



OFFICE OF INSPECTOR GENERAL



DEPARTMENT OF THE INTERIOR

# RECOVERY OVERSIGHT ADVISORY

*A Critical Point Evaluation Product*



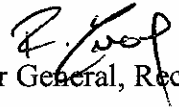


## RECOVERY OVERSIGHT OFFICE

Washington, DC 20240

April 8, 2009

To: Chris Henderson  
Department Recovery Act Coordinator

From: Robert A. Knox   
Assistant Inspector General, Recovery Oversight

Subject: Recovery Oversight Advisory – Recovery Act Activities and the Compliance Supplement (ROO-ROA-MOA-9004-2009)

Congress provided us with funding to oversee and ensure accountability of the \$3 billion appropriated to the Department of the Interior (Department) in the American Recovery and Reinvestment Act (Recovery Act or Act). To help safeguard these taxpayer dollars, we will focus on: preventing fraud, waste, and abuse of recovery and reinvestment dollars; early detection to reduce the impact of such misuse when it does occur; and ensuring transparency in our oversight efforts. In a spirit of collaboration with the Department as it implements the massive programs envisioned under the Act, this advisory informs you of observations regarding Recovery Act activities and the Compliance Supplement.

It is our understanding that the Department intends to award over \$1 billion (nearly a third) of the Department's Recovery Act funding through financial assistance. Adding Recovery Act assistance programs to the OMB Circular A-133 Compliance Supplement (the Supplement) will be an important step for the Department to ensure adequate monitoring and oversight of Recovery money. Using the Supplement as an additional oversight tool should promote accountability of the Department's Recovery Act financial assistance programs and allow the Department to obtain more relevant Single Audit results for Recovery Act programs.

**Background**

Under the Recovery Act, Congress appropriated \$3 billion to the Bureaus of Land Management, Reclamation, and Indian Affairs; the U.S. Fish and Wildlife Service; the National Park Service; and the U.S. Geological Survey. The Single Audit Act Amendments of 1996, and Office of Management and Budget (OMB) Circular A-133 require Non-Federal entities (state and local governments, tribes, non-profit organizations) that receive Federal awards to have an annual audit of those funds (e.g., grant programs). Under the Recovery Act, the Single Audit will continue to be used as a mechanism to drive accountability for Federal financial assistance programs.

To assist independent public accountants (IPAs) and recipients in meeting the requirements of the Single Audit Act and OMB Circular A-133, OMB issues the Compliance Supplement annually. The Supplement provides detailed program information for approximately 110 Federal programs. For these programs, the Supplement supplies a source of information for IPAs to understand a Federal program's objectives, procedures, and compliance requirements

relative to the audit. It also provides audit objectives and suggested audit procedures for determining compliance with the requirements. Without the Supplement, auditors would need to research many laws and regulations for each audited program to identify the compliance requirements that are relevant and could have a direct and material effect on a program.

## Issue

The Compliance Supplement is not a static document. It must be updated and remain current to be effective. The Senate and House Reports supporting the 1996 Amendments to the Single Audit Act cited studies of the single audit process that argued the case for an updated Compliance Supplement.<sup>1</sup> A study by the National State Auditors Association, for example, stated

The Compliance Supplement provides an invaluable tool to both Federal agencies and auditors in setting forth the important provisions of Federal assistance programs. This tool allows Federal agencies to effectively communicate items that they believe are important to the successful management of the program and legislative intent. Such a valuable tool requires constant review and update. [emphasis added]

To ensure the Supplement remains current, OMB Circular A-133 requires Federal agencies to inform OMB annually of any updates, including the addition of programs. Historically, the Department had not contributed significantly to the Supplement, submitting detailed supplement write-ups for only six programs (four BIA programs and two FWS programs). Beginning with the 2007 Supplement, the Department has become a more active contributor – the 2009 Supplement, which OMB will be issuing within the next two months, will include 10 Department programs (four BIA programs, five FWS programs, and one MMS program).

Despite this increase in activity, the Department lags behind other agencies in terms of presence in the Supplement. Of the 184 Department programs listed in the November 2008 print edition of the Catalog of Federal Domestic Assistance (CFDA), 166 programs cite a Single Audit requirement. Yet, the 2009 Supplement will include only 10 programs, or 6 percent of Department programs with Single Audit requirements. The 2009 Compliance Supplement will include detailed supplement write-ups for the following programs:

- CFDA 15.021 – Consolidated Tribal Government Program
- CFDA 15.022 – Tribal Self-Governance
- CFDA 15.030 – Indian Law Enforcement
- CFDA 15.042 – Indian School Equalization Program
- CFDA 15.426 – Coastal Impact Assistance Program
- CFDA 15.605 – Sport Fish Restoration Program
- CFDA 15.611 – Wildlife Restoration
- CFDA 15.614 – Coastal Wetlands Planning, Protection and Restoration Act
- CFDA 15.623 – North American Wetlands Conservation Fund
- CFDA 15.635 – Neotropical Migratory Bird Conservation

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<sup>1</sup> These studies were performed by the Government Accountability Office, the President's Council on Integrity and Efficiency, and the National State Auditors Association (NSAA).

Unless the Department plans to award all of the Recovery Act grants through the above existing CFDA numbers, Recovery Act audit guidance for IPAs in fiscal years 2010 and 2011 (projected to be when much of the Recovery Act money is expended by grantees) seems insufficient.

To utilize the Compliance Supplement to provide sufficient guidance to IPAs, the Department could determine which existing financial assistance programs will be used and whether any new programs will be created to award Recovery Act funds. The Department could then plan to add those programs to the 2010 Compliance Supplement. The revision process for the Compliance Supplement usually begins in September, with draft program write-ups due to OMB by the beginning of November. If the Department were to take these steps, single audits of Recovery Act financial assistance awards could be more cost-effective and useful by focusing the efforts of auditors who perform single audits.

### **Assistance Activities**

As a member of the Compliance Supplement Core Team, our National Single Audit Coordinator (NSAC) oversees the Department's annual Compliance Supplement updates. The NSAC is available to assist the Department in undertaking the recommended initiative to further promote accountability of the Department's Recovery Act financial assistance programs.

We do not require an official response to this advisory. Please feel free to contact me if you have any questions.

cc: Acting Assistant Secretary – Policy, Management and Budget  
Director, Office of Financial Management  
Departmental GAO/OIG Audit Liaison  
Audit Liaison, Office of the Secretary

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