

MANAGEMENT AND OVERSIGHT OF ARRA FUNDS



September 10, 2009

Commonwealth of Pennsylvania
Office of the Budget

ARRA IS A MASSIVE UNDERTAKING

- **Managing more than \$10 billion in additional federal dollars -**
 - **Approximately 150 different awards driven out through 12 state agencies**
 - **As many as 1,000 sub-recipients, including 501 school districts, vendors and grantees**

HISTORIC FEDERAL TRANSPARENCY AND ACCOUNTING EXPECTATIONS AND REQUIREMENTS

Management of ARRA funds demands unprecedented oversight by federal and state agencies. Pennsylvania will:

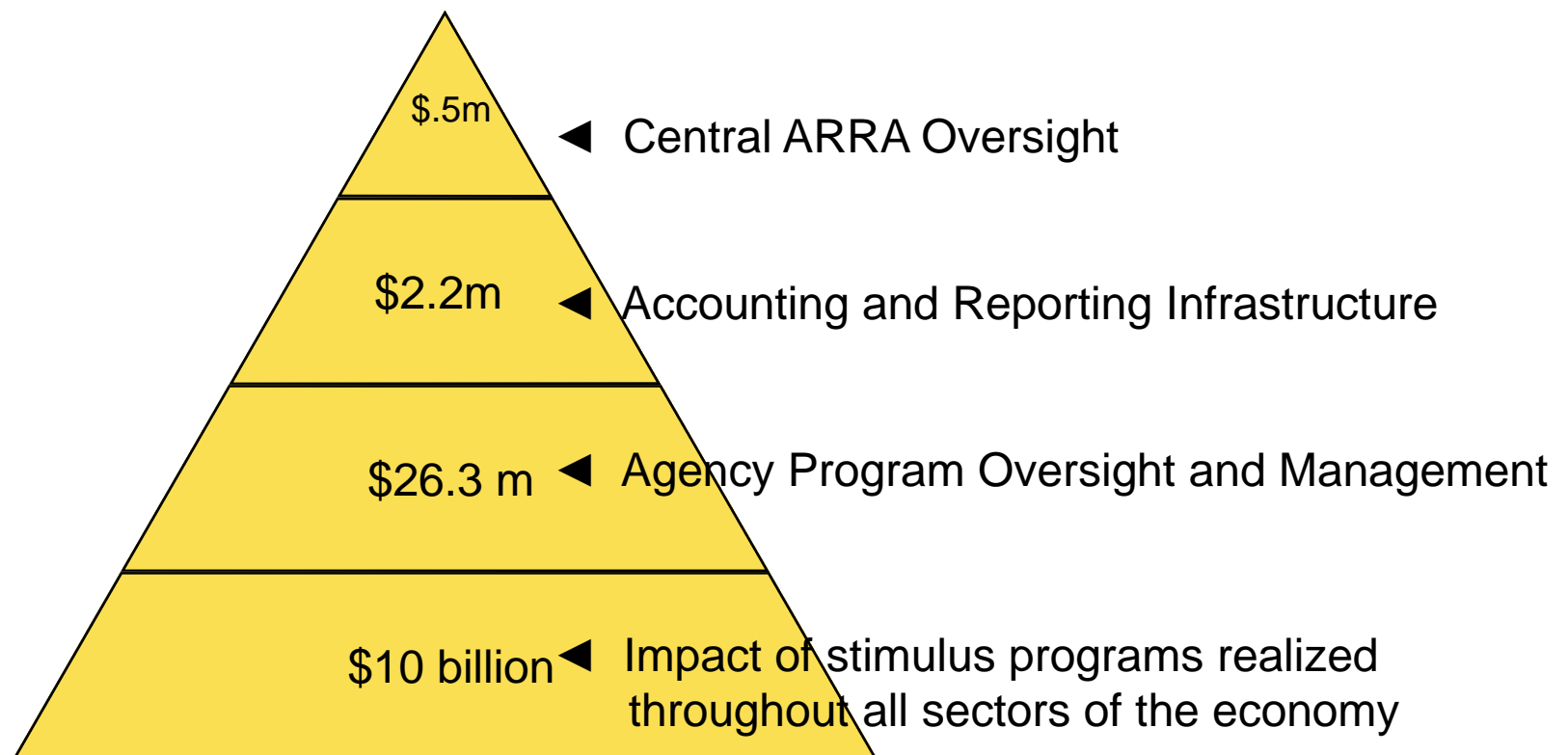
- **Leverage existing resources to minimize costs**
- **Ensure sufficient resources to minimize the risk of waste, fraud and abuse**
- **Use SAP integrated management system to provide accurate and timely reporting**
- **Maximize the dollars going to programs through efficient use of ARRA administrative funds**

AGENCIES ARE FOCUSING ON PROGRAM DELIVERY AND USING MINIMAL ARRA FUNDS FOR ADMINISTRATIVE COSTS

FEDERAL FUNDS THAT COULD BE USED FOR ADMINISTRATIVE COSTS WILL BE USED FOR DIRECT SERVICES

- **Some agencies will use administrative dollars for local support:**
 - Aging will use Title III and Title V dollars to support local programs that provide meals and nutrition for seniors
 - Agriculture will use \$1.8 million for storage and delivery of emergency food supplies
- **Some agencies will use administrative dollars to deliver front line services:**
 - L&I will use \$24.5 million to respond to the increased demand for unemployment compensation and job training.
 - DPW will use \$11.5 million to respond to the 29 percent increase in food stamp applications since February 2009.
- **Some agencies will direct all administrative dollars in certain programs to program delivery:**
 - PennDOT will use all ARRA funds for highway & bridge construction - \$1.026 billion
 - PennVEST will use all ARRA funds for drinking water & sewer system Improvements - \$221 million

COMMONWEALTH SPENDS \$29 MILLION TO MANAGE \$10 BILLION IN FEDERAL STIMULUS FUNDING



PA'S OVERSIGHT EXPENDITURES ARE 2/3 LESS THAN FEDERALLY AUTHORIZED LEVELS

**TOTAL AMOUNT *AUTHORIZED*
BASED ON \$10 BILLION IN AWARDS:** \$ 99.8 MILLION (1%)

**OUR AGENCY PROGRAM OVERSIGHT PLAN
USES A FRACTION OF AUTHORIZED FUNDS:** \$ 26.3 MILLION (.26%)

Agencies will use limited administrative dollars to manage and provide oversight for new program requirements. Examples include:

- DCED – Most administrative spending will be used to oversee a more than tenfold increase in the Weatherization program
- Education – Of \$2.6 billion available, PDE will use \$2.7 million to improve reporting and accountability of sub-recipients and project management assistance for school modernization projects
- L&I – To deal with a 60% increase in unemployment claims, will use \$4 million for program oversight and critical upgrades to its information management system
- DPW, DEP, Health, PCCD, and Council on the Arts will also use limited ARRA funds for oversight.

ADD'L \$50 MILLION IS ALLOWABLE FOR CENTRAL OVERSIGHT UNDER SPECIAL .5% CAP PROVISION

PA will use just a fraction of the \$50 million available for central ARRA oversight:

\$2.75 MILLION (.027%)

Accountability Office – coordinates the oversight effort to monitor and report on how the ARRA funds are spent.

Budget:	\$ 500,000
New positions	3

Office of Administration, Integrated Enterprise Systems (IES) – manages SAP, the Commonwealth's integrated financial management IT system. IES is charged with building the IT infrastructure necessary to consolidate program and financial information of both the state agencies and the sub-recipients to provide necessary data for program oversight and to meet the federal reporting requirements. This data will also be used to keep citizens informed. IES has used SAP applications to contain the costs of creating the new federal reports.

One-time cost for new IT reporting tool	\$1,750,000
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Office of the Budget (OB), Comptroller Operations – provides financial expertise and financial reporting information. OB tracks and monitors stimulus spending to ensure it is reported accurately and timely. These efforts will reduce the potential for fraud and abuse. OB is responsible for quarterly financial reporting beginning with quarter ending 9/30/09.

Increased auditing costs	\$ 468,000
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AGENCIES ARE MANAGING ADDITIONAL FUNDS WITH RELATIVELY FEW ARRA FUNDED POSITIONS

- **59 limited term positions for agency program management and oversight**
 - **Of these, certain programs will require increased oversight due to the range and volume of grants:**
 - PA Commission on Crime and Delinquency for JAG – 9 positions
 - DCED for DOE Weatherization and other grants – 17 positions
 - L&I for Workforce Development and Unemployment – 27 positions
- **248 limited term positions for front-line service delivery**
 - **Certain programs will experience increased demand due to the economic downturn:**
 - DPW Food Stamp Program – 180 positions
 - L&I Workforce Investment and Unemployment – 68 positions

IN SUMMARY, PENNSYLVANIA IS ...

- ✓ **Maximizing the dollars going to programs**
- ✓ **Leveraging existing resources to minimize costs**
- ✓ **Applying unprecedented accountability and transparency standards**
- ✓ **Ensuring sufficient resources to minimize the risk of waste, fraud and abuse**