

December 2009

RECOVERY ACT

Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (District of Columbia)



GAO

Accountability * Integrity * Reliability

Appendix IV: District of Columbia

Overview

The following summarizes GAO's work on the fourth of its bimonthly reviews of the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ spending in the District of Columbia (District). The full report on all of our work in 16 states and the District is available at www.gao.gov/recovery.

What We Did

GAO's work in the District focused on specific programs funded under the Recovery Act, as well as general issues involving the effect of Recovery Act funds on the District's budget and the District's readiness to report on the use and effect of these funds by program. The programs we reviewed—three Recovery Act programs funded by the U.S. Department of Education (Education), and the Weatherization Assistance Program funded by the U.S. Department of Energy—were selected primarily because they include existing programs receiving significant amounts of Recovery Act funds or programs receiving significant increases in funding from the Recovery Act. We also updated information on the use of Highway Infrastructure Investment funds, and Public Housing Capital funds. In addition, we reviewed contracting procedures and selected and discussed with officials four contracts awarded with Recovery Act funds—two for highway infrastructure projects, and two for public housing projects—to examine how District agencies were implementing the Recovery Act. Our work focused on the status of the program's funding, how the funds were being used, and issues that were specific to each program. We also reviewed the District's experience in meeting Recovery Act reporting requirements concerning jobs created and sustained. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-232SP](#).

What We Found

- **U.S. Department of Education (Education) State Fiscal Stabilization Fund:** Education awarded the District about \$65.3 million of the District's total State Fiscal Stabilization Fund (SFSF) allocation of about \$89.3 million. As of November 6, 2009, the District had not distributed any of these funds to local educational agencies (LEA).

¹Pub. L. No. 111-5, 123 Stat. 115 (2009).

- **Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended:** Education allocated about \$37.6 million in Recovery Act funds to the District to be used to help improve teaching, learning, and academic achievement for disadvantaged students. As of November 6, 2009, the District had not yet drawn down any of its ESEA Title I Recovery Act funds.
- **Individuals with Disabilities Education Act (IDEA), Part B:** Education allocated about \$16.7 million to the District to be used to support special education and related services for children with disabilities. As of November 6, 2009, the District had not yet drawn down these funds.
- **Highway Infrastructure Investment Funds:** The U.S. Department of Transportation’s Federal Highway Administration (FHWA) apportioned \$124 million to the District in March 2009 for highway infrastructure and other eligible projects. As of October 31, 2009, \$106 million had been obligated, and \$3 million had been reimbursed by the federal government. The District Department of Transportation (DDOT) is using its apportioned funds for 13 “ready-to-go” projects to repave streets and interstates, rehabilitate bridges, improve and replace sidewalks and roadways, and expand the city’s bike-share program. We selected two contracts to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for the construction portion of the “Great Streets” project, which includes reconstruction and streetscape improvements of Pennsylvania Avenue, and the other for construction and demolition of the New York Avenue Bridge.²
- **Public Housing Capital Fund:** The U.S. Department of Housing and Urban Development (HUD) has allocated \$27 million to the District of Columbia Housing Authority (DCHA). DCHA plans to use Recovery Act funds on 20 projects to be performed at 13 different public housing developments. The projects include the rehabilitation of nearly 2,000 housing units and the installation of new energy-efficient projects at public housing facilities. We selected two contracts to discuss in greater depth with the relevant agency contracting officials. The first contract we reviewed was for window replacement at the Regency House public housing community, and the second contract we

²We selected these contracts managed by DDOT for review because they were the largest dollar contracts that had been awarded as of October 8, 2009.

reviewed was for unit renovations at the Horizon House public housing community.³

- **Weatherization Assistance Program:** The U.S. Department of Energy (DOE) allocated about \$8 million in Recovery Act weatherization funds to the District for a 3-year period. The District Department of the Environment (DDOE), which is responsible for administering the program for the District, has not yet obligated or spent the weatherization funds. According to DDOE officials, they have been developing the capacity and infrastructure to administer the program, such as hiring new staff and adding three new community-based organizations to manage the weatherization projects that are funded through the Recovery Act. DDOE plans to use the funds to weatherize and improve the energy efficiency of about 785 low-income families' homes and rental units.
- **Recipient reporting:** The District met the October 10, 2009, quarterly Recovery Act recipient reporting deadline after modifying its approach when the federal reporting Web site did not have the capability to permit the District to submit data in a batch format. Officials within the Office of the City Administrator took steps to help ensure the quality and completeness of the recipient data, including reviewing the data for reasonableness and potential inaccuracies, before allowing District agencies to submit the reporting information. Overall, District officials told us that the reporting process went smoothly, and District agencies generally did not have issues with the report submission process or submission deadline.
- **The District's use of Recovery Act funds:** While the infusion of Recovery Act funds have helped mitigate the negative effects of the recession on the District's budget, the District continues to face fiscal challenges. As a result of deteriorating economic conditions and a decrease in expected revenues, in June 2009 the District faced a projected budget shortfall of \$150 million for fiscal year 2010. The District closed this budget shortfall using a combination of measures including Recovery Act funds, reduced spending by District agencies, and tax increases.

³We selected one contract managed by DCHA because it was for a new and higher dollar value project in a housing complex GAO visited for a prior Recovery Act report, and the other because it was the largest dollar contract awarded as of October 19, 2009.

The District Has Yet to Disburse Any Recovery Act Education Funds

The U.S. Department of Education (Education) has allocated \$143.6 million in Recovery Act funds to the District for three programs:

- State Fiscal Stabilization Fund (SFSF), which was created under the Recovery Act, in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services;
- Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended, which provides funding to help educate disadvantaged youth; and
- Part B of the Individuals with Disabilities Education Act (IDEA), as amended, which provides funding for special education and related services for children with disabilities.⁴

The District Has Not Distributed Any SFSF Funds

The District's Office of the State Superintendent of Education (OSSE) has not yet distributed SFSF funds to the District's 58 local educational agencies (LEA). OSSE officials told us that the SFSF funds had not been distributed because the District had amended its application and was waiting for Education to approve the amendment prior to distributing funds. As noted in our September 2009 report, the District's SFSF application was modified to allocate a larger percentage of SFSF funds to restore the District's fiscal year 2010 funding for elementary and secondary education to the fiscal year 2008 funding level. In addition, OSSE had not yet requested assurances from the LEAs that SFSF funds would be used in accordance with federal requirements. OSSE requires that LEAs submit such assurances before LEAs obligate federal funds, including SFSF funds.

SFSF funds will be used to restore the District's primary elementary and secondary funding to the fiscal year 2008 level, and will be distributed across LEAs through the District's Uniform Per Student Funding Formula. Currently, LEAs receive District funds periodically throughout the year, and OSSE officials told us that LEAs will receive SFSF funds in a similar manner. In addition, OSSE officials told us that LEAs can use SFSF funds in the same manner that they use the District's funds—provided that the uses are for purposes specified in the Recovery Act. LEAs do not report to

⁴GAO surveyed a representative sample of local educational agencies (LEA) nationally and in the District about their use of Recovery Act funds for three education programs: SFSF, ESEA Title I, and IDEA Part B. The response rate for the LEAs in the District was too low for GAO to generalize the results of the survey to the District. Accordingly, the District's survey responses are not discussed in this appendix.

OSSE on their use of the District's funds; however, OSSE will require LEAs to report on their use of SFSF funds through detailed workbooks delineating their expenditures. OSSE officials told us that they plan to monitor the LEAs' use of SFSF funds along with other Recovery Act funds, though officials noted that they are still developing guidance related to using and reporting the use of SFSF funds.

In general, LEAs have broad discretion in how they can use SFSF funds. We contacted 3 of the District's 58 LEAs⁵ and found 2 of the 3 LEAs had preliminary plans for using the SFSF funds. Officials at one LEA told us they plan to use the funds to cover the salaries and benefits of approximately 475 educators; and an official at the other LEA told us they plan to implement a character development and violence prevention program for students in prekindergarten through eighth grade, including purchasing program materials and providing staff development courses. The third LEA, a public charter school, did not as yet have specific plans for using SFSF funds. With regard to SFSF, officials at the 3 LEAs we contacted told us that they required additional guidance from OSSE on appropriate uses of the funds and reporting on the impact of the funds.

The District Has Not Drawn Down Its ESEA Title I Recovery Act Funds

Education allocated about \$37.6 million in ESEA Title I Recovery Act funds to the District; however, as of November 6, 2009, OSSE had not yet drawn down any of these funds. According to OSSE officials, they have not yet finished reviewing the LEAs' applications describing the planned uses of the ESEA Title I Recovery Act funds, which OSSE must approve before any of these funds can be drawn down. OSSE officials told us it was necessary to provide the LEAs with more guidance on completing the application and on how best to use these federal funds. For example, OSSE officials told us that they were concerned that many of the LEAs had proposed using the ESEA Title I Recovery Act funds to pay salaries for positions that could extend after the Recovery Act funds expire. OSSE officials told us that while they could encourage the LEAs to use the funds differently, OSSE did not have the authority to deny applications solely because they proposed using funds for expenses that might continue after the Recovery Act funds expire. OSSE officials told us that they will

⁵The three LEAs included the District of Columbia Public Schools (DCPS)—the District's largest LEA representing about 65 percent of District students—and two public charter schools that each constitute their own LEA. To determine which LEAs to contact, we selected the two largest LEAs in the District and one LEA that included all grade levels and used DCPS as its LEA for IDEA.

monitor the use of ESEA Title I funds, including Recovery Act funds, beginning in December 2009 by visiting each LEA at least one time in the next 2 years, and more frequently if warranted. In addition, OSSE officials told us they plan to conduct document reviews, including proof of actual expenditures submitted by LEAs.

The three LEAs we contacted plan to use ESEA Title I Recovery Act funds to improve student achievement. For example, two LEAs planned to use the funds to purchase new software to compile and disseminate student-level data, such as test scores and other performance measures, allowing teachers to make informed data-driven decisions regarding student progress. The third LEA planned to use the funds for a variety of activities to improve student achievement, including expanding after-school academic activities, Saturday classes, and programs to increase math and reading levels. All three LEAs also planned to use some of these funds to retain or hire a total of about 17 staff, including instructors, technology specialists, and other support staff, to improve student achievement.

Officials from the three LEAs we contacted told us that guidance for ESEA Title I Recovery Act funds was generally adequate, although each requested additional guidance in specific areas, including reporting the impact of these funds and requesting waivers. Officials at all three LEAs described OSSE as responsive and helpful in terms of providing guidance.

The District Has Not Drawn Down Its IDEA Part B Recovery Act Funds

The District was allocated \$16.7 million in IDEA Part B Recovery Act funds; however, as of November 6, 2009, OSSE had not yet drawn down any of these funds.⁶ OSSE officials said that their distribution of IDEA applications was delayed because they had sought additional guidance from Education on how to characterize schools that had both preschool and elementary grades for grant eligibility. According to OSSE officials, they have not yet finished reviewing the LEAs' applications describing how they planned to use the IDEA Recovery Act funds, which OSSE must approve before these funds can be drawn down. OSSE officials told us that it was necessary to provide the LEAs with more guidance on completing applications to ensure that LEAs fully understood both their programmatic

⁶As we reported in September 2009, Education planned to withhold \$500,000 in IDEA funding from OSSE because of past incidents of grant mismanagement. As of November 3, 2009, OSSE officials told us that they were in the process of negotiating a settlement on this matter with Education that they hoped would resolve the issue, and also had a scheduled hearing to present their appeal.

and fiscal obligations. OSSE officials told us that they also intend to monitor LEAs' use of IDEA funds, including Recovery Act funds, to ensure funds are spent appropriately, but they had yet to finalize the schedule and the protocols.

Officials from the LEAs we contacted told us they planned to use IDEA Recovery Act funds for jobs, services, and materials. For example, uses of the IDEA Recovery Act funds include

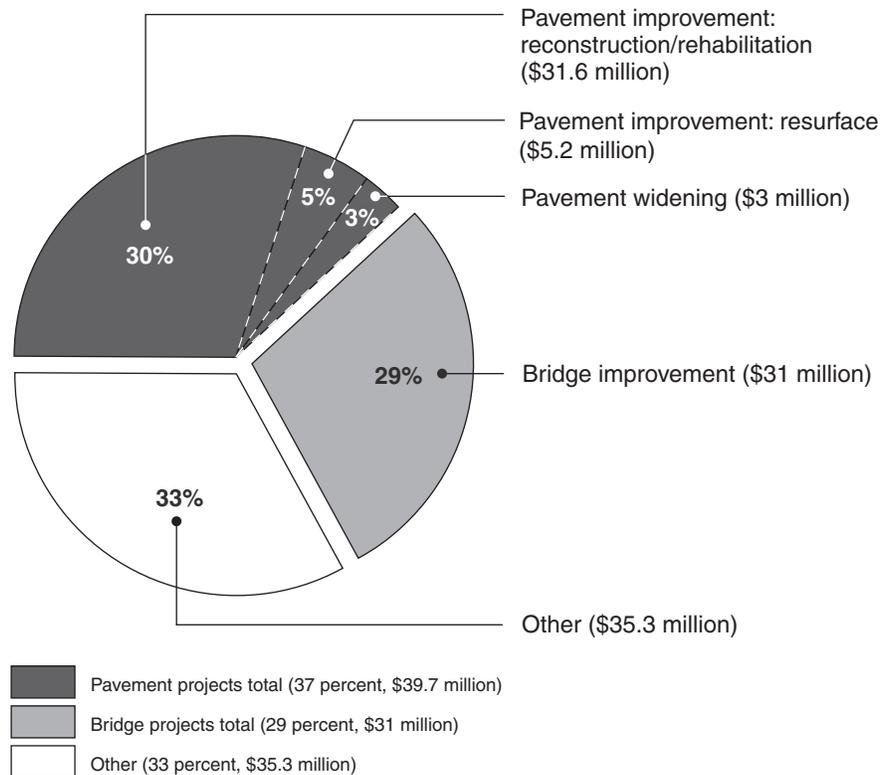
- hiring instructional and support staff;
- supporting a program for young children who could benefit from early interventions, but had not been identified as having special needs;
- supporting programs for struggling students with emotional disabilities;
- purchasing materials for listening centers, which help students with disabilities improve their language development, including reading, speaking, and listening skills;
- contracting certain resource services, such as physical and speech therapists; and
- improving data systems, which would help LEAs organize and track an array of information about students with special needs.

The District Continues to Award Highway Contracts Using Existing Contracting Procedures to Ensure Proper Use of Funds

In March 2009, the District was apportioned \$124 million in Recovery Act funds for highway infrastructure and other eligible projects. As of October 31, 2009, \$106 million had been obligated, and \$3 million had been reimbursed by the Federal Highway Administration (FHWA).⁷ Figure 1 shows obligations by the types of road and bridge improvements being made.

⁷States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

Figure 1: Highway Obligations for the District of Columbia by Project Improvement Type as of October 31, 2009



Source: GAO analysis of Federal Highway Administration data.

Note: Totals may not add due to rounding. "Other" includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

Funds appropriated for highway infrastructure spending must be used as required by the Recovery Act. States are required to ensure that all apportioned Recovery Act funds—including suballocated funds—are obligated within 1 year. The Secretary of Transportation is to withdraw and redistribute to other states any amount that is not obligated within these time frames.⁸ As of November 6, 2009, DDOT has awarded contracts and issued task orders for 10 projects worth \$84 million and advertised an additional 3 projects worth \$8.1 million for bid. According to DDOT officials, bids continue to come in lower than DDOT's original estimated

⁸Pub. L. No. 111-5, 123 Stat. 115, 209 (Feb. 17, 2009).

costs due to the poor state of the economy, greater price competition among contractors, and falling prices for materials. DDOT typically requests that FHWA deobligate excess funds when bids for contracts come in lower than the original estimated costs. Being able to award contracts for less than original estimated costs has allowed DDOT to apply \$9 million to other transportation projects in the District. DDOT has received FHWA's approval to use these funds for additional paving and sidewalk restoration work, and DDOT is identifying more "ready-to-go" projects should further funds become available.

We selected two contracts for ongoing projects to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for the construction portion of the "Great Streets" project, which includes reconstruction and streetscape improvements of Pennsylvania Avenue. The contract has an award value of \$25.2 million and has a period of performance from October 15, 2009, to November 26, 2010. According to the DDOT grant manager, the contract was competed and DDOT awarded the work using a fixed-price contract. Another contract we reviewed was for the construction and demolition of the New York Avenue Bridge, which is considered fracture-critical.⁹ Work on this project will include rebuilding the bridge deck to include a wider sidewalk and new lighting and installing new piers. The contract has an award value of \$24.9 million and has a period of performance from October 31, 2009, to February 1, 2011. According to the DDOT grant manager, this work was also awarded competitively as a fixed-price contract.

DDOT's Chief Contracting Officer stated that no changes have been made to the contracting or financial management processes specifically for Recovery Act contracts because DDOT officials deemed its existing processes suitable to track the use of funds. According to DDOT officials, the agency has standard procedures for oversight on all contracts. These procedures include having DDOT personnel or qualified consultants retained by DDOT, or both, perform regular inspections on each project, as well as monthly reports submitted by the contractor. In addition, DDOT personnel or qualified consultants are on-site on a daily basis checking on the project status and progress. They are responsible for generating a daily report that describes the number of tasks completed that day, workers present, and equipment used.

⁹Fracture-critical bridges are bridges that contain elements whose failure would be expected to result in the collapse of the bridge.

The District Continues to Award Public Housing Contracts Using Existing Contracting Procedures to Ensure Proper Use of Funds

The U.S. Department of Housing and Urban Development (HUD) has allocated \$27 million in Recovery Act funds to the District of Columbia Housing Authority (DCHA). As of November 14, 2009, DCHA had obligated about \$12 million or about 44 percent of the \$27 million it received in capital grant funds, and drawn down about \$3 million from DCHA's Electronic Line of Credit Control System account with HUD.

As of November 14, 2009, DCHA has awarded 20 job orders for projects to be performed at 13 different public housing developments. The projects include the rehabilitation of nearly 2,000 housing units, the installation of new energy-efficient equipment (such as solar-powered irrigation, energy-efficient windows, and boiler upgrades), and public space upgrades.

DCHA continues to use its existing contracting management procedures to monitor and safeguard the use of Recovery Act funds. According to the DCHA Contracting Officer, no changes have been made to contracting or financial management processes specifically for Recovery Act contracts because DCHA believes its existing processes are suitable to monitor the use of the funds. In addition, according to DCHA officials, the agency has standard procedures for oversight on all contracts. These procedures include having DCHA contracting personnel perform regular inspections on each project and contractors filing weekly progress reports.

We selected two contracts for ongoing projects to discuss in greater depth with the relevant agency contracting officials. One contract we reviewed was for window replacement at the Regency House public housing community. According to contract documentation and DCHA officials, the fixed-price job order was placed on August 10, 2009, for an amount not to exceed \$750,000, for work including, but not limited to, removing all existing windows and frames, providing and installing new windows, installing new fiberglass panels over the existing panels, and providing and installing new vertical blinds for all windows (see fig. 2). The period of performance for the job order is August 2009 to February 2010.

Figure 2: Window Replacement at the Regency Public Housing Community



Before



After

Source: GAO.

Another contract we reviewed was for unit renovations at the Horizon House public housing community. According to contract documentation and DCHA officials, the fixed-price job order was placed on August 17, 2009, for an amount not to exceed \$2,613,868, for work including, but not limited to, renovating kitchens and bathrooms, replacing flooring, upgrading lighting and electrical equipment, and installing audio/visual smoke detectors in each selected unit (see fig. 3). The period of performance for the job order is August 2009 to May 2010.

Figure 3: Kitchen Renovation at the Horizon House Public Housing Community



Source: District of Columbia Housing Authority and GAO.

DCHA stated that it involves residents in the oversight of the projects at their development throughout the life of the project. They are invited to all DCHA monthly board meetings to discuss their thoughts on the progress of the projects and quality of the contractor. DCHA also hires residents as project monitors to oversee the daily progress of the project and its effect on the quality of life for the residents in that community.

The District Has Not Yet Expended Recovery Act Funds for the Weatherization Assistance Program

The Recovery Act appropriated \$5 billion for the Weatherization Assistance Program, which the U.S. Department of Energy (DOE) is distributing to each of the states, the District, and seven territories and Indian tribes, to be spent over a 3-year period. This program enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes by, for example, installing insulation or modernizing heating or air conditioning equipment. DOE allocated about \$8 million in Recovery Act funds to the District for the weatherization program for a 3-year period.¹⁰ The District Department of the Environment (DDOE) is responsible for administering the program for the District. As of October 7, 2009, DDOE had received the final 50 percent

¹⁰On September 22, 2009, DOE obligated all the funds allocated to the states and the District, but it has limited the states' and the Districts' access to 50 percent of these funds. DOE currently plans to make the remaining funds available to the states and the District once 30 percent of the housing units identified in the state plans are weatherized.

of its total allocation of Recovery Act weatherization funding.¹¹ DDOE plans to spend about \$6.5 million to weatherize approximately 785 homes over 3 years. The remaining \$1.5 million will be used for salaries and other administrative expenses, such as training and technical assistance.

As of November 15, 2009, DDOE has not obligated or expended the weatherization funds. DDOE officials explained that weatherization funds have not yet been spent because they have been developing the infrastructure to administer the program. For example, DDOE is in the process of hiring six new staff members to oversee and manage the program. According to DDOE officials, they had hoped to hire these new staff members sooner, but there were delays in posting the job announcements. In addition, DDOE has added three new community-based organizations (CBO)—for a total of seven—to manage the weatherization projects that are funded through the Recovery Act. DDOE selected these three additional CBOs based on certain criteria, such as the CBOs' experience and performance in weatherization work, as well as their experience in assisting low-income persons. The CBOs are responsible for hiring and monitoring the local contractors that weatherize homes. According to DDOE officials, each CBO will receive about \$935,000 in Recovery Act funds for weatherization activities. On November 17, 2009, DDOE provided the CBOs and their contractors with training and information regarding the administration of the weatherization program, including the requirements associated with Recovery Act funding. Because Recovery Act weatherization funds have not yet been expended, the impact of these funds on job creation or energy savings cannot be measured at this time.

DDOE and the CBOs have a number of internal control procedures in place or planned to monitor the weatherization program. To ensure quality weatherization work is being performed by the contractors, currently DDOE auditors randomly inspect 30 percent of the weatherized homes, which exceeds the DOE requirement of inspecting 10 percent of the homes. For the new CBOs, DDOE officials told us they anticipate inspecting between 60 and 70 percent of weatherized homes. DDOE officials also told us they intend to perform annual monitoring inspections at each of the CBOs, which involve file reviews of records and payments. In addition to DDOE's oversight of the program, the CBOs plan to monitor

¹¹DDOE was provided 10 percent of Recovery Act funding on March 30, 2009, and an additional 40 percent on June 18, 2009.

the performance of contractors by conducting spot checks or surprise visits to the work site, as well as performing postinstallation inspections on 100 percent of weatherization projects. According to officials from one CBO, they have multiple entities that conduct inspections of the weatherized homes, including a third-party audit agency and an internal quality assurance unit. Officials from one CBO we met with said that it will use its own employees for weatherization projects, and that each employee will be trained at an in-house weatherization training center. DDOE officials said they have not identified problems with the internal control processes for any of the CBOs.

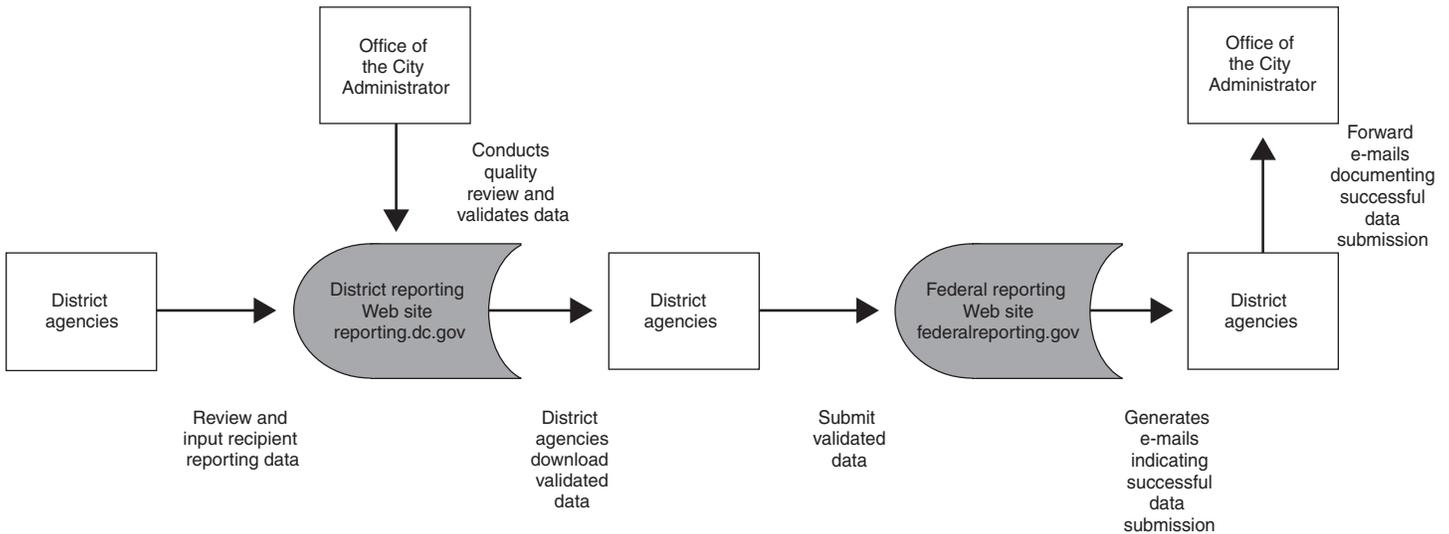
Officials from DDOE and CBOs expressed some concerns about Davis-Bacon Act requirements, citing the potential effect of wage and payroll requirements on their administrative costs. For example, DDOE officials stated that although Recovery Act wage rates are similar to the previous wage rates, understanding and ensuring compliance with the wage rate requirements would create more work for both DDOE and the CBOs.

The District Was Able to Meet the Recipient Reporting Deadline, but Had to Modify Its Planned Approach

The District met the October 2009 quarterly Recovery Act recipient reporting deadline after modifying its approach when the federal reporting Web site did not have the capability to permit the District to submit data in a batch format. In our September report, we noted that the District planned to centrally report data for all District agencies receiving Recovery Act funds to address recipient reporting requirements, and had developed a centralized Web-based system to collect all required data. The intent of this Web site (reporting.dc.gov) was to allow officials in the District's Office of the City Administrator (OCA) to review the aggregate data for accuracy and completeness and to have OCA submit the data directly into the federal recipient reporting Web site. However, OCA officials modified their planned reporting approach when they learned—several months before the reporting deadline—that the federal reporting Web site did not have the capability to receive the District's preferred process of batch data submissions. Instead, District agencies individually submitted recipient reporting information to the federal reporting Web site. The files for individual agency submissions were generated by reporting.dc.gov based on the information entered into the District's reporting system. OCA officials told us that it would help simplify their reporting process if the federal reporting Web site could accommodate the District's batch data submission process—submitting one consolidated file for all District agencies—for future rounds of recipient reporting.

Overall, the District’s reporting process went smoothly, according to OCA officials. These officials stated that the trial run of the District’s reporting Web site during September 2009 was a key factor in successfully submitting recipient reporting data by the October 10, 2009, reporting deadline, because it allowed OCA officials and District agencies to address issues, revise data, and finalize reports before submitting data to the federal reporting Web site. To help ensure data quality, OCA officials performed a high-level review of the data for reasonableness and potential inaccuracies, and validated data before allowing District agencies to submit the reporting information. According to OCA officials, most of the errors found during their internal review and validation process were minor, such as the letter “O” recorded for the number zero, an agency misreporting a grant title, or an agency clarifying a job description reported.

Figure 4: Flow of the District’s Recipient Reporting Data



Source: GAO analysis based on information provided by the Office of the City Administrator.

Although the District and its agencies generally did not have issues with the report submission process or submission deadline, some agencies encountered data errors in their submissions. For example, during the period set aside for the federal review of the data submitted (October 21-30, 2009) the U.S. Department of Transportation notified the District Department of Transportation (DDOT) that DDOT reported an inaccurate jobs count. Specifically, DDOT had reported expenditures of \$37,717 for an engineering project, but there were no associated job-creation data

reported. A DDOT official responsible for reporting this information explained that the expenditures were used for in-house contract administration costs, which he thought were not subject to recipient reporting requirements. DDOT officials stated that the agency corrected the report once the discrepancy was brought to its attention.

OCA officials were generally satisfied with the District's first quarter of reporting and are discussing possible improvements to their reporting process for future reports. For example, officials plan to add data fields to the District's reporting Web site to collect information that would be useful to the District, such as whether a Recovery Act grant was competitively awarded. In addition, officials stated they want to use the District's Recovery Act reporting Web site and reporting process as a system to collect and manage all of the District's federal grants.

Recovery Act Funds Continue to Help the District Address Fiscal Challenges

While the infusion of Recovery Act funds have helped mitigate the negative effects of the recession on the District's budget, the District continues to face fiscal challenges. As we previously reported, in June 2009 the District's Chief Financial Officer identified a projected revenue shortfall of \$150 million for fiscal year 2010, as a result of deteriorating economic conditions and a decrease in expected revenues.¹² The District's amended fiscal year 2010 budget—sent to Congress for approval on September 23, 2009—addressed the revenue shortfalls and balanced the District's budget. Specifically, the District addressed its \$150 million budget shortfall through a combination of reduced spending by District agencies, using \$36 million in Recovery Act State Fiscal Stabilization Fund (SFSF) funds in fiscal year 2010, using funds from the District's general fund, and generating revenue through tax increases.

According to the District's Chief of Budget Execution, overall, the District eliminated approximately 1,850 positions across the District's government—about 460 vacant positions and 1,390 filled positions eliminated through attrition, retirement, and reductions-in-force—to help balance the fiscal year 2010 budget. The official told us that originally the District planned on eliminating about 1,600 positions; however, the District eliminated an additional 250 positions after the \$150 million

¹²The District's fiscal year begins on October 1 and ends on September 30. Each February the Office of the Chief Financial Officer issues a revenue estimate that is used to develop the budget for the next fiscal year. The estimate is revised as the new fiscal year begins and at regular intervals afterward.

revenue shortfall was identified. In addition to the 1,850 positions eliminated, on October 2, 2009, the Chancellor of the District of Columbia Public Schools (DCPS) announced that DCPS laid off 388 school employees, citing a funding shortfall in the District's 2010 education budget for DCPS. The District's Chief of Budget Execution noted that without the Recovery Act funds, job cuts throughout District agencies would have been much larger. For example, SFSF funds stemmed the loss of jobs in DCPS, and without the availability of about \$39 million in SFSF funds for DCPS for fiscal year 2010 under the Recovery Act, the District may have had to cut additional positions from DCPS, according to the Chief of Budget Execution.

In September 2009, the District's Chief Financial Officer reported that revenue estimates for fiscal year 2009 through fiscal year 2013 had not changed since the June 2009 quarterly revenue estimates. According to the Chief of Budget Execution, these revenue projections are contingent upon economic conditions staying relatively constant. However, this official noted that if economic conditions in the District worsen and revenue estimates decrease, the District may need to take further actions to close any projected budget shortfall.

The District has developed a strategy to prepare for when Recovery Act funds are phased out because the District is required by law to prepare an annual balanced budget and multiyear plan. As a result, District officials have accounted for the future decrease in Recovery Act funds in planning budgets for fiscal years 2011 to 2013. In addition, the Chief of Budget Execution told us that all District agencies have been instructed to decrease their expenditures for fiscal year 2011 to facilitate balancing the District's budget. This official said that specific percentage reductions will be determined by District agencies on a case-by-case basis, with a maximum reduction of 10 percent.

District Comments on This Summary

We provided the Office of the Mayor of the District, and the District agencies for the programs we examined, with a draft of this summary on November 18, 2009. On November 20 and 23, 2009, the Office of the Mayor and the District agencies provided technical comments, which we have incorporated where appropriate.

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