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# American Recovery and Reinvestment Act: Accountability and Transparency

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# American Recovery and Reinvestment Act of 2009 (Recovery Act)

- Signed February 17, 2009
- Purposes:
  - preserve and create jobs and promote recovery
  - assist those most impacted by the recession
  - invest in science and health-care technology
  - invest in infrastructure
  - stabilize state and local government budgets
- Total cost, tax and spending: \$787 billion, including over \$580 billion in additional spending (CBO estimate)

# GAO's Oversight of the Recovery Act

GAO responsibilities include:

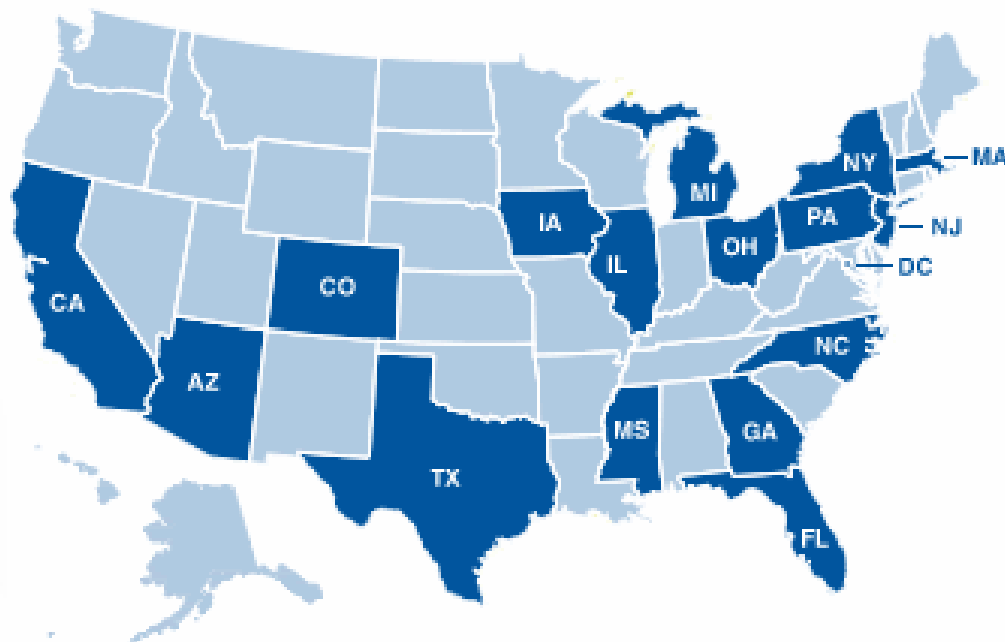
- conducting bimonthly reviews of selected state and localities use of funds,
- commenting on the estimates of the number of jobs created and retained by projects and activities, and
- reviewing areas such as trade adjustment assistance, new education incentive grants, and efforts to increase small business lending.

## **GAO's Coordination with Other Audit Entities**

- GAO is coordinating roles, planned approaches, and timelines with the broader accountability community including:
  - Inspectors General
  - State and local government auditors
  - Recovery Accountability and Transparency Board

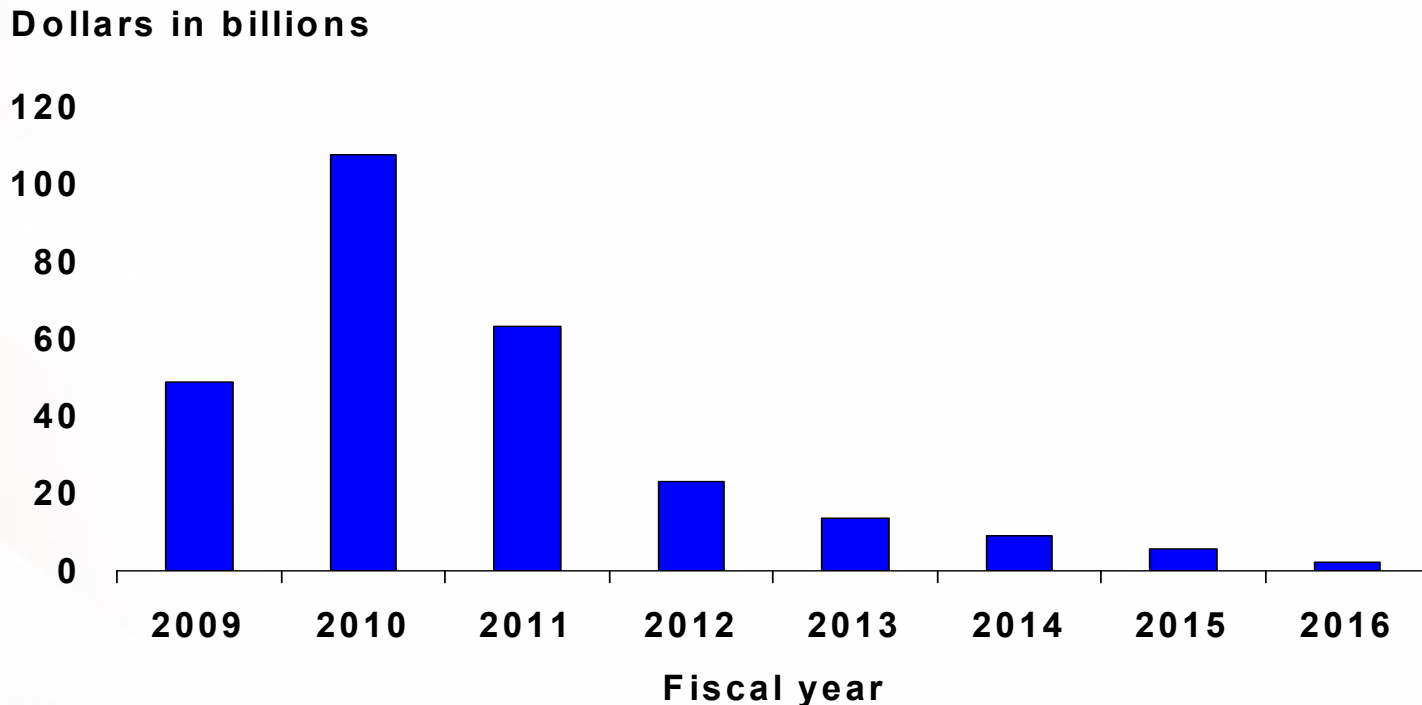
## Bimonthly Reviews Examine How States and Localities are Spending Recovery Act Funds

- The reviews will focus on 16 states and D.C.
- The first review was completed April 23, 2009.



# Recovery Act Spending by States and Localities will Occur Over Time

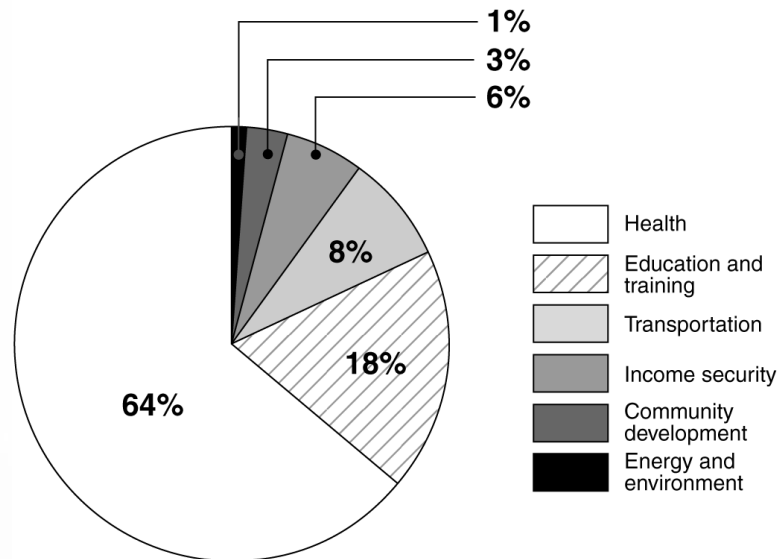
- Projected timing of Recovery Act funding made available to states and localities by fiscal year:



Source: GAO analysis of CBO and FFIS data.

# GAO's First Report Under the Recovery Act Mandate Focused on the Largest Programs

- Health, transportation and education programs comprise an estimated 90% of FY 2009 Recovery Act funding provided to states and localities.



Source: GAO analysis of CBO and Federal funds information for States (FFIS) data.

## **GAO's First Report Under the Recovery Act Mandate Assessed Three Objectives**

The objectives for this report were to assess;

- (1) selected states' and localities' uses of and planning for Recovery Act funds,
- (2) the approaches taken by the selected states and localities to ensure accountability for Recovery Act funds, and
- (3) states' plans to evaluate the impact of the Recovery Act funds they received.

## Uses and Planning for Recovery Act Funds

- About 90 percent of the estimated \$49 billion in Recovery Act funding to be provided to states and localities in FY2009 will be through health, transportation, and education programs.
- The three largest programs are:
  - ✓ Increased Medicaid Federal Medical Assistance Percentage (FMAP) grant awards
  - ✓ Funds for highway infrastructure investment
  - ✓ State Fiscal Stabilization Fund (SFSF)

# Uses and Planning for Recovery Act Funds

## Increased Medicaid FMAP Funding

- For the period October 1, 2008 through April 1, 2009:
  - ✓ Fifteen of 16 states and the D.C. have drawn down about \$7.96 billion in increased FMAP grant awards
- The increased FMAP is for state expenditures for Medicaid services.
- The receipt of the increased FMAP may reduce the state share for their Medicaid programs.
- States have reported using funds made available as a result of the increased FMAP for a variety of purposes.

# Uses and Planning for Recovery Act Funds

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## Highway Infrastructure Investment

- States are undertaking planning activities to identify projects, obtain approval at the state and federal level and move them to contracting and implementation.
- For the most part, states were focusing on construction and maintenance projects, such as road and bridge repairs.

# Uses and Planning for Recovery Act Funds

## Highway Infrastructure Investment (cont.)

- Before they can expend Recovery Act funds, states must reach agreement with the Department of Transportation on the specific projects:
  - ✓ As of April 16, two of the 16 states had agreements covering more than 50 percent of their states' apportioned funds, and three states did not have agreement on any projects.

# Uses and Planning for Recovery Act Funds

## State Fiscal Stabilization Fund

- The states and D.C. must apply to the Department of Education for SFSF funds.
- Education will award once it determines that an application contains key assurances and information on how the state will use the funds.
- As of April 20, applications from three states had met that determination – S. Dakota, and two of GAO's sample states, California and Illinois.

# Uses and Planning for Recovery Act Funds

## State Fiscal Stabilization Fund (cont.)

- The applications from other states are being developed and submitted, and have not yet been awarded.
- The states and D.C. report that SFSF funds will be used to hire and retain teachers, reduce the potential for layoffs, cover budget shortfalls, and restore funding cuts to programs.

## What GAO Found: States' & Localities' Accountability Approach

- Selected states are taking various approaches to ensure that internal controls are in place to manage risk up-front, and have different capacities to manage and oversee the use of Recovery Act funds.
  - Several selected states told us that risk assessment is being conducted to look at programs receiving funds.
  - The results of recent audits, including Single Audit reports, are a readily available source of information to use in the risk assessment process.
- Several states expressed concerns regarding the lack of funding provided to state oversight entities in the Recovery Act given the additional requirements placed on states to provide proper accounting, and ensure transparency.

## What GAO Found: States' & Localities' Plans to Evaluate Impact

- OMB has issued two broad sets of guidance to the heads of federal departments and agencies for implementing and managing activities enacted under the Recovery Act.
- Officials in most states expressed concern about the definitions of jobs retained and jobs created under the Recovery Act, as well as methodologies that can be used for estimation of each.
- State officials that we spoke with are pursuing a number of different approaches for measuring the effects of Recovery Act funding.

# GAO's Recommendations to OMB

## Accountability and Transparency Requirements

- Adjust the single audit process to provide for review of the design of internal controls during 2009 over programs to receive Recovery Act funding
- Continue efforts to identify methodologies that can be used to determine jobs created and retrained from projects funded by the Recovery Act
- Evaluate current requirements to determine whether sufficient, reliable, and timely information is being collected before adding further data collection requirements

# GAO's Recommendations to OMB

## Administrative Support and Oversight

- Clarify what Recovery Act funds can be used to support state efforts to ensure accountability and oversight

## Communications

Provide timely and efficient notification to:

- prime recipients in states and localities when funds are made available for their use
- states, where the state is not the primary recipient of funds, but has a state-wide interest in this information, and
- all recipients, on planned releases of federal agency guidance and whether additional guidance or modifications are expected

## GAO's Ongoing Efforts

- Planning for GAO's next bimonthly review of states is underway.
- GAO will review quarterly reports filed by fund recipients and comment on the reports' estimates of the number of jobs created and retained by projects or activities supported by Recovery Act funds. GAO's first comments are due on August 25, 2009.
- GAO's oversight work on the Recovery Act will be updated regularly at [www.gao.gov/recovery](http://www.gao.gov/recovery)