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DEPARTMENT OF STATE TREASURER

State and Local Government Finance Division
and the Local Government Commission

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Memorandum # 1119

TO: Local Government Officials and Their Independent Auditors

FROM: Sharon Edmundson, Director, Fiscal Management

DATE: April 15, 2009

SUBJECT: Audit Requirements for Funds Received through the ARRA

The Federal Office of Budget and Management (OMB) recently released some information on what audit requirements will be imposed on funding received through the American Recovery and Reinvestment Act of 2009 (ARRA). We expect more information to be made available as we move forward with funding and reporting of ARRA projects.

Single Audit procedures will apply to ARRA funds and OMB will be doing a risk assessment analysis to determine which programs, if any, will be designated as high risk programs to be audited as Single Audit major programs in any given year. In addition, the Office of Inspector General (OIG) also will use risk assessment techniques where data is available to identify high risk programs. Non-Federal entities (which include states, local governments, non-profit organizations, and tribes) will be subject to the possibility of priority audits, inspections and investigations by OIG with faster turnaround reporting than is possible with the Single Audit cycle. These entities also may be subject to audits from the Government Accountability Office (GAO). Federal agencies dispensing funds also will be subject to these types of reviews to ensure that funds are being spent in accordance with the ARRA.

The OMB will use the A-133 Compliance Supplement to notify auditors of compliance requirements that should be tested for funds awarded through the ARRA. OMB will issue interim updates as necessary to keep the ARRA requirements current. We will update our website as that information becomes available and notify you when those updates are posted, via messages on the ncfinance listserv as well as through our fax blast process. Technical assistance and training will be available through the OIG. As soon as we have more information about the training opportunities we will get that out to our local government auditors as well. The OIG also is making its staff available to perform quality control reviews to ensure single audits are properly performed and improper payments and other non-compliance is fully reported. The OIG will perform follow-up reviews of Single Audit quality with emphasis on ARRA funds and report the results on Recovery.gov.

As more information becomes available we will pass it along to you. If you have any questions please contact Sharon Edmundson at (919) 807-2380 or Jim Burke at (919) 807-2389 or via email at sharon.edmundson@nctreasurer.com or james.burke@nctreasurer.com.