
Government Accountability Office's Observations on the Implementation of The Recovery Act

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Topics to be Addressed

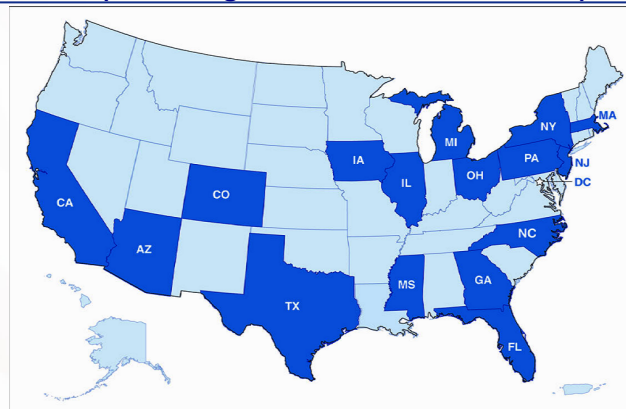
- GAO's findings regarding the American Recovery and Reinvestment Act (Recovery Act)
 - GAO's findings regarding recipient reporting of jobs with Recovery Act funding
 - GAO's crosscutting recommendations to OMB
 - GAO's monitoring the other 34 states
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GAO Mandates Under the Recovery Act

- GAO is mandated by Congress to conduct bimonthly reviews of Recovery Act funds. These reviews
 - incorporate a longitudinal study of Recovery Act-funded programs in 16 states and the District of Columbia;
 - include studies of Recovery Act-funded programs in a number of localities within the selected states; and
 - monitor the other 34 states.
- GAO is also mandated to review recipient reporting of jobs created and/or retained through use of Recovery Act funds.

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States Incorporated into GAO's Bimonthly Reporting on the Recovery Act (including the District of Columbia)



Source: GAO analysis.

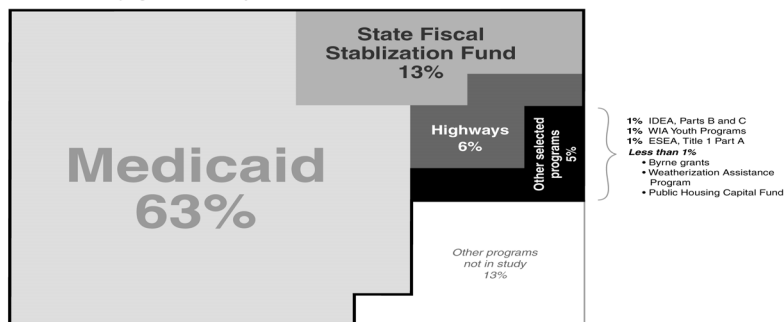
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Overall Reporting Objectives

- For the bimonthly reports, GAO’s overall reporting objectives are to examine:
 - selected states’ and localities’ uses of Recovery Act funds;
 - approaches taken by the selected states and localities to ensure accountability for Recovery Act funds; and
 - states’ plans to evaluate the impact of the Recovery Act funds they received.

Scope of Recovery Act Outlays to States and Localities (FY 2009)

87% of estimated federal Recovery Act outlays to states and localities in fiscal year 2009 will be in the nine programs reviewed by GAO.



Source: GAO analysis of Congressional Budget Office and Federal Funds Information for States data.

Recovery Act Funding (Nationwide)

- The estimated total cost of the Recovery Act is \$787 billion over the next several years.
- About \$280 billion will be administered through states and localities throughout the nation.
- The Department of the Treasury has paid out a total of \$63 billion in Recovery Act funds for use in states and localities, as of 11/06/09.
- Approximately \$107.7 billion is scheduled to be administered to states and localities in fiscal year 2010.

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Recovery Act Program Funding: Increased Medicaid FMAP

- All 16 states and the District had drawn down increased Medicaid Federal Medical Assistance Percentage (FMAP) funds totaling about \$20.3 billion.
 - Iowa was awarded about \$198 million and had drawn about \$162 million, or about 82% of its award.
- All 16 states and the District
 - experienced Medicaid enrollment growth, averaging about 10.4%,
 - reported using increased funds to maintain current benefits and eligibility levels, and
 - expressed concern about sustainability of Medicaid programs when increased funds are no longer available (January 2011).

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Recovery Act Program Funding: State Fiscal Stabilization Fund (SFSF)

- As of August 28, 2009, \$21 billion in SFSF grants for education were available to GAO's 16 states and the District.
- \$7.7 billion had been drawn down.
 - Iowa had drawn down about \$57 million of a total of about \$386 available to the state, or about 22%
- School districts said they will use funds to maintain current levels of education funding and to help offset state budget cuts.
- GAO Recommendation: the Department of Education should take further action to
 - ensure states understand and carry out their responsibility to monitor sub-recipients of SFSF funds and
 - consider providing training and technical assistance to states to help them develop state monitoring plans for SFSF.

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Recovery Act Program Funding: Highway Infrastructure and Transit

- As of Sept. 2009, of the \$15.5 billion apportioned to the 16 states and the District, about \$10.6 billion--or 68%--had been obligated for highway infrastructure projects
 - Iowa was apportioned about \$358 million for highways and had obligated about \$319 million, or about 89% of its funds.
- Nationally, highway infrastructure obligations have been for pavement improvement projects and transit funds for upgrading transit facilities, improving bus fleets, and conducting preventive maintenance.
- GAO Recommendation: the Secretary of Transportation should
 - continue to reach out to state agencies to identify common problems in accurately fulfilling reporting requirements and
 - provide additional guidance, as appropriate.

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The Recovery Act in Iowa

- The Governor created the Iowa Accountability and Transparency Board to monitor the use of Recovery Act funds in Iowa.
- In some cases, Iowa is obligating or drawing down funds faster than most states:
 - The Iowa Department of Transportation has obligated about 93 percent of Recovery Act funds for highway infrastructure projects, which is one of the highest rates among the 50 states and the District of Columbia.
 - Housing agencies have obligated 80.1% of Public Housing Capital Fund formula grants.

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Recipient Reporting of Jobs Created and/or Retained with Recovery Act Funding

- The Recovery Act requires recipients of funding from federal agencies to report quarterly on jobs created or retained with Recovery Act funding; such information is available at www.recovery.gov.
- In November 2009, GAO addressed the extent to which
 - recipients were able to fulfill their reporting requirements and the processes in place to ensure data quality, and
 - macroeconomic data and the recipient reports can be used to assess the employment effects of the Recovery Act.

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Select GAO Findings on Recipient Reporting: Overall Findings

- The ability of OMB's reporting mechanism to handle the volume of data from a wide variety of recipients represents a solid first step in moving towards transparency and accountability for federal funds.
 - However, there are a range of significant reporting and quality issues that need to be addressed.
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Select GAO Findings on Recipient Reporting: Erroneous or Questionable Data Entries

- GAO's review of prime recipient reports identified the following erroneous or questionable data entries that merit further review:
 - **3,978** reports that showed no dollar amount received or expended but included more than 50,000 jobs created or retained;
 - **9,247** reports that showed no jobs but included expended amounts approaching \$1 billion, and
 - Instances of additional reporting anomalies.
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Select GAO Findings on Recipient Reporting: Coverage and Quality Review

- In terms of **coverage** (the percentage of recipients who reported information to www.recovery.gov):
 - While OMB estimates that more than 90 percent of recipients reported, questions remain about the other 10 percent.
- In terms of **quality reviews** of recipient reports:
 - **Less than 1 percent** of sub-recipient reports were marked as having undergone review by the prime recipient, while over 75 percent of the prime recipient reports were marked as having undergone review by a federal agency.

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Select GAO Findings on Recipient Reporting: Calculations of FTEs

- Under OMB guidance, jobs created or retained were to be expressed as full-time equivalents (FTEs).
- GAO found that data were reported inconsistently even though significant guidance and training was provided by OMB and federal agencies.
- While FTEs should allow for the aggregation of different types of jobs—part time, full time or temporary—differing interpretations of the FTE guidance provided by OMB compromise the ability to aggregate data.

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Select GAO Findings on Recipient Reporting in Iowa

- The Iowa Department of Management used a centralized database to report Iowa's Recovery Act to OMB, other federal entities, and the general public.
 - Iowa officials reported that OMB's reporting system was very slow and "kicked back" entire submissions of information every time the system encountered an error.
 - However, the overall reporting process worked well since most state reporting problems stemmed from a few recipients (i.e. school districts).
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Ensuring Accountability for Use of Recovery Act Funds - Iowa

- Iowa officials told GAO that they developed internal controls to help ensure that the data submitted by the state to OMB and other entities is accurate.
 - Iowa officials inserted validation processes in its centralized Recovery Act database to help reviewers identify and correct inaccurate data submitted to the state.
 - In addition, state agency and local officials were required to certify their review and approval of their agency's information prior to submission to the state.
 - Iowa officials also told GAO they are working on data quality plans to include being able to reconcile financial information reported by recipients with the state's centralized accounting system.
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Select GAO Findings on Recipient Reporting: Calculations of FTEs

- Inconsistent reporting of jobs saved and created at four Iowa housing agencies GAO visited
 - Officials at two housing agencies reported zero jobs created or saved because they did not believe they had adequate data.
 - Officials at one housing agency used payroll data from contractors required under the Davis-Bacon Act to calculate jobs saved or created.
 - An official at a fourth housing agency counted and reported the number of workers on each Recovery Act project.

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Recipient Reporting: GAO Recommendations for Executive Action

- To improve the consistency of FTE data collection and reporting, OMB should:
 - clarify the definition and standardize the period of measurement and
 - consider being more explicit that “jobs created or retained” are to be reported as hours paid for with Recovery Act funds.
- OMB should also work with the Recovery Accountability and Transparency Board and federal agencies to re-examine review and quality assurance processes, procedures, and requirements.

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Special Note Regarding Created and/or Retained Jobs Reported by Recipients

- The required recipient reports from nonfederal recipients of Recovery Act grants, contracts, and loans only cover direct jobs created or retained as a result of Recovery Act funding.
 - These reports do not include the employment impact on materials suppliers (indirect jobs) or on local communities (induced jobs).
 - Further, these reports reflect only direct employment arising from expenditure of less than one-third of Recovery Act funds.
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Monitoring the other 34 states

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Questions?

Additional Information on GAO's Recovery Act Work

- GAO's recent reports on the Recovery Act include:
 - *Recovery Act: Recipient Reported Jobs Data Provide Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, GAO-10-223
 - *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed*, GAO-09-1016
- GAO's Recovery Act Web site is located at <http://www.gao.gov/recovery/>.
- If you have any questions, please feel free to contact Lisa Shames at shamesl@gao.gov, or Ralph Campbell, Jr. at campbellr1@gao.gov.