

Society of Corporate Compliance and Ethics Utility Conference  
– Houston, TX  
Reporting Implications of ARRA Grant and Loan Programs



Let's talk about an opportunity.



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## Instructor information



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### About the instructor

*Russell Hissom, CPA, Partner*, in the Energy and Utilities Group since 1983, specializes in serving the financial and operational needs of the utility industry. He has extensive experience with Department of Energy grant management and reporting, financial and compliance audits of utilities, work order asset management and FERC accounting implementation projects, construction audits, management audits, contract compliance audits under jointly owned electric generation contracts, overhead cost allocation studies, NERC Audit Readiness projects for Registered Entities, and specialized accounting training for utilities. He has spoken nationally on a variety of utility topics for organizations such as APPA, the Society of Corporate Compliance and Ethics and NERC Regional Audit Organizations.

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## About Baker Tilly



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### Company Overview

- > Firm established in 1931—a nearly 80-year history of focusing on client needs and providing outstanding service
- > 13th largest Public Accounting and Consulting Firm in USA (*Public Accounting Report's* "Top 100 2008")
- > More than 1,300 total staff members, including 167 partners and 519 CPAs = Depth of Resources
- > Seamless global services through Baker Tilly International (BTI)
- > Industry Awards for Outstanding Service and Employee Satisfaction

### Nationwide energy practice

- > Nationwide energy practice with more than 100 electric utility clients across North America – our Energy and Utilities Group is focused *just* on utilities
- > Proud supporter of Industry Associations

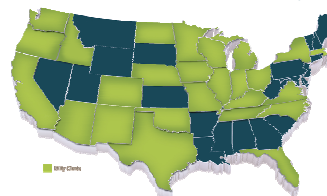
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## Electric-related utility clients



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### Baker Tilly provides services to nearly 100 electric-related utilities nationwide including:



- |  |  |   |  |
|--|--|---|--|
| <b>Arizona</b> <ul style="list-style-type: none"> <li>&gt; Arizona Corporation Commission</li> </ul>   | <b>Indiana</b> <ul style="list-style-type: none"> <li>&gt; Indiana Municipal Power Agency</li> </ul>   | <b>Nebraska</b> <ul style="list-style-type: none"> <li>&gt; Lincoln Electric System</li> </ul>  | <b>Tennessee</b> <ul style="list-style-type: none"> <li>&gt; Pulaski Electric System</li> </ul>  |
| <b>California</b> <ul style="list-style-type: none"> <li>&gt; California Public Utilities Commission</li> <li>&gt; Pacific Gas &amp; Electric</li> <li>&gt; Southern Cal Edison</li> <li>&gt; San Diego Gas &amp; Electric</li> <li>&gt; Burbank Water and Power</li> <li>&gt; Sacramento Municipal Utility</li> <li>&gt; Modesto Irrigation District</li> <li>&gt; Truckee Donner Utility District</li> </ul> | <b>Iowa</b> <ul style="list-style-type: none"> <li>&gt; Cedar Falls Utilities</li> <li>&gt; Muscatine Power and Water</li> <li>&gt; Waverly Light and Power</li> </ul>                   | <b>New Mexico</b> <ul style="list-style-type: none"> <li>&gt; New Mexico Public Utilities Commission</li> </ul>   | <b>Texas</b> <ul style="list-style-type: none"> <li>&gt; Entergy</li> <li>&gt; CPS Energy (San Antonio Electric)</li> <li>&gt; Lower Colorado River Authority</li> <li>&gt; New Braunfels Utilities</li> </ul>                           |
| <b>Colorado</b> <ul style="list-style-type: none"> <li>&gt; Colorado Springs Utilities</li> </ul>  | <b>Massachusetts</b> <ul style="list-style-type: none"> <li>&gt; MMWEC</li> </ul>  | <b>North Carolina</b> <ul style="list-style-type: none"> <li>&gt; Charlotte Utilities</li> </ul>  | <b>Virginia</b> <ul style="list-style-type: none"> <li>&gt; Prince William County Water Authority</li> </ul>   |
| <b>Florida</b> <ul style="list-style-type: none"> <li>&gt; Orlando Utilities Commission</li> <li>&gt; Florida Municipal Power Agency</li> <li>&gt; Gainesville Regional Utilities</li> <li>&gt; Lakeland Electric</li> </ul>   | <b>Michigan</b> <ul style="list-style-type: none"> <li>&gt; Michigan Public Power Agency</li> <li>&gt; MI South Central Power Agency</li> </ul>  | <b>North Dakota</b> <ul style="list-style-type: none"> <li>&gt; Missouri Basin Power Project</li> </ul>   | <b>Washington</b> <ul style="list-style-type: none"> <li>&gt; Seattle City Light</li> <li>&gt; Snohomish PUD</li> <li>&gt; Avista</li> </ul>   |
| <b>Guam</b> <ul style="list-style-type: none"> <li>&gt; Guam Power Authority</li> </ul>  | <b>Midwest Region</b> <ul style="list-style-type: none"> <li>&gt; Midwest Reliability Organization</li> </ul>  | <b>New York</b> <ul style="list-style-type: none"> <li>&gt; Long Island Power Authority</li> </ul>  | <b>Wisconsin</b> <ul style="list-style-type: none"> <li>&gt; American Transmission Company</li> <li>&gt; Alliant Energy</li> <li>&gt; WEnergies</li> <li>&gt; Wisconsin Public Power</li> <li>&gt; Madison Gas &amp; Electric</li> </ul> |
| <b>Idaho</b> <ul style="list-style-type: none"> <li>&gt; Idaho Power</li> </ul>  | <b>Minnesota</b> <ul style="list-style-type: none"> <li>&gt; Otter Tail Power</li> <li>&gt; Utilities Plus</li> <li>&gt; Xcel Energy</li> <li>&gt; Laurentian Power Authority</li> </ul> | <b>Ohio</b> <ul style="list-style-type: none"> <li>&gt; Public Utility Commission of OH</li> <li>&gt; AMP-Ohio</li> </ul>   |  |
| <b>Illinois</b> <ul style="list-style-type: none"> <li>&gt; Illinois Municipal Electric Agency</li> </ul>  | <b>Missouri</b> <ul style="list-style-type: none"> <li>&gt; Columbia Utilities</li> <li>&gt; Kansas City Power and Light</li> </ul>  | <b>Oklahoma</b> <ul style="list-style-type: none"> <li>&gt; Oklahoma Gas &amp; Electric</li> <li>&gt; Oklahoma Municipal Power Authority</li> <li>&gt; Grand River Dam Authority</li> </ul> |  |
|  |  | <b>Oregon</b> <ul style="list-style-type: none"> <li>&gt; Northern WASCO PUD</li> </ul>   |  |

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## Compliance issues facing the utility industry



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- > State legislative activities
  - Renewable Energy Portfolio Standards
  - Water legislation
- > Federal activities
  - Cap and Trade legislation
  - Dodd-Frank Wall Street Reform and Consumer Protection Act
  - Health care legislation
  - Tax issues and analysis
  - American Recovery and Reinvestment Act – Department of Energy Grants and Loans
  - NERC compliance
  - Accounting issues
- > Regulatory activities
  - NERC compliance
- > Accounting standards
  - Derivative accounting
  - Intangibles
  - IFRS exposure draft on regulatory accounting – *replacement to FAS 71/ASC980*

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## ARRA loan and grant programs (small partial list)



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- > 1703 DOE Loans
- > American Recovery and Reinvestment Act
  - DOE Smart Grid
  - DOE Demonstration Grants
  - Energy Efficiency
  - Energy Infrastructure & Storage
  - Fossil, Hydrogen & Fuel Cells
  - Nuclear Energy
  - Renewables
  - State and Local Government
  - Transportation
- > U.S. Department of Agriculture Rural Utilities Service
  - Broadband Deployment

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## Restrictions on use of ARRA Funds



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- > Unallowed activities – no funds may be used for
  - Casino or gambling establishment
  - Aquarium
  - Zoo
  - Golf course
  - Swimming pool

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## ARRA compliance implications



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- > Financial management system must permit preparation of required reports and tracing of funds adequate to establish that funds were used for authorized purposes and allowable costs
  - Maintain records that identify source and application of ARRA awards
  - Separately identify each subrecipient and their receipt of funds by federal award number, CDFA number, and amount of ARRA funds
  - Provide identification of their awards in Schedule of Federal awards
  - Subrecipients also must have the ability to provide this information

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## Section 1512 reporting requirements



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- > Reported quarterly at [www.FederalReporting.gov](http://www.FederalReporting.gov)
- > Prime is responsible for sub-recipients
- > Key reporting requirements
  - Amount of Federal Recovery Act funds expended
  - Activity code and description
  - Project narrative by type and status of completion
  - Job creation narrative and number
    - » Include prime, subs and optional for vendors
- > Infrastructure expenditures
- > Recipient area of benefit
- > Vendor expenditure amounts and descriptions

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## Smart Grid/DOE documentation and reporting requirements



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### Department of Energy Federal Assistance Reporting Overview

- > Management reporting
- > Scientific/technical reporting
- > Financial reporting
- > Closeout reporting
- > Other reporting
- > American Recovery and Reinvestment Act (ARRA) reporting
  - 1512 reporting covered in greater detail

DOE F 4000.2  
1/2010  
All other editions are obsolete.

U.S. Department of Energy  
FEDERAL ASSISTANCE REPORTING CHECKLIST  
AND INSTRUCTIONS

Attachment 3b

1. Identification Number	2. Program/Project Title
3. Recipient:	
4. Reporting Requirements:	
A. MANAGEMENT REPORTING	Frequency: 1
<input type="checkbox"/> Progress Report	1
<input type="checkbox"/> Special Status Report	1
B. SCIENTIFIC/TECHNICAL REPORTING	Frequency: 1
(Reports/Products must be submitted with appropriate DOE F 241. The 241 forms are available at: <a href="http://www.doe.gov/241">www.doe.gov/241</a> )	1
Report/Products	1
<input type="checkbox"/> Final Scientific/Technical Report	1
<input type="checkbox"/> Conference paper/presentation*	1
<input type="checkbox"/> Software/Manual	1
<input type="checkbox"/> Other (see special instructions)	1
* Scientific and technical conferences only	
C. FINANCIAL REPORTING	Frequency: 1
<input type="checkbox"/> SF-425 Federal Financial Report	1
D. CLOSEOUT REPORTING	Frequency: 1
<input type="checkbox"/> Patent Certificate	1
<input type="checkbox"/> Property Certification	1
<input type="checkbox"/> Other	1
E. OTHER REPORTING	Frequency: 1
<input type="checkbox"/> Annual Budget Cost Proposal	1
<input type="checkbox"/> Annual Inventory of Federally Owned Property, if any	1
<input type="checkbox"/> Other	1
F. AMERICAN RECOVERY AND REINVESTMENT ACT REPORTING	Frequency: 1
<input type="checkbox"/> Reporting and Registration Requirements	1
FREQUENCY CODES AND DOE DATES	
A - Within 5 calendar days after event or as specified.	
F - Final: 90 calendar days after expiration or termination of the award.	
Y - Yearly: 90 days after the end of the reporting period.	
S - Semiannually: within 30 days after end of reporting period.	
Q - Quarterly: within 30 days after end of the reporting period.	
D - Quarterly: within 30 days after end of the reporting period plus by day 22 reviewed subsequent entries. See OMB guidance at <a href="http://www.doe.gov/OMB/Reporting/Help">Department of Energy - OMB Reporting Help</a> .	
5. Special Instructions:	
All reports, except for those in B and F above, should be submitted through FedConnect.	

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### General 1512 Reporting Requirements

- > Recipients to report select financial and jobs information into an OMB-managed database
  - ([www.FederalReporting.gov](http://www.FederalReporting.gov))
- > Registration can be completed as soon as an award is made. Early registration is encouraged
- > 1512 Reporting is complete when the total project award has been expended



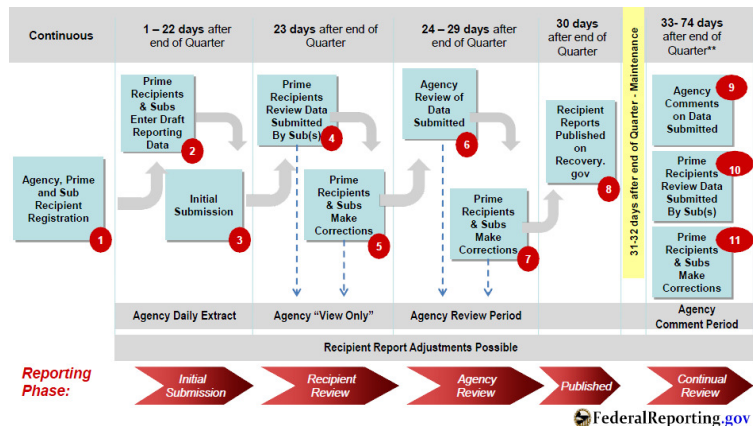
**Prime Recipient** - A non-federal organization receiving Recovery Act funding (grants, loans, or cooperative agreements) directly from the Federal Government.

**Sub-Recipient** - A non-federal organization spending federal awards received from another organization to carry out a federal program – not a program beneficiary.

**Vendor** - A dealer, distributor, merchant, or other seller providing goods or services that are required of the conduct of a Recovery program (if paid more than \$25,000 for a service).

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### Federal reporting timeline illustrated



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## Smart Grid/DOE documentation and reporting requirements (cont.)



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### Jobs reporting guidance

- > Actual Jobs reported as FTEs (direct jobs only)
- > Jobs created and retained reported as a single number
- > For cost share arrangements, calculate jobs based only on the portion of funds attributed to the Recovery Act
- > If counting actual jobs is too onerous, Recipients may request to use a statistical methodology
- > Process available at
  - [http://www.energy.gov/recovery/ARRA\\_Reporting\\_Requirements.htm](http://www.energy.gov/recovery/ARRA_Reporting_Requirements.htm)

### OMB Definition: Full-Time Equivalent (FTE)

*The estimate of the number of jobs required by the Recovery Act should be expressed as "full-time equivalents" (FTE), which is calculated as total hours worked in jobs created or retained divided by the number of hours in a full-time schedule, as defined by the recipient. The FTE estimates must be reported cumulatively each calendar quarter.*

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## Compliance requirements



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- > If the organization is a unit of government
  - Municipal utility, joint action agency, electric cooperative
- > Program expenditures exceed \$500,000 in any year
  - Subject to OMB Circular No. A-133 Single Audit Compliance Supplement
- > Controls and reporting framework must provide necessary reports and source documentation used by external audit firm in assessing Single Audit Reporting requirements

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## ARRA compliance implications



- > Single audits only applicable to government units BUT future implications of federal audits are not known at this time (DOE, others?)

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## ARRA compliance implications (cont.)



- > Special tests and provisions for ARRA Award Funding
  - Auditor tests
    - » Testing internal controls
    - » Assessing risk
  - Separate accountability for ARRA funding
  - Individual programs will have their own unique requirements
    - » You cannot go wrong in making sure you meet these requirements whether currently subject to audit or not

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## Compliance requirements

### – Indirect Cost Allocation Plan and Federal Property Reporting



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- > Must have a federally approved indirect cost allocation plan
  - OMB No. 110
- > Annual Indirect Cost Proposal (Annual)
  - In accordance with the applicable cost principles, the recipient must submit an annual indirect cost proposal, reconciled to its financial statements, within six months after the close of the fiscal year, unless the award is based on a predetermined or fixed indirect rate(s), or a fixed amount for indirect or facilities and administration (F&A) costs.
- > Annual Inventory of Federally Owned Property (Annual)
  - If at any time during the award the recipient is provided Government-furnished property or acquires property with project funds and the award specifies that the property vests in the Federal Government (i.e. federally owned property), the recipient must submit an annual inventory of this property to the DOE Administrator at the address listed in Block 16 of the Assistance Agreement Cover Page no later than October 30th of each calendar year, to cover an annual reporting period ending on the preceding September 30th.

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## Costs discussed in OMB cost principles



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Cost	Allowable?	Cost	Allowable?	Cost	Allowable?
Advertising	Restricted	Alcohol	No	Bonding	Restricted
Vehicle	No personal	Depreciation	Qualified	Employee morale	Restricted
Equipment	Specific	Professional Services	Restrictions	Recruiting	Only address costs of ads
Relocation	Restricted	Rental of bldgs/equip	Restricted	Marketing	Unallowable
Taxes	Restricted	Training	Allowable	Travel	Restricted

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## ARRA Grant compliance and reporting summary



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- > ARRA Recipients have a new layer of external financial reporting as part of the receipt of federal grants
- > Recipients may have to modify their business processes to:
  - Assemble data
  - Ensure data integrity for reporting
  - Meet audit requirements
- > Evaluate your internal controls and data accumulation processes to determine any gaps
- > Evaluate software platforms for reporting and adaptability
- > Evaluate costing systems to meet OMB cost allocation requirements – seek approved OMB plan where necessary
- > Grant accountability is key
- > Comply with A-133 requirements to ensure you meet current federal standards for controls and head off potential future audit issues

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Thank you!



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Thank you for your kind attention.

Any questions? Contact me at  
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