



**OBM** | Office of Internal Audit

# ARRA SUMMARY REPORT

*July 1, 2011 – December 31, 2011*

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## EXECUTIVE SUMMARY

The Office of Internal Audit (OIA), within the Office of Budget and Management, provides oversight of 22 agencies as defined in ORC 126.45. Also, the ORC requires that OIA conduct internal audits of certain state agencies according to an annual plan and report the audits' observations and recommendations.

OIA developed its annual audit plan in fiscal year 2010 and presented it to the State Audit Committee. OIA's audit plan is risk-based to focus audit resources in areas considered to be of the most value to the State. In addition, the audit plan considers audits or reviews performed by other assurance providers to best coordinate the use of its audit resources.

Audit plans developed by OIA in fiscal years 2010 and 2011 evaluated the risk of the newly created federal American Recovery and Reinvestment Act of 2009 (ARRA) and considered this to be a significant emerging risk to the State of Ohio. Therefore, OIA devoted substantial audit resources toward evaluating the adequacy of internal control design and effectiveness by which agencies managed ARRA programs monies.

During state fiscal years 2010 and 2011, OIA performed 20 audits to evaluate the design and/or effectiveness of various ARRA programs. This resulted in 27 comments deemed to be a moderate or high risk which were subject to agency remediation. OIA conducted follow up testing on comments issued in the ARRA reports and considers all comments to be adequately remediated by agency management. A detailed listing of specific audits is located on page 5 of this report.

Based on limited observations noted in fiscal year 2011 and subsequent remediation of all previous comments, OIA viewed future ARRA audits as a lower risk and did not have ARRA engagements included in its 2012 Annual Plan. Additionally, ARRA program disbursements have significantly declined in fiscal year 2012 and near overall program completion. ARRA monies are subjected to audit and investigation by the Auditor of State and Ohio Inspector General in fiscal year 2012.



## OVERSIGHT OF FEDERAL STIMULUS FUNDS

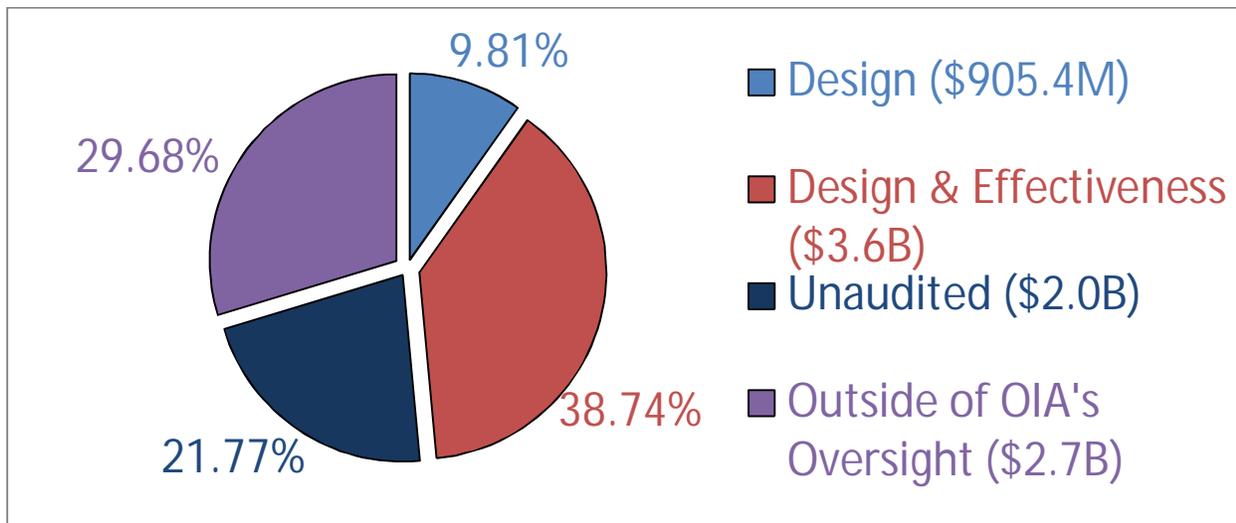
House Bill 153 Section 521.70 (A) created ARRA reporting requirements for the Office of Internal Audit as follows:

“The Office of Internal Auditing within the Office of Budget and Management shall, in connection with its duties under sections 126.45 to 126.48 of the Revised Code, monitor and measure the effectiveness of funds allocated to the state as part of the federal American Recovery and Reinvestment Act of 2009. As such, the Office of Internal Auditing shall review how funds allocated to each state agency are spent. For purposes of this section, "state agency" has the same meaning as in division (A) of section 126.45 of the Revised Code. In addition to the reports required under section 126.47 of the Revised Code, the Office of Internal Auditing shall submit a report of its findings to the President of the Senate, Minority Leader of the Senate, Speaker of the House of Representatives, Minority Leader of the House of Representatives, and the Chairs of the committees in the Senate and House of Representatives handling finance and appropriations. The report shall be submitted every six months.”

## OIA SUMMARY ACTIVITIES FROM 2010 THROUGH 2012

**Fiscal Year 2010 Audit Activities** - When ARRA was implemented by the federal government, OIA became actively involved in providing training and consulting services to state agencies that received ARRA funds. OIA coordinated federal stimulus audit activity with other external entities such as the U.S. Government Accountability Office, Auditor of State, and Inspector General. OIA made a concerted effort to perform assurance audits of large ARRA programs in fiscal year 2010.

Of the initial \$9.2 billion of ARRA funds expected in Ohio, the following chart depicts the audit efforts of OIA related to this ARRA funding in fiscal year 2010:





Audits identified as “design only” focused on the internal control design of ARRA programs prior to the agency disbursing significant funds. Audits identified as “design and effectiveness” include audits related to the design of internal controls as well as the effectiveness of their application. The significant ARRA disbursements outside of OIA’s oversight include the Department of Education, Board of Regents, and Rehabilitation Services Commission.

OIA assessed risk on over 70 ARRA programs and completed 15 ARRA assurance audits in fiscal year 2010 which included \$4.5 billion of the \$6.5 billion awarded ARRA funds in its audit oversight.

OIA evaluated the adequacy of agency-developed risk assessments and the design of internal control documentation. OIA conducted subsequent testing of key internal controls to provide assurance that documented internal controls were operating effectively. Results were reported to agency management, the State Audit Committee, and State legislative leadership.

**Fiscal Year 2011 Audit Activities** - In fiscal year 2011, OIA focused on new programs and follow-up on ARRA programs with previous OIA observations. OIA completed five additional ARRA audits in fiscal year 2011. A cumulative total of over 75% of all ARRA monies disbursed (within OIA’s oversight), were audited by OIA in 2010 or 2011.

Based upon the limited observations noted in fiscal year 2011 and subsequent remediation of all previous comments, OIA viewed future ARRA audits as a lower risk and did not include ARRA engagements in its 2012 Annual Plan. ARRA monies are subject to audit by the Auditor of State and the Ohio Inspector General in fiscal year 2012.

**Fiscal Year 2012 Funding** – From July 1, 2011 through December 31, 2011, ARRA expenditures recorded in the OAKS ledger was \$423M, representing 82 ARRA programs at 23 agencies. In fiscal year 2012, agencies in OIA’s audit oversight included about \$175M of the total \$423M. Approximately 90% of programs with disbursements in 2012 were audited by OIA previously.

The below depicts decreasing disbursements since the inception of ARRA. The six month period of July 2011 to December 2011 represents only 3% of total ARRA disbursements to date.

	2009 (A)	2010 (A)	2011 (B)	2012 (6 mo.) (C)	Cumulative Total
ARRA Disbursements	\$ 1.1B	\$ 6.2B	\$ 5.5B	\$ 0.4B	\$ 13.2B
% total	8%	47%	42%	3%	100%

Sources:

- (A) State of Ohio Single Audit Report
- (B) State of Ohio Draft Schedule of Federal Financial Assistance
- (C) OAKS Ledger Report – July 1 to December 31, 2011



**LISTING OF ARRA REPORTS COMPLETED BY OBM OFFICE OF INTERNAL AUDIT**

The listing below represents ARRA audits completed by OIA in fiscal years 2010 and 2011:

DATE	AGENCY	PROGRAM	TYPE OF AUDIT	COMMENTS
December 2009	Public Safety	Edward Byrne Justice Assistance	Design Only	2
December 2009	Development	Home Weatherization Assistance	Design Only	3
December 2009	Office of Budget and Management	ARRA Central Reporting	Design Only	2
December 2009	Transportation	Highway Infrastructure Investment	Design Only	0
December 2009	Job and Family Services	Workforce Investment Act	Design Only	2
December 2009	Job and Family Services	Foster Care Program	Design Only	2
March 2010	Environmental Protection Agency	Clean Water and Drinking Water Revolving Funds	Design and Effectiveness	2
March 2010	Health	Help Me Grow Program	Design Only	5
March 2010	Job and Family Services	Medical Assistance Program (Medicaid)	Design and Effectiveness	2
March 2010	Transportation	Highway Infrastructure Investment	Design and Effectiveness	0
March 2010	Natural Resources	Create an Invasive Species Job Corp Program	Design and Effectiveness	0
March 2010	Transportation	Capital Transit Assistance – Non-Unban Program	Design Only	0
June 2010	Office of Budget and Management	ARRA Central Reporting	Design and Effectiveness	0
June 2010	Commerce	Leaking Underground Storage Tank Program	Design Only	2
June 2010	Development	State Energy Program	Design Only	3
December 2010	Development	Homelessness Prevention and Re-Housing Program	Design and Effectiveness	1
December 2010	Job and Family Services	Child Care Program	Design and Effectiveness	1
December 2010	Environmental Protection Agency	Clean Water and Drinking Water Revolving Funds	Design and Effectiveness	0
April 2011	Job and Family Services	Employment Services Program	Design and Effectiveness	0
June 2011	Job and Family Services	Child Support Enforcement	Design and Effectiveness	0

Reports can be located on OIA's website at [www.obm.ohio.gov/SectionPages/Internalaudit](http://www.obm.ohio.gov/SectionPages/Internalaudit).