

U.S. Department of Labor

Office of Inspector General—Office of Audit



PROCEDURES FOR ACCOUNTING AND REPORTING FINANCIAL ACTIVITY UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

Date Issued: August 28, 2009
Report Number: 18-09-001-13-001

BRIEFLY...

Highlights of Report Number: 18-09-001-13-001, to the Senior Accountable Official for the American Recovery and Reinvestment Act of 2009.

WHY READ THE REPORT

The Recovery Act requires federal agencies to implement an unprecedented level of transparency and accountability to ensure U.S. citizens can see where and how their tax dollars are being spent.

The Department of Labor received more than \$40 billion under the Recovery Act to expand unemployment benefits, increase employment and training opportunities, build and rehabilitate Job Corps Centers, enforce worker protection laws, and coordinate activities related to the infrastructure and unemployment insurance investments. Both the Recovery Act and OMB guidance contain provisions requiring Federal agencies to account separately for ARRA funds. The Department has also issued instructions to its agencies on how to account for and report on ARRA-related obligations and expenditures.

WHY OIG CONDUCTED THE AUDIT

The audit objectives were to answer the following questions:

1. Has the Department implemented, or does it have plans to implement, procedures to account for Recovery Act financial activity as required by Federal law and Office of Budget and Management (OMB) guidance?
2. Does the Department have processes to report on the use of Recovery Act funds in accordance with OMB guidance?

READ THE FULL REPORT

To view the report, including the scope, methodology, and full agency response, go to:
<http://www.oig.dol.gov/public/reports/oa/2009/18-09-001-13-001.pdf>.

August 2009

PROCEDURES FOR ACCOUNTING AND REPORTING FINANCIAL ACTIVITY UNDER THE AMERICAN RECOVERY AND REINVESTMENT ACT OF 2009

WHAT OIG FOUND

OIG found that, generally, the Department has implemented procedures to (1) account for Recovery Act financial activity as required by Federal law and OMB guidance and (2) report on the use of Recovery Act funds in accordance with OMB guidance.

OIG communicated to the Department the importance of accurate financial reporting on Recovery Act funds. OIG also emphasized the importance of establishing and issuing procedures for recipient reporting on a timely basis.

The Department agreed with OIG's assessment of the need to ensure adequate controls over the accounting and reporting of Recovery Act funds. The Office of the Chief Financial Officer has already implemented additional financial controls. In addition, the Department has recently issued guidance on recipient reporting.

The Department stated it will remain vigilant in all aspects of financial management, and will ensure the concerns identified by OIG regarding financial reporting and recipient reporting systems are appropriately considered and addressed.

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Table of Contents

Assistant Inspector General’s Report	1
Results In Brief	2
Objective 1 — Has the Department implemented, or does it have plans to implement, procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance?	3
Objective 2 — Does the Department have processes to report on the use of Recovery Act funds in accordance with OMB guidance?	5
Exhibits	
Exhibit 1 – Recovery Act Funds by Program	11
Exhibit 2 – Actual and Planned Obligations by Program	13
Appendices	
Appendix A – Background	17
Appendix B – Objectives, Scope, Methodology and Criteria	19
Appendix C – Acronyms and Abbreviations	21
Appendix D – Department’s Response to Draft Report	23

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U.S. Department of Labor

Office of Inspector General
Washington, D.C. 20210



August 28, 2009

Assistant Inspector General's Report

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The American Recovery and Reinvestment Act (Recovery Act) was signed into law on February 17, 2009. The Recovery Act provided the U.S. Department of Labor (Department) with \$44.9 billion, primarily to expand unemployment benefits, increase employment and training opportunities, enforce worker protection laws, and construct, rehabilitate, acquire, and operate Job Corps Centers. Approximately 90 percent (\$39.9 billion) of the Department's Recovery Act funds was designated for Unemployment Insurance (UI) programs. These monies will be used over time as states pay unemployment benefits. The Department has awarded approximately \$3.4 billion in formula grants to states for employment and training activities, and plans to use the remaining \$1.6 billion by March 2010 for discretionary grants, Job Corps programs, and administrative activities.

The Recovery Act requires Federal agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how its tax dollars are being spent. The Act also specifies that funds be awarded and distributed in a prompt, fair, and reasonable manner.

The objectives of this audit were to answer the following questions:

1. Has the Department implemented, or does it have plans to implement, procedures to account for Recovery Act financial activity as required by Federal law and OMB (Office of Management and Budget) guidance?
2. Does the Department have processes to report on the use of Recovery Act funds in accordance with OMB guidance?

To achieve our objectives, we reviewed OMB guidance to Federal agencies related to accounting for and reporting on Recovery Act funds. We interviewed agency officials to obtain a general understanding of the Department's accounting and reporting processes. We also reviewed guidance that the Department issued to its agency heads regarding the Recovery Act, agencies' internal Recovery Act policies and

procedures, and guidance the agencies issued to states and other recipients of the Department's Recovery Act funds. We did not test the effectiveness of internal controls because it was not relevant to our audit objectives.

We conducted this audit in accordance with generally accepted government auditing standards for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective. Our objectives, scope, methodology, and criteria are detailed in Appendix B.

RESULTS IN BRIEF

The Department has developed new accounting codes to enable it to separately account for Recovery Act funds within its existing general ledger system. The Department has modified its existing timekeeping system to capture staff time spent on Recovery Act functions. This modification was originally scheduled to be completed by June 30, 2009, but completion was delayed until August 10, 2009. In the interim, the Department issued guidance requiring its program agencies to manually track and report Recovery Act time charges. The Department is currently utilizing the new timekeeping system to separately track ARRA hours.

OMB established new reporting requirements for Federal agencies and other recipients of Recovery Act funds. On a weekly basis, Federal agencies must provide financial data to the Recovery.gov website on funds made available and expended. Agencies were required to start submitting these reports beginning March 3, 2009, with reporting on expenditures optional until April 6, 2009. The Department has implemented procedures to prepare the reports required by OMB, and has met all reporting deadlines. However, the Department recently restated outlays by \$8.9 billion on its Weekly Financial and Activity Report. The restatement underscores the importance for accurate Recovery Act funds reporting.

The Recovery Act also establishes reporting requirements for entities that receive Recovery Act funds from the Department. Each calendar quarter, recipients of Recovery Act funds must submit a report to the Department that contains the total amount of recovery funds received from the Department, the total amount of recovery funds received that were expended or obligated for projects or activities, a detailed list of all projects or activities for which recovery funds were expended or obligated, and detailed information on any subcontracts or subgrants awarded by the recipients. The first such report is due on October 10, 2009, for the quarter ending September 30, 2009.

The Department has not yet provided policy guidance or instituted procedures to ensure that recipients accurately report the receipt and usage of Recovery Act funds. While OMB's guidance on recipient reporting has only recently been issued, and the first report is not due until October 2009, timely establishment of procedures and issuance of

needed guidance is critical as a part of the Department's on-going efforts to fully implement the Act.

The Senior Accountable Official for the American Recovery and Reinvestment Act of 2009 (SRO) agreed with OIG's assessment of the need to ensure adequate controls are established for the accounting and reporting of Recovery Act funds. He further stated that OIG's concerns about financial and recipient reporting will be appropriately considered and addressed.

The Department's response is included in its entirety as Appendix D.

RESULTS

Objective 1 — Has the Department implemented, or does it have plans to implement, procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance?

The Department has taken necessary steps to account for the \$44.9 billion received in Recovery Act funds. New accounting codes have been developed to separately account for Recovery Act funds within the Department's existing general ledger system. The Department modified its existing timekeeping system to capture staff time spent on Recovery Act functions. This modification was originally scheduled to be completed by June 30, 2009, but completion was delayed until August 10, 2009. In the interim, the Department issued guidance requiring its agencies to manually track and report Recovery Act time charges.

Recovery Act Funding

The Department received Recovery Act funds totaling \$44.9 billion. Approximately 90 percent of these monies (\$39.9 billion) was provided for the Unemployment Insurance (UI) program. The \$39.9 billion was designated to pay for extending the emergency extended unemployment compensation program, a \$25 increase in the weekly benefit amount, incentive payments to states for modernization of state UI laws, and a special transfer for state administration of UI programs. The Department also received approximately \$4 billion for training and employment service programs under the Workforce Investment Act. Finally, the Recovery Act provided \$1 billion for State Unemployment Insurance and Employment Service Operations, Community Service Employment for Older Americans grants, National Emergency Grants for Health Insurance Coverage, Job Corps, and Departmental salaries and expenses.

Table 1 summarizes Recovery Act funding by program administered by the Department. (See Exhibit 1 for further detail)

Table 1: Department of Labor Recovery Act Funding

Program¹	Amount (millions of \$)	Percent
Unemployment Insurance	\$39,900	88.96
Training and Employment Services	3,950	8.81
State Unemployment Insurance and Employment Service Operations	400	0.89
Community Service Employment for Older Americans	120	0.27
National Emergency Grants for Health Insurance Coverage	150	0.33
Job Corps	250	0.56
Departmental Management: Salaries and Expenses	80	0.18
Total	\$44,850	100.00

Accounting for Recovery Act Funds

The Department developed new accounting codes to separately account for Recovery Act funds within its existing general ledger system. As required by OMB's Initial Guidance dated February 18, 2009, the Department has established new Treasury Appropriation Fund Symbols (TAFSs) for Recovery Act funds except for the \$400 million provided for State Unemployment Insurance and Employment Service Operations, which OMB considers to be exempt from this requirement.

The Department also established a separate Internal Account Code for each TAFS to identify the source of Recovery Act funds. Within its general ledger system, the Department of Labor Accounting and Related Systems (DOLAR\$), the Department established unique 22-digit accounting codes to identify financial transactions associated with the Recovery Act.

OMB guidance requires separate tracking and accounting for staff hours spent by Department employees on Recovery Act activities. The Department developed a plan to modify its automated timekeeping system to track Recovery Act staff hours beginning March 25, 2009. In response to OIG's concern that some agencies did not plan to account for staff time until the modification to the Department's automated system was completed, the Department issued a memorandum requiring agencies to manually account for Recovery Act time charges. The modification was to be completed by June 30, 2009. However, completion was delayed until August 10, 2009. The Office of the Chief Financial Officer (OCFO) stated the implementation was delayed due to the necessity to conduct discussions with labor unions representing Department employees. The Department is currently using the new timekeeping system to separately track ARRA hours.

¹ The amounts were obtained from the Act dated February 17, 2009, and estimates for Extension of the Emergency Unemployment Compensation, 2008 (EUC08) and Federal Additional Unemployment Compensation (FAUC) programs from the Department's Recovery Act Plans published on www.dol.gov/recovery as of April 23, 2009.

Actual and Planned Obligations

Another objective of the Recovery Act was to expend the funds as quickly as possible. The Recovery Act stated in Section 3 (b), General Principles Concerning Use of Funds.—

The President and the heads of Federal departments and agencies shall manage and expend the funds made available in this Act so as to achieve the purposes specified in subsection (a), including commencing expenditures and activities as quickly as possible consistent with prudent management.

According to the Department's Weekly Report for the week ending June 12, 2009, the Department has made available to states and other recipients \$19.8 billion, or 44 percent of the \$44.9 billion provided by the Act. Of the \$25.1 billion not yet made available, about \$18 billion involved funds provided to pay for extended unemployment benefits and the \$25 increase in the weekly unemployment benefit amount.

The Recovery Act also provided the Department with \$7 billion to support UI modernization efforts. As of June 12, 2009, approximately \$5.7 billion of these funds have not been made available, primarily because some states' modernization efforts will first require changes in their UI laws.

Finally, approximately \$1.4 billion of recovery funds appropriated for training and employment services, Health Insurance Coverage National Emergency Grants, Job Corps, and Departmental salaries and expenses also remained unobligated as of June 12, 2009. The Department plans to use the majority of these funds by March 31, 2010. See Exhibit 2 for a summary of the Department's Recovery Act spending and quarterly plans to obligate remaining funds.

Objective 2 — Does the Department have processes to report on the use of Recovery Act funds in accordance with OMB guidance?

OMB established new reporting requirements for Federal agencies and other recipients of Recovery Act funds. On a weekly basis, Federal agencies must provide financial data to the Recovery.gov website on funds made available and expended. Agencies were required to start submitting these reports beginning March 3, 2009, with reporting on expenditures optional until April 6, 2009. The Department has implemented procedures to prepare the reports required by OMB, and has met all reporting deadlines. However, the Department recently restated outlays by \$8.9 billion on its Weekly Financial and Activity Report. The restatement underscores the importance for accurate Recovery Act funds reporting.

OMB has established two new reporting requirements for Federal agencies. OMB requires Federal agencies to post Weekly Reports on the Recovery.gov website that

detail its total obligations and outlays of Recovery Act funds². OMB also requires Federal agencies to report the amount of funds publicly announced as being available on the Funding Notification Report.³

The Department has established procedures to prepare and submit the required reports. Agencies submit the data for the Weekly Report to the OCFO. The OCFO reconciles the data against DOLAR\$ to ensure accuracy. The report includes obligations and gross outlays, representing cumulative, year-to-date recovery activity by TAFS. Obligations and total gross outlays are reconciled against a special report generated from DOLAR\$ that summarizes the totals recorded in DOLAR\$ for each TAFS. OCFO then forwards the Weekly Report to the Office of Public Affairs for submission to Recovery.gov.

Agencies prepare and send Funding Notification Reports to the Office of the Assistant Secretary for Administration and Management (OASAM) as recovery funds become available. The individual reports are compiled into a single Department report which is sent directly to OMB.

OMB required Federal agencies to submit reports beginning March 3, 2009, with the expenditure (outlays) data optional until April 6, 2009. The Department met the reporting deadlines. It began submitting Weekly Reports on February 27, 2009, and began reporting expenditure data on March 27, 2009.

OMB's Initial Implementing Guidance dated February 18, 2009, stated:

Starting on Tuesday March 3, and on each Tuesday thereafter through May 12, all agencies receiving Recovery Act funds will submit the following information to OMB for cumulative recovery activity through the preceding Friday. All amounts are cumulative, year-to-date. ...by Treasury Account, total appropriations, total obligations, and total expenditures as recorded in agency financial systems (emphasis added)...

For the week ending May 1, 2009, the Department reported outlays of approximately \$12 billion for all programs, including the extension of the emergency unemployment compensation. Outlays reported for the extended unemployment compensation program were based on the amount recorded in the Department's financial system. Obligations and outlays were recorded in DOLAR\$ when the funds were transferred from the General Fund to the Receipts Account at the U.S. Department of Treasury. However, subsequent to the submission of the May 1, 2009, Weekly Report, the Department decided to report an estimate of state drawdowns of funds that was consistent with the intent of the Recovery Act and better represents the amount of funds that have actually entered into the economy. Consequently, a restatement of \$8.9 billion

² The agencies began using a new report template for the "Weekly Financial and Activity Report" made available by OMB on April 7, 2009. The "Weekly Financial and Activity Report," known previously as the "Weekly Report," redefined "Total Expenditures" to "Total Gross Outlays." Also, OMB Updated Guidance dated April 3, 2009, removed the "Total Appropriation" column from the "Weekly Financial and Activity Report."

³ Initially, award of formula block grants were reported on the Formula Block Allocation Report. OMB subsequently replaced Formula Block Allocation Report with Funding Notification Report which covers all award types.

was made to the Weekly Report to reflect the change in the reporting policy. The Weekly Report dated May 15, 2009, contained the corrected amount of \$3.1 billion in outlays for all programs. The restatement underscores the importance for accurate Recovery Act funds reporting.

Modification for Recovery Act Awards Reported to USAspending.gov

The Department followed OMB Initial Guidance, section 2.6, which requires Federal agencies to report Recovery Act award obligations to USAspending.gov. The purpose of this website is to provide increased transparency to the public by providing information on how tax dollars are spent. The Department modified its existing reporting procedures to identify Recovery Act grant and contract awards to USAspending.gov. According to the Department, the accuracy of the data is ensured by reconciling the information to obligations reported on the Weekly Financial and Activity Reports and Recovery Act awards posted on FedBizOpps.

Recipient Reporting Requirements

Section 1512 of the Recovery Act established the following reporting requirements for recipients of Federal funds:

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 that contains —

- (1) the total amount of recovery funds received from that agency;
- (2) the amount of recovery funds received that were expended or obligated to projects or activities;
- (3) a detailed list of all projects or activities for which recovery funds were expended or obligated; and
- (4) detailed information on any subcontracts or subgrants awarded by the recipient to include the data elements required to comply with the Federal Funding Accountability and Transparency Act of 2006 (Public Law 109–282), allowing aggregate reporting on awards below \$25,000 or to individuals, as prescribed by the Director of the Office of Management and Budget.

The interim Federal Acquisition Regulation clause 52.204-11 provides relevant guidance for recipients of contract awards. For recipients of grant awards⁴, on June 22, 2009, OMB issued *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*. The reporting requirements do not apply to recipients receiving funds through entitlement or tax programs. The requirements also do not apply to individuals. The first report is due on October 10, 2009, for the quarter ending September 30, 2009.

⁴ Grants from ETA represent 93 percent of the Recovery Act funds provided to recipients, excluding UI benefit payments.

As of the end of the audit fieldwork (June 9, 2009), the Department had not issued guidance on recipient reporting requirements. A draft Training and Employment Guidance Letter (TEGL) delineated actions ETA grantees must take and lists the required OMB data elements. However, the draft TEGL did not include guidance on specific controls the grantees must establish to ensure accurate reporting of the data to FederalReporting.gov. More importantly, ETA has not yet established procedures to review data reported by recipients or sub-recipients of recovery funds.

While OMB's guidance on recipient reporting has only recently been issued (on June 22, 2009), and the first report is not due until October, 2009, timely establishment of procedures and issuance of needed guidance is critical as a part of the Department's on-going efforts to fully implement the Act.

CONCLUSION

The Recovery Act requires agencies to implement an unprecedented level of transparency and accountability to ensure U.S. citizens can see where and how their tax dollars are being spent. Generally, the Department has implemented procedures to (1) account for Recovery Act financial activity as required by Federal law and OMB guidance and (2) report on the use of Recovery Act funds in accordance with OMB guidance. As part of its ongoing efforts to ensure the transparency and accountability of recovery funds, the Department should address our concerns regarding the Department's financial reporting and recipient reporting systems.

The Senior Accountable Official for the American Recovery and Reinvestment Act of 2009 (SRO) agreed with OIG's assessment of the need to ensure adequate controls are established for the accounting and reporting of Recovery Act funds. He further stated that the Office of the Chief Financial Officer has already implemented additional financial controls, and will ensure that OIG's concerns about financial and recipient reporting will be appropriately considered and addressed. After the issuance of OIG's draft report, ETA issued Training and Employment Guidance Letter No. 1-09 on recipient reporting.



Elliot P. Lewis
Assistant Inspector General
for Audit

Exhibits

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Exhibit 1

Recovery Act Funds by Program⁵

Component/Item	Dollars (000,000's)			Percent of Department Funds
	Appropriated from General Fund	Transfers from FUTA ⁶ Funded Accounts	Total	
Employment and Training Administration⁷				
UI				
Extension of the Emergency Unemployment Compensation, 2008 (EUC08) ⁸	\$ 23,700		\$ 23,700	52.8
Federal Additional Unemployment Compensation (FAUC) Program ⁹	8,700		8,700	19.4
Unemployment Insurance Modernization		7,000	7,000	15.6
State Administration		500	500	1.1
Training and Employment Services (TES)				
Dislocated Worker Grants	\$ 1,250		\$ 1,250	2.8
Youth Activity Grants	1,200		1,200	2.7
High Growth and Emerging Industry Competitive Grants	750		750	1.7
Adult Employment and Training	500		500	1.1
Dislocated Worker National Reserve	200		200	0.4
YouthBuild Activities	50		50	0.1
State Unemployment Insurance and Employment Service Operations (SUIESO)				
SUIESO		\$ 400	\$ 400	0.9
Community Service Employment for Older Americans (CSEOA)				
CSEOA	\$ 120		\$ 120	0.3
National Emergency Grants (NEGs) for Health Insurance Coverage				
NEGs for Health Insurance Coverage	\$ 150		\$ 150	0.3
Subtotal ETA	\$ 36,620	\$ 7,900	\$ 44,520	99.3
Departmental Management (DM)¹⁰				
Office of Job Corps	\$ 250		\$ 250	0.6
Salaries and Expenses	80		80	0.2
Subtotal DM	\$ 330	0	\$ 330	0.7
TOTAL	\$ 36,950	\$ 7,900	\$ 44,850	100.0

⁵ The information in this chart was provided by the Department.

⁶ Federal Unemployment Tax Act (FUTA).

⁷ Up to one percent of funds appropriated for TES, SUIESO, and CSEOA have been set aside for ETA Program Administration.

⁸ Figures are estimates for the entire funding period. For Fiscal Year 2009, \$11.5 billion was appropriated.

⁹ Figures are estimates for the entire funding period. For Fiscal Year 2009, approximately \$6.3 billion was appropriated.

¹⁰ OIG funds of \$6 million have been excluded in order to maintain independence.

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Exhibit 2

Actual and Planned¹¹ Obligations by Program¹²

Cumulative Dollars (000,000's)								
Component/Item	Funds Provided	Obligated as of 6/12/09 ¹³	Percent Obligated to Funds Provided	Planned Obligation as of 9/30/09	Planned Obligation as of 12/31/09	Planned Obligation as of 3/31/10	Planned Obligation as of 6/30/10	Planned Obligation as of 9/30/10
UI								
EUC08	\$23,700	\$11,516	49	\$11,246	\$19,414	\$23,886	\$24,144	\$24,144
FAUC	8,700	2,870	33	5,067	7,127	8,348	8,682	8,682
UI Modernization ¹⁴	7,000	1,335	19	NA	NA	NA	NA	NA
State Administration	500	500	100	500	500	500	500	500
Total UI	\$39,900	\$16,221	41	\$16,813	\$27,041	\$32,734	\$33,326	\$33,326
TES¹⁵								
Dislocated Worker	1,250	NA	NA	1,243	1,243	1,244	1,245	1,245
Youth Activity	1,200	NA	NA	1,195	1,195	1,196	1,197	1,197
High Growth and Emerging Industry	750	NA	NA	6	319	752	755	758
Adult	500	NA	NA	495	496	496	496	496
Dislocated Worker Nation Reserve	200	NA	NA	60	95	129	164	198
Youth Build	50	NA	NA	50	51	52	53	54
Total TES	3,950	2,946	75	3,049	3,399	3,869	3,910	3,948
SUIESO								
SUIESO	400	396	99	397	398	399	400	400
CSEOA								
CSEOA	120	119	99	119	119	119	119	119
NEGs for Health Insurance Coverage								
NEGs for Health Insurance Coverage	150	0	0	15	26	27	27	37
DM								
Job Corps	250	82	33	198	236	242	247	250
Salaries and Expenses	80	2	3	28	42	54	68	80
Total Non-UI	\$4,950	\$3,545	72	\$3,806	\$4,220	\$4,710	\$4,771	\$4,834
TOTAL	\$44,850	\$19,766	44	\$20,619	\$31,261	\$37,444	\$38,097	\$38,160

¹¹ Figures are estimates.

¹² The information in this chart was provided by the Department. According to the Department, the figures in this chart are current as of May 2009.

¹³ The total does not include obligations for Extended Benefits program of \$271 million.

¹⁴ UI modernization incentive payments to states were not included in the Department's planned obligations. Award of UI modernization incentive payments to states largely depend on states' changes to its UI laws.

¹⁵ Obligation data as of 6/12/09 was provided in aggregate for Training and Employment Services. Consequently, data for individual programs was not available.

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Appendices

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Background

The Recovery Act was signed into law on February 17, 2009. As part of the Act, the Department was provided an estimated \$45 billion to increase employment and training opportunities, expand unemployment benefits, enforce worker protection laws, coordinate activities related to the infrastructure and unemployment insurance investments, and construct, rehabilitate, acquire and operate Job Corps Centers.

The stated purposes of the Recovery Act are to:

- preserve and create jobs and promote economic recovery;
- assist those most impacted by the recession;
- provide investments needed to increase economic efficiency by spurring technological advances in science and health;
- invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits; and
- stabilize state and local government budgets, in order to minimize and avoid reductions in essential services and counterproductive state and local tax increases.

The Recovery Act will require agencies to implement an unprecedented level of transparency and accountability to ensure the public can see where and how their tax dollars are being spent. To assist federal agencies with carrying out programs and activities enacted in the Recovery Act, OMB issued the following implementing guidance: M-09-10 *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated February 18, 2009; M-09-15 *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated April 3, 2009; and M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, dated June 22, 2009.

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Objectives, Scope, Methodology and Criteria

OBJECTIVES

As part of understanding the Department’s transparency and accountability over the estimated \$45 billion in Recovery Act funds, the objectives of this audit were to answer the following questions:

1. Has the Department implemented, or does it have plans to implement, procedures to account for Recovery Act financial activity as required by Federal law and OMB guidance?
2. Does the Department have processes to report on the use of Recovery Act funds in accordance with OMB guidance?

SCOPE

We conducted this audit in accordance with generally accepted government auditing standards for performance audits. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on the audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objective. Fieldwork was conducted at Department Headquarters located in Washington, D.C.

The audit includes an understanding of the Department’s plan to account for and report on Recovery Act funds. We audited current Department Recovery Act practices, policies, and procedures, from February 17, 2009, to June 9, 2009. We audited the Department for compliance with the Act and OMB guidance, specific to financial reporting and accounting. We did not test controls or financial activity because it was not relevant to our audit objectives. We also did not include the \$6 million received by the Office of Inspector General in order to maintain independence.

We also did not determine the Department’s ability to meet the recipients reporting requirements in Section 1512 of the Recovery Act. OMB guidance on recipient reporting was issued on June 22, 2009, subsequent to the end of our audit period of June 9, 2009.

METHODOLOGY

To determine whether the Department complied with the Recovery Act and OMB guidance on accounting for and reporting on Recovery Act funds, we obtained a general understanding of the accounting and reporting process by conducting interviews. We

interviewed officials from OASAM, OCFO and ETA to understand their controls to track and report on Recovery Act financial activity.

We also interviewed OASAM, OCFO, ETA, Office of Job Corps, Employment and Standards Administration, Occupational Safety and Health Administration, Employee Benefits Security Administration, and Office of the Solicitor to understand their management, use, and reporting of Recovery Act Departmental Management Funds for salaries and expenses.

We obtained and reviewed the following OMB implementing guidance to Federal agencies: M-09-10 *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated February 18, 2009, and M-09-15 *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, dated April 3, 2009¹⁶. Specifically, we focused on the financial activity guidelines on tracking and reporting Recovery Act funds.

We also obtained and reviewed Departmental guidance issued to the agency heads, and agencies' internal Recovery Act policies and procedures, and guidance to states. We reviewed the Department's recovery plans to obtain an understanding of the agencies' use of Recovery Act funds.

To determine Recovery Act funds remaining for obligation, we reviewed the actual obligations reported on the Weekly Report as of June 12, 2009, and compared this to the schedule of planned obligations and outlays by quarter from September 30, 2009, through September 30, 2010.

We relied on interviews with agencies and reviewed the Department's policies and procedures. We did not test the effectiveness of internal controls because it was not relevant to our audit objectives.

CRITERIA

We used the following to perform this audit:

- OMB Guidance M-09-10 *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009.
- OMB Guidance M-09-15 *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.
- The American Recovery and Reinvestment Act, February 17, 2009.

¹⁶ Because OMB guidance M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, dated June 22, 2009, was issued after our audit period, we did not review the guidelines therein.

Appendix C

Acronyms and Abbreviations

CSEOA	Community Service Employment for Older Americans
Department	Department of Labor
DOLAR\$	Department of Labor Accounting and Reporting System
ETA	Employment and Training Administration
EUC08	Extension of the Emergency Unemployment Compensation
FAUC	Federal Additional Unemployment Compensation
FUTA	Federal Unemployment Tax Act
OCFO	Office of the Chief Financial Officer
OMB	Office and Management and Budget
OASAM	Office of the Assistant Secretary for Administration and Management
Recovery Act	The American Recovery and Reinvestment Act of 2009
SUIESO	State Unemployment Insurance and Employment Service Operations
SRO	Senior Accountable Official for the American Recovery and Reinvestment Act of 2009
TEGL	Training and Employment Guidance Letter
TES	Training and Employment Services
TAFS	Treasury Appropriation Fund Symbols
UI	Unemployment Insurance

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Department Response to Draft Report

U.S. Department of Labor

Office of the Assistant Secretary
for Administration and Management
Washington, D.C. 20210



AUG 24 2009

MEMORANDUM FOR ELLIOT P. LEWIS
Assistant Inspector General

FROM: EDWARD C. HUGLIER
Deputy Assistant Secretary for Operations

SUBJECT: Procedures for Accounting and Reporting Financial Activity
Under the American Recovery and Reinvestment Act of 2009
Draft Report (18-09-001-13-001)

As the Department's Senior Accountable Official for implementation of the American Recovery and Reinvestment Act (ARRA) of 2009, this responds to the Office of Inspector General's (OIG) August 13, 2009, draft audit report of the procedures for accounting and reporting financial activity under ARRA.

I appreciate the time and effort the OIG's financial audit team invested in its review – and the acknowledgement that the Recovery Act requires agencies to implement an unprecedented level of transparency and accountability. The Department's implementation to date has been characterized by careful planning, close coordination with affected DOL agencies and the Office of Management and Budget (OMB), and an effective working relationship with the OIG.

Since ARRA was signed into law on February 17, 2009, the Department has managed numerous logistical issues, including the careful review and oversight of our financial management systems while meeting tight deadlines for deliverables associated with comprehensive – and accurate – financial reporting. All involved have risen to these challenges and made critical contributions to the progress we have made to date on our financial reporting and many other demands of Recovery Act administration. I am confident that we will remain equally attentive to these core ARRA responsibilities moving forward.

I do want to bring to your attention one clarification on page eight of the draft regarding Recipient Reporting. The draft report states, "More importantly, [the Employment and Training Administration] has not yet established procedures to review and validate data reported by recipients or sub-recipients of recovery funds." As raised informally with the OIG during our review of the Discussion Draft Report, OMB's M-09-21 *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009*, states under Section 4, that agencies are to conduct data quality reviews – but does not require validation or certification. For accuracy and conformance with OMB's guidance, I ask that the final audit report reflect this clarification.

The draft report offered no recommendations – and noted that the Department has taken the necessary steps to account for the \$44.9 billion received in Recovery Act funds. The Department agrees with the OIG's assessment of the need to ensure adequate controls over the accounting for and reporting of Recovery Act funds – and, moving forward, the Office of the Chief Financial

Officer has already implemented additional financial controls. In addition, since the issuance of the OIG's draft report, it is worth noting that, on August 14, 2009, ETA issued the Training and Employment Guidance Letter (No. 1-09) on recipient reporting.

We will remain vigilant in all aspects of financial management – and will ensure the OIG's identified concerns on financial reporting and recipient reporting systems are appropriately considered and addressed.

cc: T. Michael Kerr, Assistant Secretary for Administration and Management
Lisa D. Fiely, Acting Chief Financial Officer
Jane Oates, Assistant Secretary for Employment and Training

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