



HAWAII ARRA ACCOUNTABILITY SYSTEM

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OMB Circular A-133

Compliance Supplement (March 2009)

http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/

OMB Circular A-133

Compliance Supplement Addendum #1 (June 30, 2009; 301 pages):

http://www.whitehouse.gov/omb/assets/a133_compliance/arra_addendum_1.pdf

I. INTRODUCTION

The purpose of this document is to describe the (1) additional internal controls and oversight measures taken by the State of Hawaii to manage federal funds received through the American Recovery and Reinvestment Act (ARRA) and (2) the duties and responsibilities of the state entities and central service agencies under the Hawaii ARRA Accountability System (HARRAAS).

The State of Hawaii's approach to managing federal funds is de-centralized. Head of departments and state entities and program staff make key decisions on whether to apply for federal funds or not, how to use these funds, and how to meet federal requirements that come with the acceptance of funds. Central service departments review these decisions through the budgeting and procurement process. The Governor and Legislature provide authority for departments and state entities to use federal funds, develop programs, and conduct program activities.

The State of Hawaii uses its existing control and oversight measures for federal funds to manage ARRA funds but where necessary will supplement these control and oversight measures to meet the requirements of ARRA.

The additional control and oversight measures for ARRA are collectively referred to as the Hawaii ARRA Accountability System.

The objectives of the Hawaii ARRA Accountability System are to:

1. Avoid waste, fraud and abuse;
2. Ensure that costs charged to Recovery Act programs are allowable costs, in accordance with applicable laws, regulations, agreements and contracts;
3. Ensure that funds provided under Recovery Act awards are separately accounted for, from receipt to obligation to expenditure;
4. Ensure that effective cash management is employed for Recovery funds to minimize the time elapsing between (i) the transfer of funds from the Federal Government, or from a pass-through entity, to (ii) disbursement;
5. Ensure that the use of Recovery funds meet all federal requirements as described in individual ARRA grant awards and OMB Circulars;
6. Fulfill Recovery Act reporting requirements in a timely and accurate manner.

II. ROLES & RESPONSIBILITIES

A. Governor

On March 16, 2009, Governor Lingle signed the Section 1607 Assurance Certification of the American Recovery and Reinvestment Act of 2009, and has since signed other certifications and applications, all necessary for the receipt and use of ARRA funds.

The Governor is accountable for use of ARRA funds and must meet all ARRA requirements including transparency and reporting requirements.

The Governor sets the priorities for use of ARRA funds awarded to a state entity in Hawaii.

Governor Lingle's priorities are to:

1. Save or create jobs and promote economic recovery;
2. Use ARRA funds to stabilize the State's fiscal situation;
3. Invest ARRA funds wisely;
4. Use ARRA funds to improve Hawaii's economic competitiveness;
5. Secure the maximum amount of ARRA resources available to Hawai'i;
6. Apply federal accountability and transparency requirements;
7. Fulfill federal reporting requirements.

The Governor delegated authority for oversight of ARRA funds to the Chief of Staff (COS).

The Chief of Staff (COS), in consultation with the Governor's Policy Office, develops overall state policy for ARRA funds and approves ARRA recovery plans, including spending plans, for state departments and state entities.

If a state department or entity is governed by a board or makes use of an advisory panel to review and approve the use of federal funds, the board or advisory panel shall approve ARRA recovery plans, consistent with the Governor's priorities for ARRA, and submit these plans to COS.

To develop and coordinate ARRA policy, the COS established the ARRA executive team consisting of the Director of Budget and Finance, State Comptroller, First Deputy Attorney General, Governor's Senior Policy Advisor, Director of the Department of Business, Economic Development & Tourism, and the State Lead Coordinator for the Office of Economic Recovery and Reinvestment. The ARRA executive team meets once a week.

State policies for ARRA funds are implemented by the ARRA executive team through executive memorandums, budget execution policies, in-person meetings, e-mails, and phone calls.

To facilitate reporting on ARRA funds, state departments and entities named as prime recipients by the awarding federal agency, shall not delegate direct reporting to sub-recipients.

B. Office of Economic Reinvestment and Recovery (OERR)

The Governor created the Office of Economic Reinvestment and Recovery (OERR) to coordinate ARRA activities. The OERR is headed by the State Lead ARRA Coordinator.

Responsibilities of the State Lead ARRA Coordinator include:

1. Plan and coordinate ARRA activities for the State of Hawaii.
2. Review and make recommendations on ARRA recovery and spending plans, submitted by state departments and entities to the Governor through the Director of Budget and Finance.
3. Develop and implement the Hawaii ARRA Accountability System.
4. Update the State's ARRA website to communicate the status of ARRA projects and activities to the public.
5. Coordinate quarterly 1512 reporting to federalreporting.gov for state departments and entities. Collect report drafts prior to quarterly submission to review data; ensure that reports are submitted on time by award recipients.
6. Convene a monthly ARRA coordinators meeting.
7. Communicate with ARRA coordinators on ARRA policies and procedural matters.
8. Require the use of the fund code "V" and source code "581" for all ARRA funds.
9. Acts as a liaison with federal entities (RATB, OMB, NGA) regarding ARRA policy and procedural matters. Participate in ARRA conferences, teleconference calls and webinars.
10. Produce reports that summarize ARRA awards to all states departments and entities.
11. Provide outreach to county government and the public on ARRA matters.
12. Develop procedures to meet ARRA Section 1552 whistleblower provision.

C. Department Heads and Heads of State Entities

The Chief of Staff has designated department heads and heads of state entities that receive ARRA awards as ARRA coordinators, with responsibility for developing and implementing a department-level ARRA recovery plan consistent with federal guidance and the Governor's priorities. An ARRA recovery plan is an overall, written strategy for the use of ARRA funds received by a department or state entity. ARRA recovery plans will be posted on a department or agency webpage on the official State of Hawaii ARRA website.

Other responsibilities of the ARRA coordinator include:

1. Establish a department or agency-level ARRA recovery team comprised of the ARRA coordinator, back-up ARRA coordinator, administrative services officer or chief financial officer, program managers responsible for selecting projects and activities and approving the expenditure of ARRA funds, and staff responsible for public outreach activities. The names and contact information for ARRA recovery team members will be posted on the official State of Hawaii ARRA website.
2. Convene a ARRA recovery team meeting once a month, or as needed, and provide updates to the COS and OERR on ARRA implementation.
3. Ensure that federal agency, guidance, control, and oversight requirements are followed. Design, and implement internal controls to effectively meet the requirements for ARRA funds as outlined in Office of Management and Budget's (OMB) Circular A-133 and OMB Circular A-133, Compliance Supplement Addendum #1.
4. Ensure compliance with the state procurement code.

5. Establish processes by which the public can provide input and participate in ARRA opportunities.
6. Ensure that a unique state appropriation code is obtained for each federal award ID.
7. Complete and submit the Summary of Internal Control Assessment to DAGS. Develop an internal monitoring plan if the Summary of Internal Control Assessment is rated level 2.
8. Retain files to support audit activities-quarterly 1512 reporting worksheets, 1512 employment calculation, p-card information for ARRA purchases, and 1512 expenditure calculations.
9. Maintain an ARRA grant folder (by federal award ID) for each ARRA award. ARRA grant folder should contain the award letter, approved grant application, key correspondence, and other information between the state department or entity and the federal government.
10. Track state matching funds requirement for ARRA funds.
11. Reconcile grant information such as expenditures to the State's accounting system on a quarterly basis during the 1512 reporting time period. This reconciliation will be required for each federal grant prior to data being uploaded to federal government.
12. Ensure that quarterly 1512 reports for each ARRA award are reported on time.

D. Department of Accounting and General Services (DAGS)

DAGS' responsibilities for the management of ARRA funds are to:

1. Develop and implement an internal monitoring plan for ARRA awards (when funds and resources become available).
2. Assist state departments and entities with developing and implementing internal controls and processes to manage ARRA funds and reduce overall risk level.
3. Develop a ARRA Summary of Internal Control Assessment instrument for completion by all state entities that are recipients of ARRA awards; maintain a list of department ARRA risk levels.
4. Require ARRA funds be expended according to procurement requirements.
5. Issue optional ARRA procurement procedures and provide training on these procedures.
6. Assist the OERR meet reporting, transparency, and IT requirements.
7. Require all state entities receiving ARRA funds to account separately for these funds from receipt to obligation to expenditure.
8. Require all state entities to apply for and receive a unique state appropriation symbol for each ARRA award (federal award ID); to reference federal award ID and description in application for unique appropriation symbol; and to notify the OERR by e-mail when a new state appropriation code is created for ARRA fund.
9. Require all state entities to keep an electronic copy of their quarterly submitted 1512 report, 1512 employment calculations, 1512 expenditure calculations, and ARRA P-card purchases, for auditing purposes.
10. Require all ARRA funded CIP projects be included into DAGS CIP strikeforce database and be searchable on-line by the public (when funds and resources become available).

E. Department of Budget and Finance

The Department of Budget and Finance responsibilities for the management of ARRA funds are to:

1. Review ARRA expenditure requests for consistency with Federal guidelines and Governor's priorities.
2. Ensure effective cash management of ARRA funds.
3. Assist OERR in meeting ARRA reporting requirements.

F. Department of the Attorney General

The Department of the Attorney General's responsibilities for the management of ARRA funds are to:

1. Provide training to State ARRA coordinators on how to detect fraud and abuse and report violations.
2. Investigate reports of fraud and abuse or refer such reports to proper state or federal authorities.
3. Review ARRA contracts as to grant-specific requirements.

G. Department of Labor and Industrial Relations

Department of Labor and Industrial Relation's responsibilities for the management of ARRA funds are to:

1. Assist State departments and State entities comply with prevailing wage provisions of ARRA funded construction projects.
2. Require that all ARRA funded new jobs are posted on HireNet.

III. SUMMARY

HAWAII ARRA Accountability Objectives and Oversight Entity with Primary Responsibility

| | Objective | Department Coordinators | AG | DAGS | B&F | OERR | GOV |
|----|--|-------------------------|----|------|-----|------|-----|
| 1. | Avoid waste, fraud and abuse | X | X | X | X | X | X |
| 2. | Ensure costs charged to Recovery Act programs are allowable costs under the programs, in accordance with applicable laws, regulations, agreements and contracts | X | X | | | | |
| 3. | Ensure funds provided under Recovery Act awards are separately accounted for from receipt to obligation to expenditure | X | | X | | | |
| 4. | Ensure effective cash management is employed for funding under Recovery Act programs to minimize the time elapsing between (i) the transfer of funds from the Federal Government, or from a pass-through entity, and (ii) disbursement | X | | | X | | |
| 5. | Meet all federal requirements for the use of ARRA funds as described in individual ARRA grant awards and in OMB Circulars | X | X | X | X | X | X |
| 6. | Fulfill ARRA reporting requirements in a timely and accurate manner | X | | | | X | |