



COMMONWEALTH of VIRGINIA

Auditor of Public Accounts

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To: Local Finance Directors, County Administrators, City Managers, and Jail Superintendents and Finance Directors

Subject: American Recovery and Reinvestment Act (Stimulus Funds) Audits

We and the State Comptroller have received several inquiries about audit costs and requirements of the Commonwealth's use of American Recovery and Reinvestment Act (Stimulus Funds) to fund program expenses incurred prior to June 30, 2009. The Commonwealth has directly used Stimulus Funds to provide funding for Sheriffs and Regional Jails and local and regional jail per diem payments through the Compensation Board, changes in reimbursement percentage for Social Service programs, direct funding for the Weatherization program from the Department of Housing and Community Development and some limited funds from the Department of Education.

This communication addresses Stimulus Funding from the Compensation Board and the Department of Social Services. Since most of the Weatherization funding did not directly go to the counties and cities, we are not commenting on this program; however, we recommend that auditors having questions about this program contact the Department of Housing and Community Development. Education funds have only gone to a limited number of localities and we will be contacting them directly.

The Stimulus Funding from the Compensation Board is part of the funding for the **State Fiscal Stabilization** program, which allows each state significant flexibility in the use of these funds. In accordance with this flexibility, the State Comptroller worked with the Compensation Board to distribute funding to several localities and regional jails for 2009 jail costs and 4th quarter per diem payment. The Compensation Board supplanted the General Funds with Federal State Fiscal Stabilization Funds. Based on information obtained by the State Comptroller from the federal government, the following are requirements that localities must follow and auditors must verify.

1. The locality and regional jail must record and account for all Stimulus Funds separately and also separately report these funds on their Schedule of Federal Financial Assistance.
2. The localities and regional jails must have documentation that the individuals paid under this program did work or were entitled to payment (eligible for vacation or

other paid absences during the period), however there is no requirement that the locality have and maintain time and effort documentation for this payment.

3. The local and regional jails must have documentation on the number of state inmates recorded in the Local Inmate Data System (LIDS) as required by the Compensation Board.
4. For the payroll reimbursements, we believe that the auditors need to review internal controls over payroll, and the general provisions as would apply to any federal grant for review under the Single Audit. The suggested audit requirements depending on the internal controls would be a sample of employees included in the amount paid and tying the amount to a separate accounting for stimulus funds and the Schedule of Federal Financial Assistance.
5. For the per diem payment, we believe the auditors need to review internal controls over LIDS and verify documentation supporting state inmate counts.

The Department of Social Services programs affected by Stimulus Funding are the amounts reimbursed under Title IV-E Foster Care and the Adoption Programs. Under the Stimulus Program, the Commonwealth could retroactively increase the Federal portion of the amount reimbursed under these programs from 50% to 56%. Except for maintaining a separate accounting of funding coming from Stimulus Funds, both on the accounting records and the Schedule of Federal Financial Assistance, there was no change in any of the underlying compliance requirements of these funds.

We recommend local Finance Officers discuss these requirements with their auditors to determine the potential effect on the audit contract. We are of the opinion that the addition of these programs should not significantly increase the time and effort to audit the Stimulus funding within the locality's Single Audit for fiscal year 2009, since they should involve minimum additional testing.

However, we recommend that Finance Officers discuss all additional sources of funding from the Stimulus Funds for fiscal 2010, which may significantly increase the time and effort necessary to conduct the Single Audit. As an example, the funding provided by the Compensation Board to Jails and Regional Jails is from the Byrne Justice Assistance Grants, which has different accounting, reporting and documentation requirements than the funding source for Fiscal 2009.

If you have any questions, please contact us.

cc: Local Auditors