA internal control checklists for any ARRA recipient to use for self-assessments (exhibit 7);
- Providing materials to entities to strengthen their own management and governance (exhibit 8).



**Objectives III: Auditing ARRA recipients for compliance**

- Contracting with a CPA firm (BKD, LLP) to conduct “real-time” ARRA grant audits (exhibit 9);
- Assisting in the creation of tailored compliance audit plans that BKD would use;
- Participating in/monitoring BKD fieldwork as part of OSA contract oversight and for quality assurance/consistency;

**Objectives IV: Investigating Criminal Activity**

- Expanding the role of the OSA/FBI/U.S> Attorney General’s Joint Task Force to include ARRA subject matter;
- Accepting whistleblower complaints from individuals, state agencies, and federal government for further investigation;
- Pursuing suspicious activity discovered through compliance and other audits

**Phase I: 2009 Preparedness**

By February 12, 2009, Auditor Pickering already had his staff reviewing and evaluating ARRA. By February 17, 2009 when the President signed the bill, OSA staff had already begun working with legislative drafters to conform State bid and procurement laws to ARRA requirements to reduce potential problems and to provide the State Auditor with full authority to audit any ARRA funds. By April 2009, the bills were signed by the Governor and became law.

At the same time, Auditor Pickering began reaching out to the Governor’s office as well as the State’s Department of Finance and Administration and other State agencies to ensure that there would be a coordinated effort to oversee the funds that would be coming into the State. While OSA staff acted as ARRA SME resources at the State level, they were also beginning to conduct the first internal control and preparedness assessments of State agencies prior to ARRA funds being distributed. OSA released this report in July 2009 and provided initial guidance back to the Governor’s Office and the Legislature for them to plan next steps.

The Legislature and the Governor were in accord. They wanted to see OSA conducting “real-time” auditing of ARRA funds, so the Governor set aside just over \$1 million dollars of ARRA State Fiscal Stabilization Government Services Funds for the Auditor’s Office. OSA had already begun developing training programs for Mississippi recipients; communicating with the OMB, the GAO, and the newly formed Recovery, Accountability and Transparency Board (RATb); and releasing a Request for Proposals to find a qualified firm to work with OSA to

conduct the monitoring that would be necessary to ensure appropriate expenditure of such funds. Because MS was one of the 16 GAO-monitored States, OSA met and worked individually with the GAO monitoring team each time they visited.

Throughout the summer and fall, OSA staff conducted ARRA training across the State, participated in training with the federal government, developed networks of experts, and continued to work toward finding a firm that shared OSA’s vision for “real-time” auditing. OSA has conducted more than 20 training sessions and webinars in 2009 and 2010 and has trained more than 2,600 unique individuals. These training efforts also utilized subject matter experts (SMEs) from federal and State agencies as well.

**Phase II: 2010 and Beyond Auditing and Investigations**

With Phase I of the ARRA accountability project well underway, Auditor Pickering implemented the bulk of the work with Phase II in 2010 that would last until December 31, 2011. While training, technical assistance, and work with federal agencies continued, auditing of ARRA recipients began in February 2010, just one year after passage of the stimulus program. OSA’s decision to contract the auditing portion of this project had its roots in ARRA. Specifically, one goal of ARRA was to put dollars back into the private sector by having governments contract ARRA work. Another section (Section 1554, Division A) required that “to the maximum extent possible,” all ARRA contracts should be competitively bid and fixed price in nature. OSA used a competitive bidding process and awarded a fixed price contract on December 23, 2009 to BKD, LLP.

In January 2010, OSA Performance staff worked with BKD to finalize the various audit plans for entities. Each one was designed to be unique to an ARRA funded program. Between February 2010 and December 2011, BKD has visited 402 of Mississippi’s ARRA recipients, including local governments, schools, non-profits, for profits, etc. At these sites, they tested compliance for more than 1,204 grants, which resulted in 934 findings (exhibit 10). In addition, OSA has accepted and pursued numerous whistleblower complaints from individuals and from the federal government.

OSA received more than 15 credible whistleblower complaints during 2010 and 2011. Additionally, between the work of OSA and BKD, eleven criminal investigations are still on going and some are multi-state, multi-jurisdiction fraud cases that transcend ARRA funds.





Several are pending cases and at least two have been resolved. The GAO has recognized and commended OSA's ARRA accountability efforts under this project.

Auditor Pickering's insight and vision about the need to oversee the ARRA funds coming to Mississippi has improved communication between all levels of government, provided assurance and accountability to citizens, provided training to entities who receive and use taxpayer funds, detected and corrected fraud and abuse, and improved government operations in Mississippi for less than \$2 million over two years (includes OSA and BKD contract costs). Ultimately, what this project shows is that government can operate efficiently and effectively and protect the taxpayer. This project is replicable within ARRA, but it is also replicable for any government funds.



**Office of the State Auditor  
Stacey E. Pickering**

**Performance Audit Division Report #128**

***AN UNPRECEDENTED APPROACH TO ACCOUNTABILITY AND OVERSIGHT***  
**December 30, 2011**

***Background***

***ARRA Main Goals:***

***1. Create and save jobs***

***2. Spur economic activity and invest in long-term economic growth***

***3. Foster unprecedented levels of accountability and transparency in government spending***

The American Recovery and Reinvestment Act (ARRA) was signed into law on February 17, 2009. Although in 2011 the estimate was increased to \$840 billion<sup>1</sup> just for direct allocations, Congress and the President's original expenditure estimate was \$787 billion. With the main goals of ARRA being to create jobs, spur economic activity and invest in long-term economic growth, as well as fostering unprecedented levels of accountability and transparency in government spending,<sup>2</sup> many private, government, and non-profit entities in every state were going to be provided new and/or additional funds to spend on various federal programs.

The intent of ARRA was to quickly inject money into the economic market place and create new and save existing jobs. Early on, The Mississippi Office of the State Auditor (OSA) realized that the federal government was about to give out a tremendous amount of money for which they had no spending plan, rules, or regulations in place.

The law spelled out the need for new program names, new regulations, new reporting requirements, and it contained new provisions for acquiring goods to use in construction (a planned major component of ARRA). All of these changes and additions were predicated on a number of disparate things:

- Governing authority by the U.S. Office of Management and Budget (OMB) for new ARRA programs—Later OMB would abdicate its ARRA authority in favor of allowing each federal agency to handle ARRA programs differently.
- Creation of a NEW oversight board – The Recovery Accountability and Transparency Board (RATb).
- The OMB allowing each federal agency to decide whether or not to classify ARRA programs as new or extensions of existing programs instead of keeping them separate.
- Specific requirements of the law, requiring new regulations for recipients.
- Little or no planned oversight at the State level.

The money was supposed to flow much more quickly than the federal government was used to moving. Mississippi's OSA saw this as a serious situation, especially in light of what happened at the State level (in other states) after Katrina. Then fraud and mismanagement

<sup>1</sup> The Recovery Act (2011). Retrieved December 15, 2011 from [http://www.recovery.gov/About/Pages/The\\_Act.aspx](http://www.recovery.gov/About/Pages/The_Act.aspx)

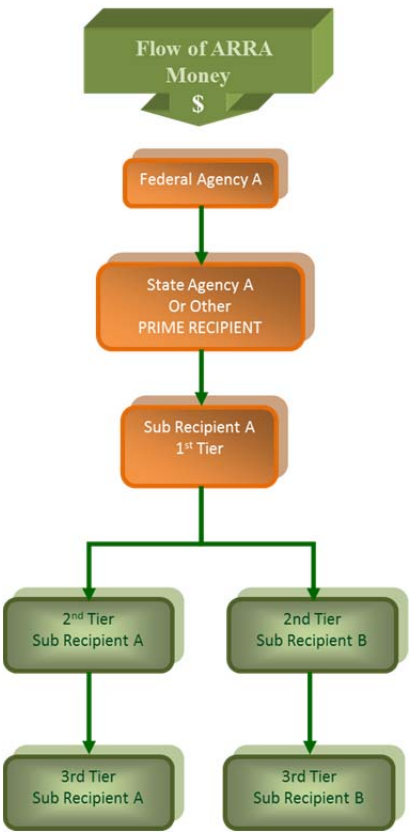
<sup>2</sup> *Fact Sheet* (2011). Retrieved December 15, 2011 from <http://www.recovery.gov/News/mediakit/Pages/Facts.aspx>



were rife amongst recipients of Katrina recovery funds. After that disaster, Mississippi’s OSA implemented its own oversight strategies that prevented and caught fraud related to federal disaster recovery funds being sent to Mississippi. The Mississippi State Auditor saw a need for a similar plan in the face of the coming flood of federal dollars.

### The New Recovery Accountability and Transparency Board

ARRA created the Recovery Accountability and Transparency Board (RATb) with the idea that it would ensure accountability and transparency in the expenditure of ARRA funds and would detect fraud, waste, and mismanagement. The Board, whose members come from the OIG community, received spending reports from the 28 federal agencies that distributed Recovery monies and oversaw the process by which recipients of Recovery funds submitted reports on their spending. They were to review Recovery projects and refer potential problems and/or allegations for additional investigation. The Board was tasked with not duplicating the investigative resources already existing throughout the federal government. The Board however, was to offer federal investigators background information on recipients receiving federal Recovery funds.<sup>3</sup> On at least two referrals received from the RATb, OSA found that the Board was not able to provide much data on the recipients. Originally, before the RATb was formed, the OMB created a reporting website (which was later transferred to the RATb) for all recipients. The website was supposed to be designed to provide data transparency and accountability to the general public. Over time, and with numerous reporting changes, data and information was reported to the public, however, OSA questions its validity and reliability due to the many changes. In addition, not all of the self-reported data was audited by the federal government. In fact, the concept that the money would be tracked to the bottom level of vendor payments was not factual. The federal transparency reporting requirements for ARRA were very limited.



### GAO State Monitoring

Early on, the federal government announced that the Government Accountability Office (GAO) would select certain states to undergo additional scrutiny. The GAO selected Mississippi as one of its 16 states that would have bi-monthly teams of auditors in reviewing various programs and entities. OSA worked with the Governor’s office and the Department of Finance and Administration (DFA) to develop a positive, constructive, and reciprocal relationship with these teams. OSA Performance Audit Division staff assisted by providing contact and background information on various entities, as well as by assisting the GAO teams in understanding Mississippi laws, rules, and regulations. Part of the effort included reviewing draft reports on State entities and activities for accuracy and content. The GAO teams also worked with OSA Investigations Division on several whistleblower referrals. In its September 2010 Recovery Act Report to Congress, GAO emphasized that, Mississippi Initiated Several Noteworthy Efforts to Comply with Recovery Act Requirements. According to the report, “Mississippi has initiated several efforts to improve the state’s response to the Recovery Act’s transparency and accountability requirements. Both OSA and DFA have provided training sessions for prime recipients to explain how to respond to the Act’s requirements. In addition, OSA regularly communicated Recovery Act information to recipients through its Technical Assistance newsletter and established a task force of governmental and non-governmental experts to assist recipients with Recovery Act requirements. These experts include attorneys, engineers, project managers, educators, and

<sup>3</sup> The Board (2011). Retrieved December 15, 2011 from <http://www.recovery.gov/About/board/Pages/TheBoard.aspx>



accountants who are available to answer inquiries from Recovery Act recipients at no cost to the recipients or to the state.”<sup>4</sup>

### **Joint Task Force with the FBI and United States Attorney’s Office**

After Katrina, OSA’s Investigative Division developed a fraud prevention team partially paid for with federal Katrina Recovery funds. As part of its prevention efforts, Investigations formed a very successful joint task force with the FBI and the US Attorney’s Office. Similarly, OSA saw the need for a similar team effort when ARRA was announced. OSA worked with the FBI and the US Attorney’s Office to extend and broaden their relationship to include the ARRA programs as well. Over the last several years, this relationship has proven extremely valuable in pursuing multi-state ARRA fraud cases, whose discoveries—through OSA oversight efforts—began in Mississippi. As ARRA funds spread through Mississippi, so did the efforts of OSA to monitor its programs and the entities that were receiving them.

## ***Unprecedented Approach***

The Mississippi Office of the State Auditor (OSA) Performance Audit Division staff began reading the ARRA bill several days prior to Congress passing the bill on February 13, 2009 and the President signing it into law 4 days later. OSA began to take an in-depth look at each of the various components of the Act and very quickly realized that some State laws would put Mississippi in conflict with the new federal bill. Additionally, OSA realized that Mississippi’s public and private non-profits and other entities might not be prepared for the new federal requirements. They would not only face new and specific reporting requirements; they would also be constrained by purchasing and contracting requirements.

The Act had many strings attached and it was apparent to OSA that the regulations governing expenditures would be lagging since the emphasis of the Act was to expend the ARRA funds as rapidly as possible. Through experience and observation, OSA realized how unprepared many Mississippi State and local government entities would be for the influx of programs and funds. Additionally, from reading parts of ARRA, OSA realized that many non-profits in Mississippi would also be faced with situations they had never seen before—federal dollars with invisible strings. OSA recognized the impending problems and decided to take preventative action.

Though the Mississippi Department of Transportation was one of the first State agencies anywhere in the country to have certified “shovel ready” projects, the vast majority of Mississippi government and nonprofits had no plan for how they would be using their newfound money. In fact, later, in a statement issued on November 2, 2011 to The

<sup>4</sup> Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States’ and Localities’ Uses of Funds (Appendixes) (2010) (pg. MS-27) Retrieved from <http://www.gao.gov/new.items/d101000sp.pdf>



Subcommittee on Regulatory Affairs, Stimulus Oversight, and Government Spending<sup>5</sup>, United States Department of Energy (USDOE) Inspector General Gregory H. Friedman would admit what OSA already knew in 2009, that “few ‘shovel ready’ projects existed at the start of the Recovery initiative in 2009.” He further testified, “the huge influx of Recovery Act funds...required extensive advance planning, organizational enhancements, and additional staffing and training. We found this to be true at the Federal, state, and local levels. As a result, despite a major effort in a high pressure environment, the Department struggled to obligate and expend Recovery Act funds on a timely basis.” This was not unique to the federal government. Many of Mississippi’s entities receiving ARRA funds would be in the same situation.

To mitigate this situation, to ensure Mississippi’s laws and procedures were parallel with ARRA, and to better prepare Mississippi’s recipient entities, in March 2009, OSA began to coordinate and conduct several high-level meeting with the State’s other executive agencies to discuss the impact of ARRA on the State of Mississippi. The first such meeting was held on March 12, 2009.<sup>6</sup> Based on its early analysis of ARRA, by early March, OSA had formulated several recommendations and had begun working with the Speaker of the House of Representatives, the Lieutenant Governor, the Governor, and the Department of Finance and Administration to modify purchasing and contracting laws to ensure State entities’ ability to comply with both federal and State procurement and bidding laws.

In addition, at the request of the Speaker of the House and several other Legislators, OSA had also provided language for bills that would guarantee the State (which would be held responsible for the ARRA funds sent to Mississippi) would have the authority to audit ARRA funds given to any non-federal entity. By April 15, 2009, the Mississippi Legislature had passed, and the Governor had signed these bills into law.<sup>7</sup> Again, later, it would be discovered that private educational institutions receiving ARRA funds could not be audited by the State because of federal rules. Knowing they were not being audited or monitored, also added to OSA’s concern over the validity and reliability of the federal data’s “accountability” and “transparency.”

With new federal regulations purporting to mandate “unprecedented accountability” of these funds and newly created federal GAO oversight teams tasked with monitoring the compliance of the monies disbursed to states, OSA realized how important it would be to create a system within the State of Mississippi to maximize all recipients’ understanding of and compliance with ARRA. OSA planned its own unprecedented approach to monitor the funds distributed within the State. That approach consisted of four main objectives that eventually brought the State of Mississippi to the forefront of the nation with its comprehensive implementation of accountability and transparency measures.

***OSA’s Unprecedented Approach:***

- I. Assess Preparedness***
- II. Train Recipients***
- III. Monitor ARRA Funds (Audit for Compliance)***
- IV. Detect and Deter Fraud, Waste, and Abuse (Investigations)***

<sup>5</sup> Statement of Gregory H. Friedman, Inspector General, U.S. Department of Energy (2011) [http://oversight.house.gov/images/stories/Testimony/11-2-11\\_RegAffairs\\_IG\\_Friedman\\_Testimony.pdf](http://oversight.house.gov/images/stories/Testimony/11-2-11_RegAffairs_IG_Friedman_Testimony.pdf)

<sup>6</sup> Meeting Material from March 12, 2009 ARRA Meeting (2009) <http://www.osa.ms.gov/documents/arra/meeting031209.pdf>

<sup>7</sup> Senate Bill 3052 (2009). Retrieved September 15, 2009. <http://billstatus.ls.state.ms.us/documents/2009/html/SB/3000-3099/SB3052SG.htm>



## I. Assess Preparedness

The majority of the ARRA funds allocated to Mississippi were earmarked to flow through State agencies. After successfully getting procurement and auditing laws changed to accommodate ARRA requirements, the initial step in OSA's approach to monitoring and oversight was to assess State agency preparedness before ARRA funds were disbursed. OSA immediately began to plan how it would be possible to conduct "real-time" auditing—a term being used at the federal level, but never previously clearly defined; how it would rise to the task of unprecedented accountability; and how it would help State agencies, other government, and non-government entities maneuver through what was to come.

By April 2009, OSA had assisted in updating purchasing laws and establishing its authority to monitor ARRA funds outside its normal auditing process. Also in April 2009, State Auditor Stacey Pickering presented at the Governor's Summit on Stimulus—a meeting of state agency heads, legislators, local government officials, and the public where agency leaders explained their plans for implementing programs under ARRA. Auditor Pickering unveiled OSA's plan of "Getting it Right, Keeping it Right, & Staying Ahead of the Game."<sup>8</sup> In this presentation, Auditor Pickering explained what was expected of the State and its recipients in terms of transparency, increase of services, efficiency of programs, accountability, and audits. He further stated OSA's response to "Staying Ahead of the Game" through regional training, technical assistance, performance audits, and financial and compliance audits. All of which were instrumental in the implementation of OSA's four objectives to its unprecedented approach of transparency and accountability.

Using this approach, which included legislation, internal activities, and work with other State and federal agencies, OSA began various outreach and evaluation activities.

### Preliminary Evaluations of State Agency ARRA Programs

The first of such evaluations was an assessment of State agencies conducted by the Performance Audit Division of the Mississippi State Auditor's Office. Since this division is well suited to conduct "real-time" auditing and oversight activities, the State Auditor tasked the division with identifying ARRA funded agencies and arranging for preliminary evaluations to gather a baseline of data. This was the first step toward meeting the challenge of unprecedented accountability. The report summarized the interviews and data gathering from sixteen agencies: The Mississippi Arts Commission, Mississippi Office of the Attorney General, Mississippi Department of Agriculture and Commerce, Mississippi Department of Education, Mississippi Department of Employment Security, Mississippi Department of Environmental Quality, Mississippi Department of Health, Mississippi Department of Human Services, Mississippi Department of Medicaid, Mississippi Department of Public Safety, Mississippi Department of Rehabilitative Services, Mississippi Department of Transportation, Mississippi Development Authority, Mississippi Forestry Commission, Mississippi Institutions of Higher Learning, and the Mississippi State Board for Community and Junior Colleges.

<sup>8</sup> Power Point Presentation for Governor's Summit on Stimulus (2009) <http://www.osa.ms.gov/arra.htm>





This evaluation served to acquaint auditors with relevant activities of an auditee; to identify potential areas of concern, which will require additional audit work; and to obtain information for use in planning and performing the detailed audit work that generally follows. The primary purpose was to obtain substantive data relating to preliminary findings and to formulate reasonable alternatives or recommendations to improve economy, efficiency, or effectiveness of the program's operations. The report, which was a compilation of 16 agency preliminary evaluation memos, served as a baseline for determining the needs of oversight reporting and evaluations that would be conducted as a result of ARRA. This report was issued on July 29, 2009.<sup>9</sup>

## II. Train Recipients

The second objective to OSA's unprecedented approach required a vigorous training program designed to make recipient entities aware of the accountability and transparency measures required by ARRA. To implement an effective approach OSA developed training materials and conducted numerous training sessions and by May 2010 more than 2,000 unique individuals in the public, private, and non-profit sector had received training. Training began in June 2009 with state and federal agencies and on August 26, 2009, OSA began to provide detailed training throughout the state for prime recipient entities. These training sessions were held in Biloxi, Verona, Starkville, Stoneville and Jackson.<sup>10</sup> In addition, OSA began conducting trainings throughout the state for all recipients and OSA staff were regular presenters at conventions, organizational meetings, school board meetings, state agency ARRA trainings, and workshops provided by the FBI and the USDOE.

### Proven Results

As aforementioned, OSA was acutely aware that many small organizations receiving ARRA funds would not be equipped to handle the unprecedented requirements of reporting and management of funds to ensure transparency. However, the effectiveness of the training efforts by OSA resulted in them becoming one of the most valuable assets to entities throughout the state. In a recent report from a monitoring review of the State's implementation of the State Fiscal and Stabilization Fund (SFSF), the U.S. Department of Education (USDOE) found that "the State implemented the program expediently and effectively in order to meet the financial needs of LEAs, IHEs, and other State agencies." In addition, the State received a commendation for "providing comprehensive guidance to sub recipients of SFSF grants."<sup>11</sup>

In a letter to Auditor Pickering from Eric Clark, Executive Director of Mississippi Community College Board, Dr. Clark expressed "how grateful Mississippi's community colleges are for the assistance" provided by OSA staff.<sup>12</sup> Training sessions were an integral process that OSA believes has set Mississippi uniquely at the forefront of establishing a practical means of implementing the unprecedented oversight necessary to ensure that funds

<sup>9</sup> Preliminary Evaluations of State Agency ARRA Programs (2009) <http://www.osa.ms.gov/documents/arra/agency-review.pdf>

<sup>10</sup> ARRA Training Workshops 2009 <http://www.osa.ms.gov/documents/arra/training-prime.pdf>

<sup>11</sup> State Monitoring Reports. <http://www2.ed.gov/programs/statestabilization/monitoring/ms.pdf>

<sup>12</sup> E. Clark (personal communication, letter, November 14, 2011)



are spent properly by providing tools and resources to all potential recipients. OSA was even able to assist some federal agency staff in better understanding the requirements under ARRA. In addition to “direct” training, OSA also conducted webinars, “train the trainer” sessions, and provided one-on-one direct resources through the Performance Audit Division and the Technical Assistance Division. One state entity, the Mississippi Department of Education (MDE), hosted and participated in these webinars specifically designed for its ARRA recipients. MDE credited OSA with “prompt technical assistance and training for the Department staff and 152 school districts throughout the state.”<sup>13</sup> Letter such as these and comments collected through surveys conducted after on-site training sessions, allowed OSA to enhance its training agenda by providing specific training geared toward a specific recipient or grant program. OSA’s diligence to research, recommend, and implement ARRA specific guidance proved invaluable and was a cornerstone in the success of Mississippi’s entities being prepared for the task of the unprecedented reporting as required by ARRA.

### **Partnerships Were Key**

Throughout the entire process, OSA developed close working relationships with many State and Federal government agencies, such as the Governor’s Office, the Mississippi Department of Finance and Administration (DFA), the Mississippi Department of Information Technology Services (ITS), the Federal Bureau of Investigation (FBI), the United States Attorney’s Office (USAO), the United States Department of Energy (DOE), the United States Environmental Protection Agency (EPA), the Governmental Accountability Office (GAO) and the United States Department of Labor (DOL) . OSA also developed a list of Subject Matter Experts (SMEs) from the private sector that were willing to volunteer their own time to help ensure that entities in Mississippi had the information and assistance they needed to understand federal requirements, such as Davis Bacon laws, documentation and reporting rules, etc. This network provided OSA the ability to answer questions, refer or get assistance with investigations, and provide clarification of guidance to state agencies and ARRA recipients.

## ***III. Monitoring***

### **Setting the Standard**

To ensure that the oversight of ARRA funds disbursed within Mississippi was conducted in a truly unprecedented manner of objectivity, transparency, and accountability, OSA established a new standard for accountability that could extend beyond ARRA funding. Although State law would have allowed OSA to select any firm for this accounting activity, or even conduct the work internally, OSA followed the ARRA guidelines to use a competitively awarded, fixed price contract and to contract out to the private sector to help them maintain their employment numbers.

<sup>13</sup> T. Burnham (personal communication, letter, February 2, 2012)





### Requests of Interest

On April 22, 2009, OSA requested Statements of Interest (SoI) entitled *Oversight, Assistance, and Monitoring of the American Recovery and Reinvestment Act in Mississippi: A Request of Interest/Qualifications*.<sup>14</sup> Through this SoI, OSA compiled a list of interested parties that were qualified (in whole, or in part) to assist with "front-end," "real-time," auditing services. The SoI outlined the services that would be required by ARRA and the expectations of OSA from interested parties should sufficient funding be made available for contractual services. The project would result in the types of data collection and reporting that will ultimately provide post-audit entities, the federal government, the State, and the public with useful information about ARRA projects in Mississippi and required "real time" oversight and technical assistance to project managers throughout the State. As a result of the SoI, OSA received a total of 27 responses from interested parties. The number of responses to this SoI prompted OSA to issue a Request for Proposal (RFP) when funding was approved for this project. When the RFP was issued, only 16 proposals were submitted and qualified.

#### *Firm Selection Criteria:*

*Relevant Firm Experience*

*Team Experience and Qualifications*

*Project Understanding and Approach*

*Approach to Project Management*

*Other Factors*

### Request for Proposals

Based upon the responses from the SoI and to move forward with its oversight and monitoring plan, OSA issued a RFP on August 4, 2009.<sup>15</sup> As aforementioned, there were 16 proposals submitted that qualified for consideration. The selection process was implemented by forming an ARRA Committee (Committee) consisting of five OSA employees from various divisions and with varying backgrounds and fields of expertise. The Committee composed of OSA CPAs, attorneys, and other qualified staff undertook the proposal evaluations using an objective review protocol and rating/scoring system. The RFP defined five core areas that would measure the interested party's ability to complete the requirements assigned by OSA as they pertained to the "real time" auditing and oversight activities. These core areas were weighted and combined into a scoring instrument, which can be found in Appendix 1.

### Scoring the Proposals

Each member of the Committee independently read and scored each proposal based upon the criteria set forth on the scoring instrument. After all the proposals had been independently scored by the five Committee members, each set of proposal scores were averaged. Based upon the averages, the proposals were ranked numerically and all those meeting the RFP qualifiers were set aside for another review based on cost proposals.

The RFP required a separate, sealed cost bid for each proposal. All of the sealed bids were opened after the technical proposals were scored. In preparing the RFP, OSA estimated the project would entail 6,540 hours. Knowing that there might be a variety of ranges of project hours and costs, OSA was prepared to use a weighting system to ensure equal consideration of costs for each qualified proposal. After review of both technical and rate cost proposals, the number of hours to complete the project for the top five proposals ranged from 4,880 to 20,454. In order to compare the proposals accurately, objectively, and fairly, a formula based

<sup>14</sup> Oversight, Assistance, and Monitoring of the American Recovery and Reinvestment Act in Mississippi: A Request of Interest/Qualifications <http://www.osa.ms.gov/documents/arra/request-interest.pdf>

<sup>15</sup> RFP: Oversight, Assistance, and Monitoring of ARRA Funds in Mississippi <http://www.osa.ms.gov/documents/arra/oversight-rfp.pdf>



upon the projected 6,540 was established. The process of ranking the cost proposals was performed by the entire Committee as a whole. There was also a recorder present to document the opening and scoring of the cost proposals. This was the only time anyone other than a Committee member was involved in the selection process. The committee had unilateral control of its selection process and no executive staff, department heads, nor outside personnel were consulted or permitted to participate in the process.

Once the technical proposals and cost proposals were ranked according to the aforementioned selection process, OSA selected and subsequently signed a contract with the CPA firm BKD in December 2009 for two years of limited testing, auditing, etc. of ARRA funds at non-State agency recipients. This partnership became the core of OSA’s unprecedented approach and the audit plans and methods developed by OSA and BKD are explained in detail further in this report.

*Factors Affecting Site Visit Time:*

1. *Condition of entity’s grant records*
2. *Extent of pre-monitoring preparation by the entity in response to requests*
3. *Number of programs administered by entity*
4. *Number of monitoring findings*

**“Real Time” Auditing: The Core of the Unprecedented Approach**

From the inception of OSA’s unprecedented approach to ARRA funding, emphasis on “real time” auditing has been the key to effectively accomplishing all the four objectives set for by OSA. As soon as the contract between OSA and BKD was signed on December 22, 2009, devising a method of conducting “real time” auditing was the first order of business. Early on, it was apparent that developing a comprehensive, workable, and effective plan for ARRA’s unique requirements would have to rely upon proven “best practices” in business. These “best practices” included the internal control procedures of entities, understanding the various entity types, the management structure and management style of each entity, and the financial accountability and reporting procedures for each entity.

Based upon research of these practices, in January of 2010, OSA and BKD established a monitoring and compliance oversight plan. This plan was designed to test entities’ adherence to ARRA requirements as well as assist non-State entities with technical information on federal reporting guidelines. The plan included an internal control questionnaire (See Appendix 2) developed by OSA and BKD and employed significant pre-visit communications and information requests which were meant to prepare the grantee for the visit. Significant factors that would affect the site visit time were examined and the plan was tailored to assist in removing the effects of these factors.

**Condition of Entity’s Grant Records**

One of the most important factors in preparing an audit and oversight plan is to determine the method by which an entity keeps its records. In some cases, very elaborate software accounting/filing systems were utilized, while in other instances, records concerning grants were kept in filing cabinets and in boxes with little or no apparent system in place to track reimbursements and/or expenditures. The condition of the record keeping system could potentially delay or even make real time auditing difficult to complete.

**Extent of Pre-monitoring Preparation by the Entity in Response to Requests**

When an entity was selected through sampling methods, BKD sent a form letter and packet of information to each entity. This packet of information was designed to prepare and inform the entity of the monitoring visit procedure as well as provide them with a list of the items that would be reviewed concerning the entity’s ARRA funds. The pre-preparation of the entity was a significant factor in determining the amount of time in which a monitoring visit



could be completed.

**Number of Programs Administered by Entity**

Many entities throughout the state received multiple stimulus grants from multiple funding sources. The number of grants greatly determined the amount of time for each monitoring visit. It also required that the entity stay abreast of all recent guidance for each ARRA funding program in which they administered. This proved to be a difficult task in that many of the awarding agencies had different guidelines. The varying guidance played an important part in the development of individualized audit plans for each grant type and funding source.

**Number of Monitoring Findings**

Based on ARRA guidelines, 16 finding categories existed. The number of findings directly reflected the knowledge of the entity on the proper guidelines required by each specific ARRA program. In many cases, OSA and BKD found that the issuance or new guidelines or changes to the existing guidelines were not properly reported to the recipient entity.

Throughout the monitoring procedures, site visits indicated a large percentage of entities had one or more of the above factors and throughout the process of monitoring procedures were continually revised to increase the grantee's pre-monitoring preparation.

Table E		
Compliance Requirement Finding Related To		Cumulative Number of Findings
1	Activities Allowed/Unallowed	6
2	Allowable Costs/Cost Principles	19
3	Davis-Bacon Act Violations	20
4	Documentation -- Missing/Insufficient	23
5	Period of Availability	3
6	Procurement and Suspension & Debarment -- General Violations	24
7	Procurement and Suspension & Debarment - ARRA Specific Contract Terms	134
8	Procurement and Suspension & Debarment - Buy-American Provisions	5
9	Procurement and Suspension & Debarment - Excluded Parties List	125
10	Procurement and Suspension & Debarment - Mississippi Express Products List	14
11	Reporting (1512 Errors/Omissions)	309
12	Special Tests and Provisions - Separate Accountability for ARRA Funding	114
13	Special Tests and Provisions - Presentation on the Schedule of Expenditures of Federal Awards	31
14	Special Tests and Provisions - Posting of Whistleblower Provisions	101
15	Special Tests and Provisions - Subrecipient Monitoring	5
16	Other	1
Totals		934



**Developing the Audit Plan**

Recovery.gov lists 1,144 separate awards of ARRA funds to Mississippi between February 17, 2009 and December 31, 2011. The total amount awarded including all grants, loans, and contracts was \$2,878,088,727, of which \$2,148,903,482 was received.<sup>16</sup> There were 14 types of entities that received these awards. Due to the amount of funding for the oversight project and the limited time allotted to complete the project, OSA and BKD established a random sampling procedure based on the data reported at Recovery.gov. At the project’s completion in December of 2011, 9 entity types had been visited totaling 402 site visits and the monitoring of 1,204 different programs. The types and numbers of entities visited as well as the number of programs monitored are shown in Table F. In addition to the nine entity types visited, there were five entity types that were excluded from our sampling. These included:

Table F		
Contract to Date		
Entity Type	# Visited	# Programs
Airports	5	3
Community Action Agencies	34	109
Community Health Centers	22	29
Head Start Agencies	4	11
Housing Authorities	41	43
Local Governments	148	321
School Districts	115	650
Other Nonprofits	9	13
Water Associations	24	25
TOTALS	402	1204

- **Community and Junior Colleges (CJC) and Universities:** OSA and BKD determined that these entity types primarily received PELL Grant monies and therefore fell into a “low risk” category. Therefore, they were excluded from sampling. However, we did provide training to these entities regarding the use of ARRA funds.
- **Proprietary Colleges:** USDOE OIG suggested that reviewing the student information at these proprietary schools could violate the Federal Educational Rights and Privacy Act (FERPA) and rather than duplicate efforts, the USDOE informed OSA that it would conduct monitoring visits of proprietary schools under its stimulus oversight plan.
- **Federal Contracts:** Federal contracts were covered under federal guidance and thus were excluded from sampling.

<sup>16</sup> State/Territory Totals by Award Type

<http://www.recovery.gov/Transparency/RecipientReportedData/Pages/RecipientAwardSummarybyState.aspx>



- **State Agencies:** Through agreed upon procedures, the monitoring of State agencies would fall under the purview of DFA through a contract with the CPA firm KPMG.
- **Private Entities:** Private entities, for the most part, were contracted as vendors through prime and sub recipients and by-and-large had no reporting requirements other than that to the contracting entity. Therefore, these were not included in the sampling. If any of these private entities had been prime or sub-recipients, they would have been monitored according to our procedures.

As a result of the preliminary evaluation of significant factors and sampling processes, individual audit plans were created to meet the specific requirements for the each type of ARRA program that was to be monitored by BKD. This led to the creation of 46 unique work programs encompassing 60 separate Catalog of Federal Domestic Assistance Numbers (CFDA) (Appendix 3).

### Implementing the Audit Plan

These audit plans were established on A-133 Compliance Supplement and the following procedures, as approved by OSA, were implemented for each specific grant. BKD chose a sample using data using a spreadsheet obtained from the Recovery.gov website in the download center for each two- month period. The data obtained from this location included all grants for which a 1512 report was submitted during the applicable quarter. The most recent quarter's report was chosen for each selection of entities. Each two- month period of sample entities selected were reviewed and approved by the OSA.

BKD obtained addresses and contacts for all sample entities. BKD then sent a form letter and packet of information (which included an introductory letter from OSA, a list of required documentation to be audited, and an internal control questionnaire, and the sample management letter) to each entity. Within two weeks, entities were called by a representative of BKD to confirm their visit date or to reschedule if the entity had a scheduling conflict with the original visit date.

BKD used the A-133 Compliance Supplement to create work programs for monitoring, focusing on the required compliance requirements for each audited program and the ARRA specific compliance requirements. These work programs was approved by the OSA.

Work programs were documented in the work papers for each program monitored and included Activities Allowed/Unallowed; Allowable Costs; Davis- Bacon Act; Matching, Level of Effort, and Earmarking; Period of Availability; Procurement and Suspension and Debarment; Reporting; and Special Tests and Provisions.

Findings noted throughout the monitoring process were written to a "findings" document and also documented in BKD's work papers. BKD conducted an informal exit interview with the monitored entity. These findings and the management representation letter were discussed at this interview, and the entity and BKD's representative signed each finding. The signed copies of the findings and the management representation letter were included in BKD's work papers.

- (a) **Activities Allowed/Unallowed:** Each entity's ARRA grant agreement was reviewed to determine the activities allowed/unallowed. In addition, the general ledger of the

*"Nobody likes to have someone come in and audit them, but what the auditor's office has done (having BKD monitor) is the best thing that could have happened to us."*

*– Tom Williams,  
President of Meridian  
Airport Authority  
(MAA)*



- entity was reviewed for any activities that appeared to be unallowable. These findings, along with the grant agreement and general ledger for each program were documented in BKD's work papers.
- (b) Allowable costs – A sample of items was chosen so that allowability could be tested. The criterion for the sample was 10% of the number of items or 10 items, whichever was less. These items were notated on the general ledger work paper and on a separate spreadsheet that was used for attribute testing. The attributes varied depending on the program; however, the list of attributes was directly obtained from the A-133 Compliance Supplement.
  - (c) Davis-Bacon Act: If an entity had ARRA construction contracts in excess of \$2,000, a sample of those contracts was obtained for review. The criterion for the sample was 10% of the contracts or 10 contracts, whichever was less. The sample was reviewed to ensure the Davis-Bacon Act clause was included and all certified payrolls for the sample were included in the documents provided BKD by the entity. Samples of certified payrolls were chosen for review with a criterion of 10% of the certified payrolls or 10 certified payrolls, whichever was less. These results were documented in a spreadsheet if more than five were reviewed. If there were less than five certified payrolls reviewed, the findings were documented in BKD's work program only.
  - (d) Matching, Level of Effort, and Earmarking: If a granting agency had specific guidance for an entity's ARRA program, the requirement specific to that program was reviewed. For example, one granting agency required a program to limit its administration costs to 10%. In that case, the general ledger was reviewed for any cost category that was considered administration. Management was inquired to the specifics of any administrative contractors. Those costs were totaled and compared to 10% of the grant. The findings were documented in BKD's work program only. This was a rare requirement.
  - (e) Period of Availability: Grant agreements for the grant award period were reviewed and noted in BKD's work program. Allowable Costs were included as an attribute and were tested using the same sample chosen in the Allowable Costs test work papers.
  - (f) Procurement and Suspension and Debarment: Each entity's procurements were reviewed based on its own internal policies and procedures. However, most of the entities monitored were state or quasi-state agencies and had a threshold amount of \$5,000 for procurements. For those procurements in excess of \$5,000, the entity's management was inquired as to the specifics of these procured contracts and a sample of those contracts was tested. The criterion for the sample was 10% of the number of items or 10 items, whichever was less. For state or quasi-state agencies, the procurement was tested for its compliance with state procurement policies and procedures and for compliance with ARRA requirements. This meant that all procurements in excess of \$25,000 were to be competitively bid. ARRA funded contracts were reviewed for the required federal and State contract terms and conditions (as outlined by DFA and required by ARRA). It was then determined whether each of the sample item vendors were suspended or debarred by searching each on the federal government's excluded parties listing service website. In





addition, verification of the entity's performed search was reviewed. All findings were noted in BKD's work papers.

- (g) Reporting: The most recent quarterly (or last three months) of 1512 reporting completed and submitted by the entity was reviewed for accuracy and timely submission. In addition, the previous 1512 report and any revisions were reviewed to determine their accuracy and the accuracy of any revisions. Copies of the 1512 reports were included in BKD's work papers.
- (h) Special Tests and Provisions: – For ARRA, review for this procedure was four- fold:
  1. A separate accounting of ARRA revenues and expenditures.
  2. A separate listing in the entity's audited Schedule of Expenditures of Federal Awards with the prefix of "ARRA" along with the appropriate CFDA number.
  3. Monitoring of any entity which had sub recipients. A sample of sub recipient's contracts were reviewed for language specifically identifying the award, such as the CFDA number or program title, and for the ARRA specific contract terms and conditions
  4. Compliance with the requirement that the ARRA whistleblower poster (or an acceptable alternative) be displayed onsite.

*\*Findings from each of these steps were recorded in BKD's work papers.*

OSA's ultimate goal in developing such customized monitoring plans was to ensure that recipients were equipped to report data accurately and timely. This goal further strengthened Mississippi's overall response to ARRA as a state. This unique approach to monitoring proved to be invaluable to many recipients such as the Meridian Airport Authority (MAA). In a telephone call to OSA, Tom Williams, President of MAA complimented OSA and BKD on the assistance provided his organization. , "Nobody likes to have someone come in and audit them," Williams said, "but what the auditor's office has done (having BKD monitor) is the best thing that could have happened to us." He further stated, "it was money well spent."<sup>17</sup> Such comments as those of Mr. Williams represent an awareness that this approach was focused on providing real time assistance and changed the way that entities often view audits. Mississippi's response to ARRA was contingent upon the thoroughness and consistency provided through OSA's comprehensive monitoring plan.

At certain intervals, BKD provides OSA with copies of the audits, detailed and overview summary reports, and other information, including its findings and recommendations of each entity monitored. These individual reports provide a unique opportunity to improve the overall oversight plan, tailoring it to meet the needs as presented by the recipients of stimulus funds. The goals and objectives accomplished through these onsite-monitoring evaluations include relevant technical information on federal and state guidelines, federal and state reporting, certifications, contracts and contract requirements, grants and bonds, internal controls, risk reduction, and fraud mitigation.

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<sup>17</sup> T. Williams (personal communication, April 9, 2010)



## The Outcome

BKD performed a total of 402 oversight and monitoring visits within its contract period, which was 52 visits more than the initially projected 350 visits. This comprehensive oversight initiative encompassed approximately 63% of the 641 of identified eligible non-state agency, not-for-profit and governmental entities in Mississippi that received ARRA funds. During the contract period, 13,104.456 hours were for direct on-site monitoring and 3240.55 hours were for administrative services, totaling 16, 345 hours. Efficiencies in the monitoring and oversight process was attributed to the increase of experience and knowledge of the monitoring staff, which resulted in 13% less time spent in on-site monitoring than originally projected.

### *IV. Investigations*

An integral part of OSA’s plan to monitor ARRA funds involved the referral, investigation, and prosecution of fraud, waste, and abuse. OSA’s Investigations Division has received and reviewed 11 criminal complaints of fraud, waste, or abuse in the State of Mississippi since 2009 involving ARRA funds. Of those, three investigations are still pending and two others have been resolved whereby the recipient was required to pay back money to its granting agency. Furthermore, several of the on-going criminal investigations are multi-state and multi-million dollar criminal investigations. At this time, no detailed discussion of on-going cases is allowed under Federal Rules of Criminal Procedure Title III Rule 6 (e).

The Investigative Division has partnered with several federal law enforcement agencies, including its task force with the FBI and US Attorneys' Office and continues to review any criminal complaints involving ARRA funds. There are many entities who have not yet expended all of the available funding and as these funds are audited in the coming years, it is likely that more complaints of fraud, waste, and abuse will be forthcoming.

### *Lessons Learned*

Through OSA’s implementation of its ARRA monitoring plan, one of the greatest—possibly the greatest—hindrance to the ARRA project came from lack of specific, uniform, and standardized guidance from OMB. Even as money was being dispersed to states and recipients, guidance was being written about how to spend those ARRA dollars properly. Entities were told to spend the funds expediently and, consequently, many spent their funds before guidance was provided. By the time the federal agencies provided their ARRA guidance, many had expended their funds in ways that were non-compliant.

In addition, over the course of the ARRA project, both OMB and agency guidance was frequently updated and the new updated guidance conflicted with the previous guidance. This caused confusion within federal agencies, with states that were dispersing dollars, and





with other recipients that had already expended ARRA dollars. At the federal agency level, OSA found that often individuals in charge of certain programs had difficulty keeping up to date with changes. Additionally, OSA found that where some might know of changes, others did not, which was attributed to poor communication within federal agencies. OSA found that both States and other recipients received conflicting information and rules and were unable to get reliable assistance (or written documentation) clarifying their questions and concerns.

At times, during the monitoring process, OSA had difficulty determining if certain funds were properly accounted for and which guidance should be used to determine compliance. Finally, not only did OMB allow agencies to decide whether to create new programs (using a new CFDA number) or intermingle ARRA funds and rules with existing programs, OMB also allowed many federal agencies to create their own set of guidance for each of their specific ARRA programs.

When ARRA was in the initial implementation stage, OSA, other Mississippi Executive agencies, and numerous other states requested that OMB issue one set of “umbrella” guidance that would encompass all ARRA funds and be promulgated from the federal level all the way down to the recipient entity. These requests were dismissed. More often than not, the guidance provided to entities from their recipient agencies was contrary to that of the overall guidance issued by OMB. To make matter worse, many entities received ARRA funds from several federal agencies and each individual grant had to be implemented under general ARRA guidelines, ARRA Agency/Program specific guidelines, and general program guidelines (for those programs that were merged together). Much of that guidance differed from project to project within the same entity and those administering the multiple programs within that entity were often overwhelmed with implementing the specific programs, each with separate and conflicting guidance. Reporting under ARRA held its own challenges. OSA recommends that should another program such as ARRA ever be implemented, having specific, uniform, and all-encompassing guidance would provide better implementation, accountability, transparency, and oversight of the specific projects and funds.

Training was severely lacking to meet the needs of ARRA recipients and federal agency employees. OMB and other federal agencies had the great idea of using video conferences and webinars to train recipients. Unfortunately, very few recipients ended up being able to participate. Many of the training webinars that OSA attended had enrollment limited to less than 100 participants nationwide. As they participated in these conference calls, webinars, and other “training” opportunities, OSA determined that there was no effective training about how to handle ARRA programs and funds. On at least two occasions, OSA participated in webinars from the OMB purporting to provide definitive guidance for certain ARRA programs, where the “Definitive guidance” was rescinded the next day because it contradicted something else in writing already.

In fact, OSA found that at many federal agencies, there was very little knowledge of the Act itself. OSA staff personally talked with key ARRA federal program directors whose programs had already sent out ARRA money, yet the director clearly admitted to not knowing about anything called Stimulus, ARRA, or the Recovery Act, all common names. On one occasion, OSA received a call back several days later from an ARRA program director who admitted she had just found out that the program she was administering was “all this new money from the President,” but she was still unable to help answer OSA questions about the program.

From its own experiences, OSA believes that it is possible that many recipients seeking assistance were given wrong guidance from the federal awarding agency or not provided assistance at all. In many cases, state agency recipients, based on their own knowledge and understanding of ARRA, were required to train the program directors from the entities that



were awarding ARRA dollars. OSA had numerous federal agency staff request to attend our training sessions. Federal agency level training was rarely repeated even after new guidance was issued.

OSA determined that Federal agencies should have had proficient knowledge of the programs requirements for which they were providing funding under ARRA prior to awarding grants, loans, and contracts. Extensive, defined, and repeated training should have been required of all entities that received federal dollars. As previously stated, OSA set a precedent in the beginning by providing training to Mississippi recipients. Should any similar funding programs be enacted in the future, the federal government should have a better plan and better implementation of guidance training.

OSA believes that vast majority of ARRA “accountability” data will be neither valid nor reliable. Originally, the federal government talked of having longitudinal data studies to analyze and understand the benefits of ARRA funding. However, since recipient reporting requirements, elements, and rules were changed so frequently, OSA finds that data measures from one reporting period to another might not be equivalent or even measure the same data. For example, changing whether data reported was cumulative or not from one reporting period to another, without the ability to go all the way back to the start of project reporting to make changes makes such data useless. This and similar changes to reporting caused confusion—which led to errors—and made the data reported in previous reporting periods unreliable.

The federal government stated that there would be unprecedented accountability. Perhaps most important, only a small segment of ARRA funds would have required reporting (those funds that were part of Section 1512, part A of ARRA. At the same time, they only planned to review a certain small percentage of all ARRA reports. Therefore, OSA concludes that much of the spending data reported to the federal government was never reviewed and much of the spending was never reported in the new “transparent” reporting system. OSA suggests that in the future, the federal government be more consistent with reporting requirements.

OSA found that data rule changes were made frequently throughout the project period. Recipients were required to self-report into the database. With all the forms and exceptions, this was a daunting task. All of the form data was left blank for the recipient to complete. This led to many questions and errors that did not allow the recipients to file their reports timely. Because much of the ARRA reporting data had to be reentered each time, and because guidance and training were not comprehensive, the individuals who were responsible for reporting (and who generally had their regular jobs to do also) made mistakes. Much of the confusion and errors as a result of the self-reporting could have been diminished if the known recipients’ information such as address, congressional district, and zip code would have already been included in the form before the recipient attempted to report.

Before the implementation of the reporting process, OMB should have enlisted the expertise of professionals in the field of longitudinal studies such as statisticians and economists that could have established realistic, valid, and reliable formulas and plans for data collection. Better planning by the federal government, along with more training, and less changes, would have also made the implementation and reporting of ARRA programs much more meaningful.



## ***Conclusion Setting a Precedent***

OSA established an unprecedented approach that it believes set the State of Mississippi in the forefront of the nation in meeting the challenging demands of ARRA accountability. With its custom tailored audit plans, unique auditing contract, real time and extensive site visits, OSA provided accountability that was required through the spirit of ARRA when it was first enacted.

By taking the holistic approach to monitoring, OSA continues to believe that compliance will improve throughout the State. Since the inception of OSA's ARRA Oversight and Monitoring program, the State Auditor stressed the importance of post-auditing and implementing this new rigorous "real-time" system to monitor the Recovery Act funded programs. However, the State of Mississippi has benefitted from this approach through the learning of best practices and methodology than can be applied to any future federal funding as well.

The level of accountability developed by OSA and its partners throughout this process has set new standards in the auditing of not only ARRA, but in other federal and state funded programs. This oversight and monitoring model can and should be implemented in every area of government funding to ensure citizens that government is being a responsible and to ensure that where it is not, that government will be held accountable.



## **Appendix 1: Scoring Criteria**



**Appendix 1: RFP Scoring Criteria**

Review Sheet: RFP

Respondent Name: \_\_\_\_\_

Reviewer Name: \_\_\_\_\_

Scoring Instructions: Please rate each submission based on the following criteria and total points allowable for each criteria

CRITERIA	TOTAL POINTS ALLOWABLE	POINTS AWARDED
<b>1 RELEVANT FIRM EXPERIENCE</b> <i>CONSIDER THE FOLLOWING: (Max 2.5 points each sub category)</i> <ol style="list-style-type: none"> <li>1 Previous contracts that company was awarded</li> <li>2 Nature of such contracts</li> <li>3 References from these contracts</li> <li>4 Were any contracts with Mississippi or its subdivisions</li> <li>5 Involvement in any litigation</li> <li>6 Capacity to begin immediately</li> </ol>	<b>15</b>	<b>Sub Total</b>
<b>2 TEAM EXPERIENCE AND QUALIFICATIONS</b> <i>CONSIDER THE FOLLOWING: (Max 2.5 points each sub category)</i> <ol style="list-style-type: none"> <li>1 Team members positions in firm</li> <li>2 Years of experience of such personnel</li> <li>3 Type of experience of such personnel</li> <li>4 Collaboration with others who are specialized</li> <li>5 Other projects using these members as a team</li> <li>6 Previously employed (last 5 years) State employees</li> </ol>	<b>15</b>	<b>Sub Total</b>
<b>3 PROJECT UNDERSTANDING AND APPROACH</b> <i>CONSIDER THE FOLLOWING: (Max 2 points each sub category)</i> <ol style="list-style-type: none"> <li>1 Is contractor's understanding in line with OSA's vision</li> <li>2 Is the ability to evaluate ARRA recipients evident</li> <li>3 Is the ability to evaluate ARRA sub-recipients evident</li> <li>4 Is the ability to track ARRA funds present (via an accountant, auditor, accounting firm, etc)</li> <li>5 Can contractor assess a program and determine if objectives have been met</li> <li>6 Is it evident that contractor can assess an entity to determine if requisite reporting of ARRA activity is occurring</li> <li>7 Is it evident that contractor can assess an entity to determine if spirit of ARRA (job creation, increased service delivery, transparency, accountability is present)</li> <li>8 Did they describe strengths AND weaknesses and ways to mitigate limitations</li> <li>9 Areas of strength as related to project</li> <li>10 Limitations as related to project</li> </ol>	<b>20</b>	<b>Sub Total</b>
<b>4 APPROACH TO PROJECT MANAGEMENT</b> <i>CONSIDER THE FOLLOWING: (Max 8 points each sub category)</i> <ol style="list-style-type: none"> <li>1 Creation of teams/Staffing for the various levels of recipients and sub-recipients</li> <li>2 Quality Assurance/Quality Control (QA/QC) systems</li> <li>3 Any mechanisms in place for the reporting/communicating of information to OSA. Availability of a central office for OSA to visit</li> <li>4 Issues related to design and implementation</li> <li>5 Any timelines/time tables provided on when recipients will be evaluated and info sent to OSA</li> </ol>	<b>40</b>	<b>Sub Total</b>
<b>5 OTHER FACTORS</b> <i>CONSIDER THE FOLLOWING: (Max 2 points each sub category)</i> <ol style="list-style-type: none"> <li>1 Current Workload/Ability to proceed</li> <li>2 Conflict of Interest issues</li> <li>3 Ability of vendor to follow directions</li> <li>4 Certification letters enclosed in packet</li> <li>5 Relevant factors that may impact quality and value of work.</li> </ol>	<b>10</b>	<b>Sub Total</b>
		<b>Grand Total</b>

**Comments:**



## **Appendix 2: Internal Control Questionnaire**











### **Appendix 3: OSA's Selection of ARRA Programs under CFDA**



List of CFDA Numbers and Program Titles Audited Under ARRA Performance Audit Project 2010-1011		
1	10.579	Child Nutrition Discretionary Grants Limited Availability
2	10.687	Capital Improvement Maintenance
3	10.780	Community Facilities Loans and Grants
4	10.781	Water & Waste Disposal Systems for Rural Communities
5	12.124	Mississippi Environmental Infrastructure (Section 592)
6	14.257	Homelessness Prevention and Rapid Re-Housing Program (HPRP)
7	14.885	Public Housing Capital Fund Stimulus (Formula) Recovery Act Funded
8	16.710	Public Safety Partnership and Community Policing Grants
9	16.801	State Victim Formula Grant Program
10	16.804	Edward Byrne Memorial Justice Assistance Grant Program
11	16.810	Assistance to Rural Law Enforcement to Combat Crime and Drugs Competitive Grant Program
12	17.275	Program of Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors
13	20.106	Airport Improvement Program
14	20.509	Formula Grants for Other Than Urbanized Areas
15	66.039	National Clean Diesel Emissions Reduction Program
16	66.458	Capitalization Grants for Clean Water State Revolving Funds
17	66.468	Capitalization Grants for Drinking Water State Revolving Funds
18	81.042	Weatherization Assistance for Low-Income Persons
19	81.087	Renewable Energy Research and Development
20	81.122	Electricity Delivery and Energy Reliability, Research, Development & Analysis
21	81.128	Energy Efficiency and Conservation Block Grant Program (EECBG)
22	84.387	Education for Homeless Children and Youth
23	84.389	Title I Grants to Local Education Agencies
24	93.703	Health Centers Cluster
25	93.713	Child Care and Development Block Grant (CCDBG)
26	93.727	Health Information Technology - Beacon Communities - ARRA
27	97.114	Emergency Food and Shelter Cluster
28	11.300 & 11.307	Public Works and Economic Development Cluster
29	14.228 & 14.255	State Administered Small Cities Program Cluster
30	14.253, 14.254	Entitlement Grants Cluster (CDBG-R)
31	20.500 & 20.507	Federal Transit Cluster
32	16.588	Violence Against Women Act Formula Grants
33	17.258, 17.259, 17.260	WIA Cluster
34	20.205, 20.219, 23.003	Highway Planning and Construction Cluster
35	84.391, 84.392	Special Education Cluster (IDEA)
36	84.394, 84.397	State Fiscal Stabilization Fund Cluster (SFSF)
37	93.558, 93.714 & 93.716	Temporary Assistance for Needy Families Cluster (TANF)
38	93.569 & 93.710	Community Services Block Grant Cluster
39	93.708, 93.709	Head Start Cluster
40	84.386	Education Technology State Grants (E2T2)
41	16.808	Edward Byrne Memorial Competitive Grant Program
42	94.006	AmeriCorps
43	81.041	State Energy Program (SEP)
44	93.707	Aging Congregate Nutrition Services for States
45	84.410	Education Jobs Fund (EdJobs)
46	84.388	School Improvement Grants (SIG)



## **Appendix 4: Letters Commending OSA's Work**









For more information about this issue, contact

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