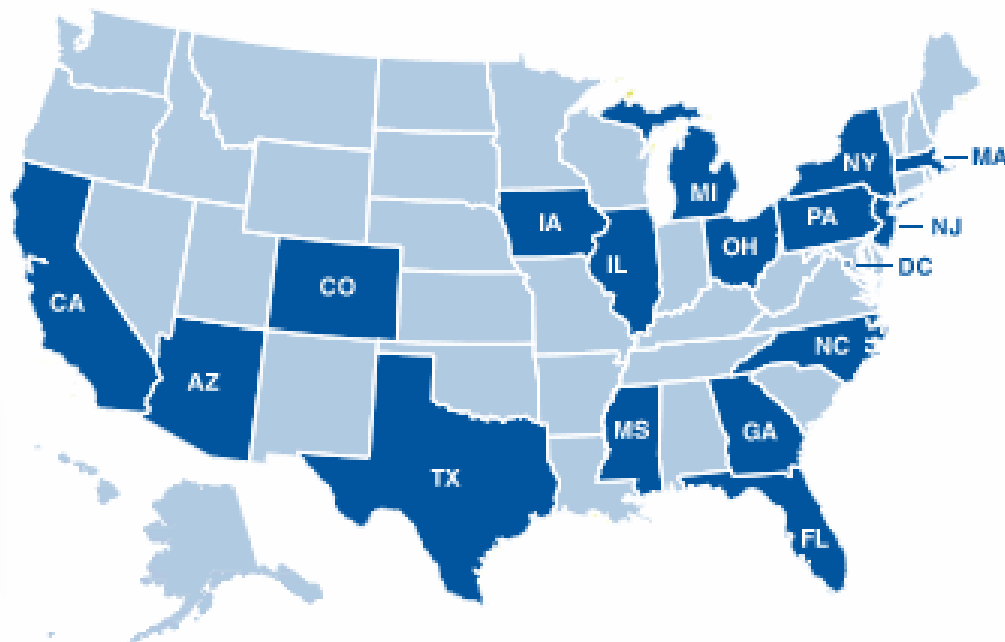

American Recovery and Reinvestment Act: Accountability and Transparency

Pacific Northwest Intergovernmental
Audit Forum
September 21, 2009

By Linda Calbom
GAO Western Regional Director

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

- Reports have focused on 16 states and D.C.
- First two reports were issued on April 23, 2009 and July 8, 2009.
- Next report is due to be issued on September 23, 2009.



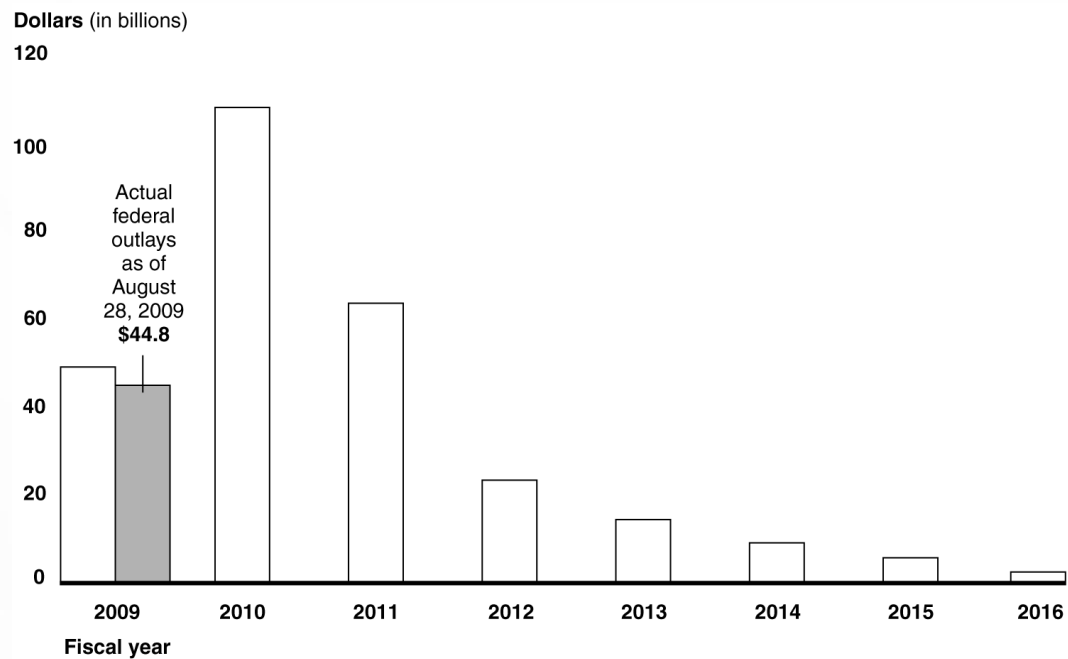
GAO's Reports Under the Recovery Act Mandate Assessed Three Objectives

GAO has assessed:

- (1) selected states' and localities' uses of and planning for Recovery Act funds,
- (2) 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.

Projected versus Actual Federal Outlays to States and Localities under the Recovery Act

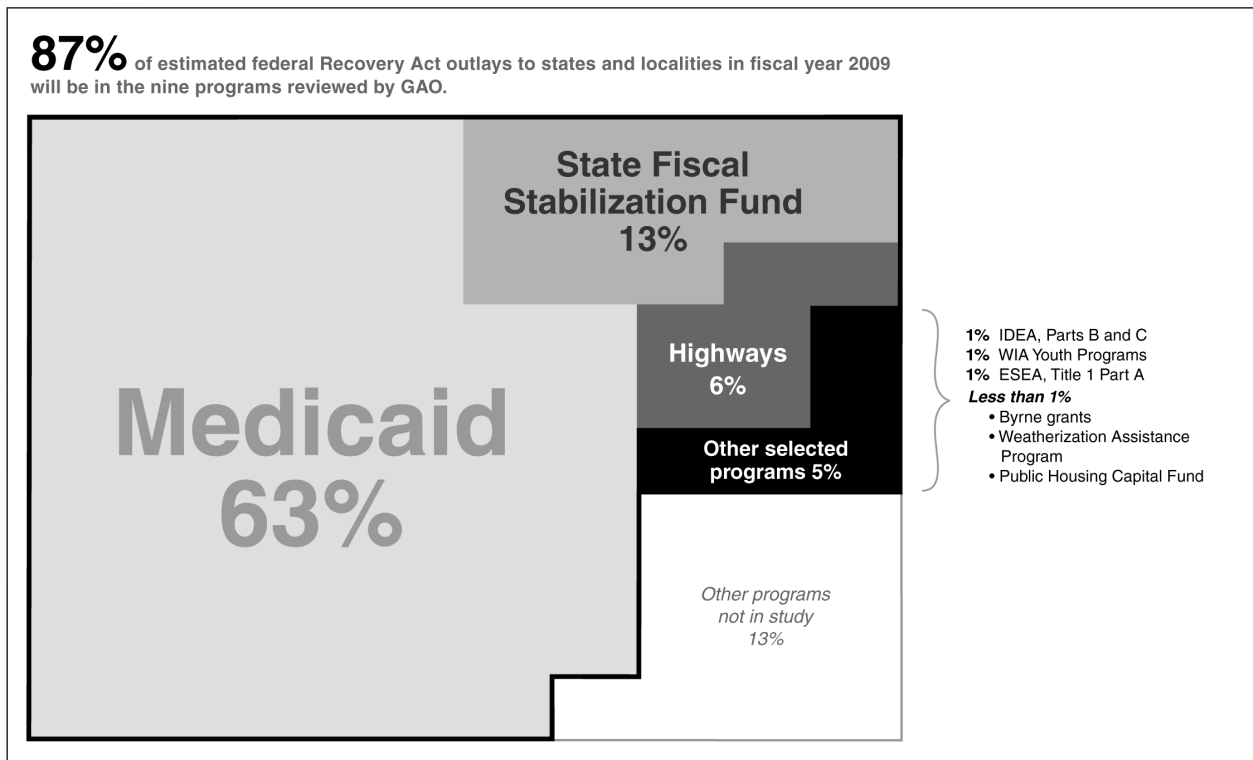
- As of August 28, 2009, Treasury had outlayed about \$45 billion of the estimated \$49 billion projected for use in states and localities in fiscal year 2009.



Source: GAO analysis of CBO, Federal Funds Information for States, and Recovery.gov data.

GAO's Reports Under the Recovery Act Mandate Focused on the Largest Programs

- GAO's work focused on 9 federal programs that are estimated to account for approximately 87% of federal Recovery Act outlays in fiscal year 2009 for programs administered by states and localities.



Source: GAO analysis of data from CBO and Federal Funds Information for States.

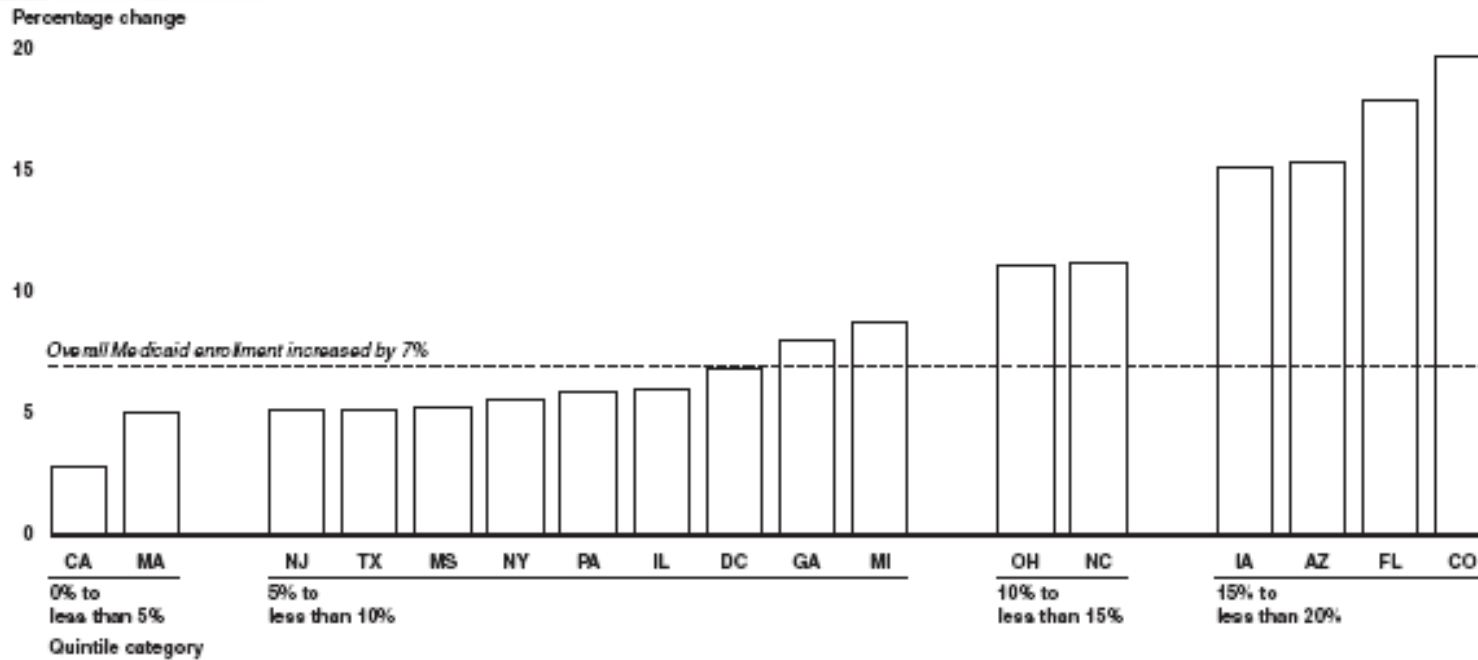
Uses and Planning for Recovery Act Funds

Increased Medicaid FMAP Funding

- For the period October 1, 2008 through September 4, 2009:
 - ✓ All 16 states and D.C. have drawn down just over \$19.6 billion in increased FMAP grant awards.
 - ✓ Almost 84 percent of funds available
- The increased FMAP is for state expenditures for Medicaid services.
- All states and D.C. experienced enrollment growth in this period.
- States and D.C. have reported FMAP funds were critical in efforts to maintain coverage at current levels.

Uses and Planning for Recovery Act Funds

Increased Medicaid FMAP Funding



Uses and Planning for Recovery Act Funds

Highway Infrastructure Investment

- As of September 1, 2009, DOT had obligated about \$11 billion for almost 3,800 highway infrastructure and other eligible projects in the 16 states and D.C. and reimbursed about \$604 million.
- All states met the Recovery Act requirement that 50% of their apportioned funds are obligated in 120 days.

Uses and Planning for Recovery Act Funds

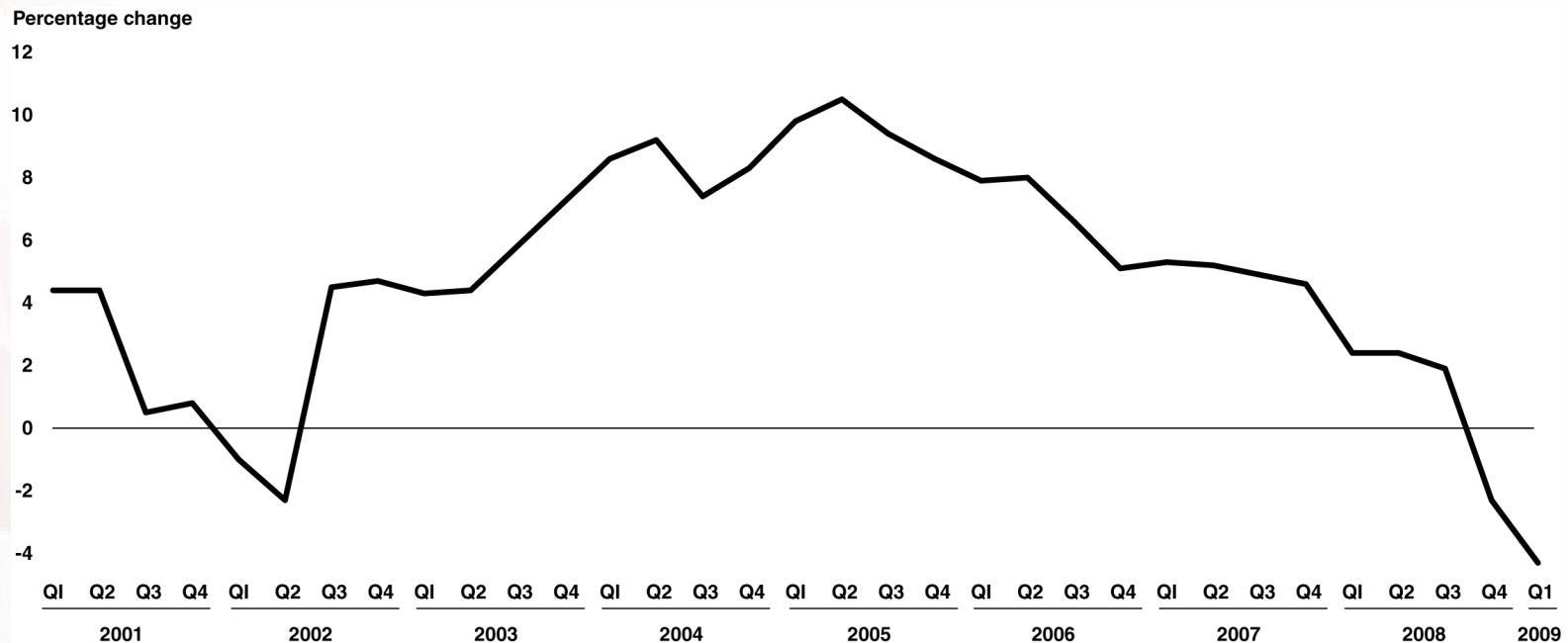
Highway Infrastructure Investment

- Nationwide, almost half the obligations have been for pavement improvement projects. These projects:
 - do not require extensive environmental clearances,
 - are quick to design, obligate, and bid on,
 - employ people quickly, and
 - could be completed within 3 years.
- GAO found substantial variation in how states identified economically distressed areas and how they prioritized project selection for these areas.

Uses and Planning for Recovery Act Funds

State Fiscal Stabilization Fund

- The rate of state and local revenue growth has generally declined since 2005, and been negative in the fourth quarter of 2008 and the first quarter of 2009.



Source: GAO analysis of BEA data.

Uses and Planning for Recovery Act Funds

State Fiscal Stabilization Fund

- States and D.C. report that SFSF funds will be used to offset state budget cuts and to maintain current levels of funding, particularly for retaining staff and current education programs.
- Pennsylvania recently submitted an application but it had not yet been approved.
- As of August 28, 2009, the remaining 15 states and D.C. had been awarded a total of about \$21 billion in initial funding from Education – of which about \$7.7 billion had been drawn down.

States' & Localities' Accountability Approach

- Selected states have implemented various internal control programs; however, federal Single Audit guidance and reporting does not fully address Recovery Act risk.
 - The Single Audit reporting deadline is too late to provide audit results in time for the audited entity to take action on deficiencies noted in Recovery Act programs.
 - Current guidance does not achieve the level of accountability needed to effectively respond to Recovery Act risks.
 - State auditors need additional flexibility and funding to undertake the added Single Audit responsibilities under the Recovery Act.
- OMB is vetting a pilot program for early written communication of internal control deficiencies.

Efforts to Assess the Impact of Spending

- Direct recipients of Recovery Act funds, including states and localities, are expected to report quarterly on a number of measures, including use of funds and estimates of the number of jobs created and retained.
- The first of these reports is due in October 2009.
- In general, states are adapting information systems, issuing guidance, and beginning to collect data on jobs created and jobs retained – but questions remain about how to count jobs and measure performance under Recovery Act-funded programs.

GAO's Ongoing Efforts

- GAO's next bimonthly review of states will be released on September 23, 2009.
- 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 November 24, 2009.
- GAO's oversight work on the Recovery Act will be updated regularly at www.gao.gov/recovery