

December 2009

RECOVERY ACT

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



GAO

Accountability * Integrity * Reliability

Appendix VIII: Iowa

Overview

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

What We Did

Our work in Iowa examined specific programs and funds under the Recovery Act—the Highway Infrastructure Investment Program, Transit Capital Assistance Program, Weatherization Assistance Program, Public Housing Capital Fund, and education programs. We selected these programs because they are among the programs receiving the greatest amount of Recovery Act funds in Iowa and have recently begun to obligate or are already using significant amounts of Recovery Act funds. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-232SP](#). To review the transportation programs, we visited four transit authorities: the Des Moines Area Regional Transit Authority; the Ames Transit Agency; the Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa. We selected these to provide a mix of large urban, small urban, and nonurban transit authorities. To review the weatherization program, we revisited the Polk County Public Works Department in Des Moines, an urban local action agency, as well as Mid-Iowa Community Action in Marshalltown, a rural local action agency. We revisited four public housing agencies that we reported on in our July 2009 report: the Des Moines Municipal Housing Agency, the Evansdale Municipal Housing Authority, the North Iowa Regional Housing Authority and the Ottumwa Housing Authority. Finally, we surveyed a representative sample of local educational agencies (LEA) nationally and in Iowa about their planned uses of Recovery Act funds. We also examined the state's actions to stabilize its budget, monitor controls over the use of Recovery Act funds, and report the number of jobs created and retained as a result of these funds. We analyzed state and local budget information, including state revenue estimates, and met with state and municipal officials. We visited three Iowa localities—Cedar Rapids, Des Moines, and Newton—to determine the amount of Recovery Act funds each is receiving from federal agencies and how those funds are being used. We selected Cedar Rapids because it is the second largest city in Iowa and was already managing federal funds to recover from significant flooding that occurred

¹Pub. L. No. 111-5, 123 Stat. 115 (Feb. 17, 2009).

in 2008. We selected Des Moines because it is the largest city in Iowa and has been awarded at least \$16.5 million in Recovery Act funds for various projects. We selected Newton because its unemployment rate is above the state's average—8.1 versus a state average of 6.3—and because of the recent loss of a major area employer. As part of our review of Iowa's reporting on the number of jobs created and retained under the Recovery Act, we met with highway contractors as well as county and district engineers in Cass and Polk counties and from the cities of Atlantic, Jefferson, and Fort Dodge.

What We Found

- **Highway Infrastructure Investment.** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned \$358 million in Recovery Act funds to Iowa. As of October 31, 2009, the federal government had obligated \$334 million to Iowa; and \$165 million had been reimbursed by the federal government for work submitted for payment by highway contractors.² About 84 percent of Recovery Act highway obligations for Iowa have been for pavement improvement projects. Iowa's October 2009 report to www.federalreporting.gov on the number of jobs created or retained shows that Recovery Act funds have contributed to the equivalent of more than 1,200 full-time highway infrastructure jobs in Iowa. In addition, Iowa transportation officials estimate that the Recovery Act has helped complete repairs on more than 250 lane-miles of road in the state.
- **Transit Capital Assistance Program.** The U.S. Department of Transportation's Federal Transit Administration (FTA) apportioned \$36.5 million in Recovery Act funds to Iowa and urbanized areas located in the state. As of November 5, 2009, FTA had obligated \$35.2 million. About 90 percent of Iowa's Recovery Act Transit Capital Assistance Program funds are being used to replace and expand aging bus fleets and to rehabilitate or improve transit facilities. Transit agencies we visited—Des Moines Area Regional Transit Authority; Ames Transit Agency; Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa—are using Transit Capital Assistance Recovery Act funds primarily to replace buses that have been in their fleets for 10 years or longer. In total, the state and urbanized areas in Iowa reported

²States request reimbursement from FHWA as they make payments to contractors working on approved projects.

12 jobs created or retained as a result of Transit Capital Assistance program expenditures.

- **Weatherization Assistance Program.** Iowa has obligated most of the \$40.4 million received in Recovery Act funds to the local agencies that carry out the weatherization work. Seventeen of 18 agencies are using these funds to complete weatherization work, such as insulating walls and attics and reducing air infiltration in homes. Actual work on homes did not, however, start until September 2009; therefore, only 71 homes had been weatherized, as of October 31, 2009.
- **Public Housing Capital Fund formula grants and competitive grants.** Iowa's 48 public housing agencies received approximately \$7.6 million in Public Housing Capital Fund formula grants. As of November 14, 2009, Iowa's public housing agencies had obligated about \$6.1 million and had drawn down about \$3 million in Capital Fund formula grants. On average, Iowa public housing agencies are obligating funds faster than public housing agencies nationally. Only one public housing agency in Iowa was awarded competitive grant funds—the Ottumwa Housing Authority—which was awarded two competitive grants totaling about \$178,000 to improve energy efficiency at two sites.
- **Education.** Based on a survey of a representative sample of LEAs in Iowa about their planned use of Recovery Act funds, we estimated that about one-third of Iowa LEAs plan to use more than 50 percent of Individuals with Disabilities Education Act (IDEA) funds to retain staff and about two-thirds of LEAs plan to use more than 50 percent of State Fiscal Stabilization Fund (SFSF) funds to retain staff. However, about one-third of Iowa LEAs anticipate job losses, even with SFSF funds.
- **State and Local Government use of Recovery Act funds.** The receipt of Recovery Act funds enabled Iowa to mitigate the effects of a recent budget cut to state agencies. Due to projected declines in fiscal year 2010 revenues, Iowa's governor recently implemented a 10 percent across-the-board budget reduction for the fiscal year, which will result in government furloughs and layoffs. However, according to state officials, the receipt of Recovery Act funds has enabled Iowa to maintain education services, and avoid additional state government layoffs. The three localities we visited—Cedar Rapids, Des Moines, and Newton—said that they have benefited from the receipt and use of Recovery Act funds. However, officials from these three localities also said that they faced significant challenges in applying for and

implementing Recovery Act programs due to continuing budgetary and staffing constraints.

- **State monitoring and internal controls.** Iowa’s State Auditor and the Iowa Accountability and Transparency Board continue to monitor controls over Recovery Act funds. The Office of the State Auditor’s audit plan includes consideration of the increased risk associated with state agencies and localities receiving Recovery Act funding. The Iowa Accountability and Transparency Board (Board) identified six high-priority programs that it expects will have some difficulty in fully complying with the accountability and transparency requirements in the Recovery Act. The Board has required that these high-priority programs submit a comprehensive accountability plan.
- **State Reporting under Section 1512.** In accordance with section 1512 of the Recovery Act,³ Iowa submitted a detailed report to the federal government that included information on the number of jobs created and retained by the implementation of the Recovery Act. Based on data provided by state and local agency officials, Iowa created a centralized database and used it to calculate the number of jobs created or retained for programs funded through the state. Iowa has implemented internal controls, such as requiring agency and local officials to certify their review and approval of information prior to submission, to help ensure the accuracy of the data reported to the state. Iowa officials told us that a relatively small amount of data were improperly submitted based on the number of awards that required resubmission.

Over 90 Percent of Iowa Recovery Act Highway Infrastructure Funds Have Been Obligated

The Iowa Department of Transportation has acted quickly to obligate its Recovery Act Highway funds for highway infrastructure improvements. Specifically:

- As we reported in September 2009, \$358 million was apportioned to Iowa in March 2009 for highway infrastructure improvements.⁴ As of October 31, 2009, \$334 million (93 percent) had been obligated and

³Recovery Act, div. A, title XII, § 1512.

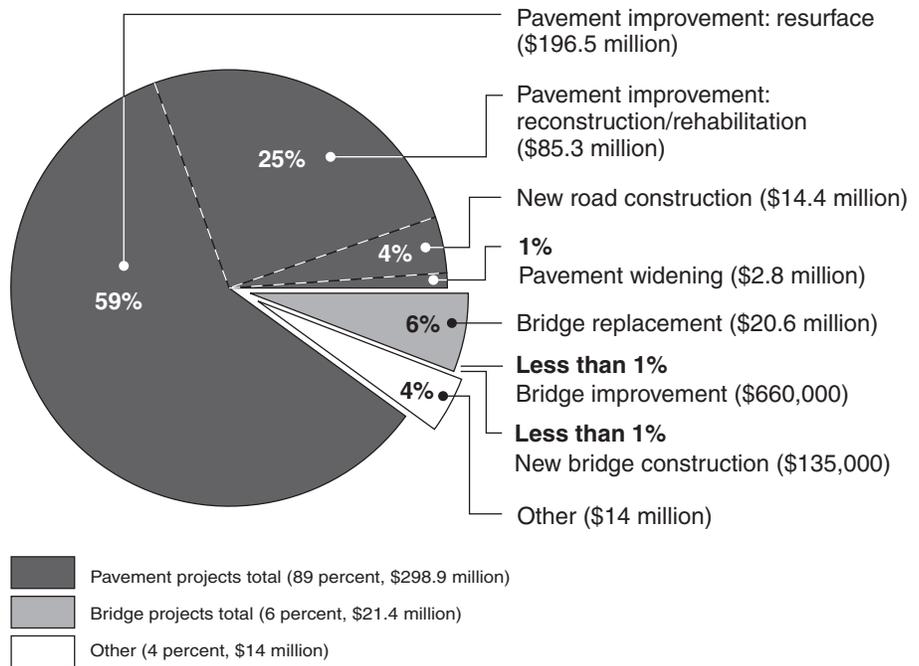
⁴This does not include obligations of \$539,424 associated with “Transfers to FTA” of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k) (1) to transfer funds made available for transit projects to FTA.

\$165 million had been reimbursed to Iowa by FHWA for work submitted for payment by highway contractors.

- Iowa's October 2009 report to the Office of Management and Budget (OMB) on the number of jobs created or retained shows that Recovery Act funds have contributed to the equivalent of more than 1,200 full-time highway infrastructure jobs in Iowa. In addition, transportation officials estimate that the Recovery Act has helped complete repairs on more than 250 lane-miles of road in the state⁵.
- About 84 percent of Recovery Act highway obligations for Iowa (\$282 million of the \$334 million obligated) have been for pavement improvement projects—\$197 million for pavement resurfacing and \$85 million for pavement reconstruction and rehabilitation. Additionally, \$21 million is being used for bridge replacements. Iowa officials told us that focusing on pavement projects allowed them to advance a significant number of needed projects, which will reduce the demand for these types of projects and free up federal and state funding for larger, more complex projects in the near future. Figure 1 shows obligations by the types of road and bridge improvements being made.

⁵ A lane-mile is one lane of road for one mile. Two-hundred fifty lane-miles equal 62.5 miles of 4-lane highway or 125 miles of 2-lane highway.

Figure 1: Highway Obligations for Iowa 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.

- To ensure highway funds are utilized in accordance with the Recovery Act, the Iowa Department of Transportation has detailed, documented procedures for the administration and inspection of work performed by contractors including written contracting procedures, contractor qualification standards, and material and construction specifications and guidelines. The state and local governments also employ construction and material inspectors and technicians, and construction engineers to review, measure, and accept work performed by contractors.
- In October, the Iowa Department of Transportation submitted its first Section 1512 report and the department continues to report project, financial, and employment information to FHWA. This reporting is required by the Recovery Act to provide greater accountability and transparency and includes, among other things, monthly reporting of contracts awarded, projects in process, employees working, and employee hours worked. In addition, the department reports this

information to the U.S. House of Representatives Committee on Transportation and Infrastructure on a monthly basis.

- Iowa has also initiated an \$830 million state-funded program—named I-JOBS—to invest in its infrastructure. A key component of this program is \$115 million for transportation projects across the state, including \$50 million for bridge safety, \$45 million for city streets and secondary roads, and the remainder for enhancing public transit and recreational trails. As of October 31, 2009, 55 bridge safety projects had been approved for I-JOBS funding in fiscal years 2010 and 2011, and \$160,000 had been approved for Ames Transit Agency facilities.

Iowa Is Using Recovery Act Transit Capital Assistance Grant Funds Primarily to Modernize Its Bus Fleet

Iowa is using Recovery Act transit funds to replace 160 buses and add 20 new buses to its transit fleet. Specifically:

- In March 2009, \$36.5 million in Recovery Act Transit Capital Assistance funds were apportioned to Iowa and urbanized areas located in the state for transit projects. Of this amount, \$15.2 million was for nonurbanized areas,⁶ \$10.7 million for smaller urbanized areas, and \$10.6 million for urbanized areas with a population of 200,000 or more.⁷ As of November 5, 2009, FTA had obligated \$35.2 million for Iowa transit capital assistance and reimbursed Iowa about \$4 million for transit expenditures.
- About 90 percent of Iowa’s Recovery Act Transit Capital Assistance Program funds are being used to replace and expand aging bus fleets and rehabilitate or improve transit facilities. Specifically, \$24 million is being used to replace 160 buses of various sizes, many of which are 10 years old or older. Another \$5.6 million is being used to expand bus fleets in areas of growth around the state. In all cases, these purchases were included in the region’s transportation improvement plan and could be started quickly. Iowa transportation officials said they believe that the purchase of new buses will reduce maintenance costs across the state and, in some cases, could improve fuel efficiency.

⁶\$539,424 was transferred from FHWA to FTA to fund additional transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k) (1) to transfer funds made available for transit projects to FTA.

⁷Of the \$10.6 million total for the urbanized areas, \$7.9 million is apportioned to Des Moines, \$1.5 million to Davenport, and \$540,000 to Bettendorf.

- The Recovery Act provides that Transit Capital Assistance Program funds may be used for activities such as vehicle replacements, facilities renovation or construction, and preventive maintenance. Additionally, up to 10 percent of funds apportioned to urbanized or nonurbanized areas may be used for operating expenses.
- Transit agencies we visited—Des Moines Area Regional Transit Authority; Ames Transit Agency; Mid-Iowa Development Association and Dodger Area Transit in Fort Dodge; and the Southwest Iowa Transit Agency in Atlantic, Iowa—are using Recovery Act Transit Capital Assistance Program funds primarily to replace high-mileage buses that have been in their bus fleets for 10 years or longer. Three of the four agencies were also renovating or expanding facilities. Officials from all four agencies we met with reported that Recovery Act funds allowed them to fund projects that would likely not have been funded this fiscal year because demand exceeded resources.
- The Des Moines Transit Authority plans to use about \$3 million to improve information available to customers by adding new “automated vehicle location” technology for its bus fleet. This technology will allow transit riders to use their cell phones and similar technology to check the status of their bus. It also plans to use 10 percent of its funds—about \$788,800—to fund operations. This proposal, currently awaiting FTA approval, would provide Recovery Act funds to pay for staff, facilities, and fuel.
- Officials for the transit agencies we visited said that they are using existing processes and procedures to monitor Recovery Act funds, such as a detailed inspection of all new vehicles received before payment is authorized and an engineering inspection of all completed facilities work such as building renovations and pavement repair. The state transit assistant director said that he and his staff have been regularly monitoring the status of local transit agency procurements to ensure that all procurement actions are completed in a timely manner.
- Reporting the number of jobs created or retained as required by section 1512 was calculated and submitted to OMB by the Iowa Department of Transportation, through the Iowa Department of Management, for smaller urbanized and nonurban areas. Larger urbanized areas, such as Des Moines, reported directly to the federal government. The state provided information on jobs associated with renovated facilities as well as some new bus purchases. Des Moines’ transit authority reported only on facilities-related work. In total, the state of Iowa and urbanized areas reported 12 jobs created or retained

as a result of Transit Capital Assistance program expenditures. In calculating the number of jobs created or retained, Iowa transit officials relied upon bus manufacturers to provide hours worked associated with basic bus production. Additional hours identified with local bus customizing were calculated by the local transit authorities based on input from local contractors.

Iowa Has Obligated a Majority of Weatherization Funds Received, but Only a Few Homes Have Been Weatherized

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 of Columbia, 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. On September 22, 2009, DOE allocated all of these funds to the states, but it has limited the states' access to 50 percent of these funds.⁸ As of October 31, 2009, DOE had obligated \$80.8 million to Iowa but limited the amount of funds available to one-half of this amount, or \$40.4 million. The Iowa Division of Community Action Agencies (DCAA) has obligated most of these funds, or \$38.5 million, to 18 local agencies that carry out the weatherization work. Seventeen of the local agencies are currently using these funds to weatherize homes; funding to one agency is on hold until DCAA corrective actions are implemented by the agency.⁹ Because DCAA decided not to spend Recovery Act funds on weatherization work until the Department of Labor (Labor) provided the prevailing wage rates for weatherization workers in Iowa, weatherization work did not start until September 2009. Therefore, only 71 homes had been weatherized at a total

⁸DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.

⁹During routine program monitoring of homes weatherized by the Southern Iowa Economic Development Agency, DCAA staff said that they found numerous weaknesses in the agency's oversight of the contractors' work. As a result, DCAA found that the work completed on numerous homes did not meet the required state standards and needed to be redone. While Recovery Act funds were not used on these homes, DCAA believed that the program weaknesses were serious so that it suspended Recovery Act funding to the agency on September 24, 2009. Before this funding can be restored, DCAA is requiring that the local agency implement specific corrective actions, such as requiring the local agency to engage an independent audit firm to review all DCAA findings and report to DCAA. According to DCAA officials, the full extent of the problems at this agency is not yet known because the local agency is still inspecting all homes weatherized since April 1, 2009. However, DCAA officials said that the local agency has implemented some of the required corrective actions and they expect that the agency can resume receiving Recovery Act weatherization funding sometime in the future.

cost of \$395,151, as of October 31, 2009. To date, most of the Recovery Act funds spent in Iowa were used to provide training and technical assistance, and to purchase equipment for the local agencies' use in weatherizing homes (see table 1 for more details on funding). Nevertheless, DCAA officials are confident that Iowa will be able to spend all of the Recovery Act funds obligated by DOE within the program time frames and will successfully weatherize the number of homes originally planned.

Table 1: Iowa's Use of Recovery Act Weatherization Assistance Program Funds, as of October 31, 2009

Funds obligated by DOE	Funds available to Iowa	Funds obligated by Iowa	Funds spent by Iowa	Number of homes Iowa plans to weatherize with Recovery Act funds
\$80.8 million	\$40.4 million	\$38.5 million	\$3.1million	7,200

Source: GAO analysis of Iowa DCAA data.

- DCAA officials said they continue to be concerned about issues regarding compliance with the Davis-Bacon Act. Their concerns focus primarily on how to respond in situations where specific work is completed on a weatherization project, but Labor has not determined a specific wage rate covering the work. For example, electricians and plumbers are sometimes needed for the weatherization work, but Labor has not set wage rates for these workers.
- DCAA's oversight of its weatherization program includes a combination of desk reviews of detailed reports on program spending and activities, on-site fiscal and program monitoring at each local agency, and annual reviews of independent auditors' reports on each local agency. In addition, DCAA requires local agencies to perform a final inspection of all homes completed by their contractors to ensure that weatherization work meets state standards. DOE, in turn, requires DCAA to inspect 5 percent of the homes weatherized by each local agency. Where Recovery Act funds were used, however, DCAA staff said that they plan to inspect 7 to 9 percent of homes weatherized.
- DCAA officials told us they are using existing program measures to track weatherization program effectiveness. For example, each year DCAA engages a private consultant to assess program costs and results and the assessments are provided to DOE. The most recent assessment, completed June 1, 2009, found first-year client fuel savings averaged \$388, compared with \$394 per dwelling the previous year.

DCAA expects to use this same program measure to help demonstrate energy savings from Recovery Act Funds.

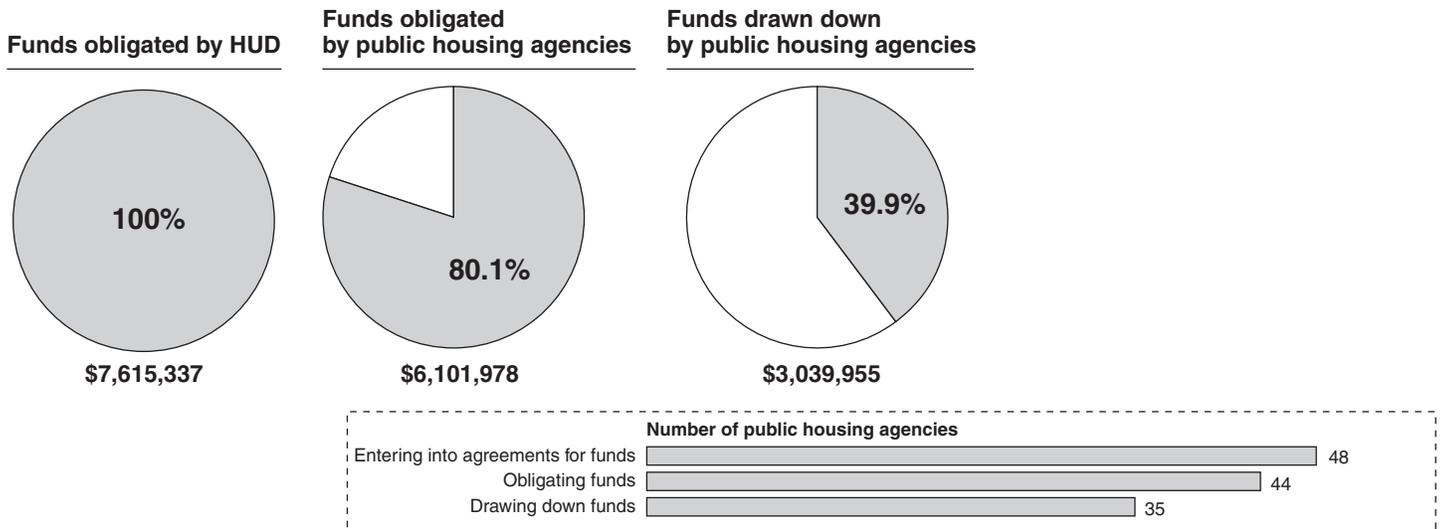
- DCAA reported the number of hours worked by state and local weatherization staff and contractor personnel that were directly funded using Recovery Act funds. These hours, along with other pertinent information, were reported to the Iowa Department of Management which, in turn, determined the number of jobs created or retained and reported this information to OMB.
- We visited two of the local agencies—Polk County Public Works and Mid-Iowa Community Action, Inc. (MICA)—that are currently using Recovery Act funding to weatherize homes. Officials at both local agencies told us that since the establishment of prevailing wages required by the Davis-Bacon Act, they have begun spending Recovery Act funds to weatherize homes.
- Polk County officials told us that they rely on private contractors to complete all weatherization work. As of October 31, 2009, Polk County had spent \$15,750 to weatherize 2 homes. MICA, on the other hand, uses its own crew-based staff to complete all work. MICA officials said they are considering using some weatherization contractors in the future. As of October 31, 2009, MICA had spent \$41,005 to weatherize 9 homes.

Iowa Public Housing Agencies Continue to Make Progress on Recovery Act Projects, but Reporting on Jobs Was Inconsistent

Iowa housing agencies are using Recovery Act funds to improve and modernize public housing. Specifically:

- In Iowa, 48 public housing agencies have received Recovery Act formula grant funds. In total, these public housing agencies received approximately \$7.6 million in Public Housing Capital Fund formula grants (see fig. 2). As of November 14, 2009, 44 public housing agencies had obligated about \$6.1 million, and 35 had drawn down about \$3 million. On average, according to Department of Housing and Urban Development (HUD) data, public housing agencies in Iowa are obligating funds faster than public housing agencies nationally.

Figure 2: Percentage of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Iowa, as of November 14, 2009



Source: GAO analysis of HUD data.

- The four public housing agencies that we visited—the Des Moines Municipal Housing Agency, the Evansdale Municipal Housing Authority, the North Iowa Regional Housing Authority, and the Ottumwa Housing Authority—have obligated almost all of their Recovery Act formula grant funds and have begun or completed most projects (see table 2). Specifically, as of November 14, 2009, the four housing agencies have obligated over 99 percent and expended about 25 percent of their formula grant funds, and agency officials told us that they will meet the obligation and expenditure deadlines outlined in the Recovery Act. Officials at these housing agencies identified 19 projects that have been or will be funded using Recovery Act funds, from relatively simple tasks, such as repairing concrete walkways, to more comprehensive work, such as a renovation of a building and its individual units.

Table 2: Use of Recovery Act Formula Grant Funds at Selected Iowa Public Housing Agencies, as of November 14, 2009

Public housing agency	Funds awarded	Funds obligated	Funds expended	Project status at time of GAO visit
Des Moines Municipal Housing Agency	\$1,455,108	\$1,455,108	\$323,758	one project currently underway
Evansdale Municipal Housing Authority	77,364	77,364	50,677	two projects completed three projects yet to begin
North Iowa Regional Housing Authority	209,780	209,780	209,741	five projects completed
Ottumwa Housing Authority	601,765	596,858	0 ^a	six projects completed two projects currently underway
Total	\$2,344,017	\$2,339,110	\$584,176	

Source: GAO analysis of HUD and public housing agency data.

^aAccording to an Ottumwa Housing Authority official, the agency experienced technical problems with its Internet service that prevented it from accurately reporting its Recovery Act formula grant expenditures to HUD. According to the official, the Ottumwa Housing Authority had expended about \$242,535 as of November 14, 2009.

- In general, housing agencies that we visited have not changed their plans for using Recovery Act formula grant funds since our July 8, 2009 report. These housing agencies also did not report any significant concerns about compliance with the Davis-Bacon Act or the Buy American provision¹⁰ of the Recovery Act. More specifically, at the time of our visit, housing agency officials reported the following:
 - Thirteen of 19 projects were complete, 3 were under way, and 3 had not yet begun.
 - All 19 projects were on the public housing agencies' 5-year plans.
 - Twenty-four contracts had been awarded, 17 of which were awarded competitively within 120 days of when the housing agencies received the funds.
 - The Des Moines Municipal Housing Authority was rehabilitating 18 vacant units. No other housing agencies that we visited were rehabilitating vacant units.

¹⁰The Buy American provision of the Recovery Act prohibits, with certain exceptions, the use of Recovery Act funds "for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States." Federal agencies may, under certain circumstances, waive the Buy American requirement and the requirement is to be applied in a manner consistent with United States obligations under internal agreements. Recovery Act, div. A, § 1605.

- We visited seven sites with projects funded using Recovery Act formula grant funds in Iowa. Construction was under way or complete at all projects that we visited. For example, the Ottumwa Public Housing Authority is replacing the roof on a high-rise, 97-unit public housing facility. We observed that work was under way at the time of our visit in October 2009. As of October 21, 2009, officials at the Ottumwa Housing Authority told us they had obligated \$61,150 for this project, but had not yet expended any funds (see fig. 3).

Figure 3: Roof Repairs to an Iowa Public Housing Facility, before Work Began and Work in Progress



Source: GAO.

- We selected and discussed with officials one contract for each of the four housing agencies we visited. Officials told us that all four were competitively bid. One contract received only one bid, which officials attributed to the rural location of the housing authority and the limited number of qualified contractors in the area.
- Officials reported few problems using www.federalreporting.gov or the Recovery Act Management and Performance System. However, at least one housing agency official complained that the additional reporting requirements were burdensome for smaller housing agencies such as his (he works alone with just one part-time assistant.)
- Reporting on the number of jobs created or retained was inconsistent across the four housing agencies we visited. Officials at two housing agencies did not report any jobs created or retained because officials said that they did not believe they had collected sufficient data to

report results. One official told us that she received HUD's guidance on counting jobs after Recovery Act contracts were complete, making it difficult to collect the necessary data, although contractors told her some jobs were retained or created. Officials at the other two housing agencies we visited used different methods to estimate the number of jobs created or retained: one housing agency official said he counted the number of workers on each project, based on his understanding of guidance from HUD officials, while an official from a second housing agency used Davis-Bacon payroll data. As previously discussed, Iowa's housing agencies do not submit their quarterly reports to the Iowa Department of Management for review, rather they report directly through www.federalreporting.gov or, as we found at one housing authority, officials provided data to the city finance office which, in turn, reported to the Web site.

Public Housing Projects Funded with Competitive Grants to Begin Soon

One housing agency in Iowa plans to use Capital Fund Recovery Act competitive grants to fund energy efficiency improvements at public housing facilities.

- In addition to Capital Fund formula grants described above, HUD awarded two competitive grants to public housing agencies in Iowa. Both grants were awarded to the Ottumwa Housing Authority for creating energy-efficient communities. On September 23, 2009, HUD notified the Ottumwa Housing Authority that it was awarded the following competitive grants:

- \$100,000 to install energy-efficient refrigerators and washing machines in individual units in high-rise public housing facilities, and
- \$78,300 to install energy-efficient refrigerators and lighting in individual units at family facilities.

The Ottumwa Housing Authority plans to solicit bids to award contracts for both projects in November 2009 and install the new appliances before the end of the year.

- Two other public housing agencies that we visited applied for competitive grants: the North Iowa Regional Housing Authority and the Des Moines Municipal Housing Agency. An official from the North Iowa Regional Housing Authority said that she was very dissatisfied with the competitive grant process because, as a small agency that is responsible for an area exceeding 4,000 square miles, she does not believe her application received the same level of consideration as other larger public housing agencies. While Ottumwa Housing

Authority officials were somewhat satisfied with the application process, they also said the process required a lot of data.

Iowa Is Using Recovery Act Education Funds to Save Jobs

We surveyed a representative sample of LEAs—generally school districts—nationally and in Iowa about their planned uses of Recovery Act funds. Table 3 shows Iowa and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF monies, and (3) reported a total funding decrease of 5 percent or more since last school year.

Table 3: Selected Results from GAO Survey of LEAs

Responses from GAO survey	Estimated percentages of LEAs	
	Iowa	Nation
Plan to use more than 50 percent of Recovery Act funds to retain staff		
IDEA funds	32	19
Title I funds ^a	46	25
SFSF funds	68	63
Anticipate job losses, even with SFSF funds	31	32
Reported total funding decrease of 5 percent or more since school year 2008-2009	10	17

Source: GAO survey of LEAs.

Notes: Percentage estimates for Iowa have margins of error, at the 95 percent confidence level, of plus or minus 13 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

^aTitle I, Part A, of the Elementary and Secondary Education Act of 1965.

Iowa Continues to Use Recovery Act Funds to Mitigate Effects of Budget Cuts, but Recovery Act Implementation Strained Local Budgets and Personnel

Iowa ended fiscal year 2009 with a balanced budget,¹¹ in part by using \$45.3 million from the state's Economic Emergency Fund which, state officials explained, is allowed under state law. However, senior officials from the Iowa Department of Management said that on October 8, 2009, in response to reduced revenue estimates for fiscal year 2010,¹² the Governor issued an executive order requiring a 10 percent cut to state fiscal year 2010 general fund expenditures for all departments and entities receiving such funds from the state.¹³ This cut is expected to result in the elimination of positions at state agencies,¹⁴ and the implementation of furloughs for over 3,200 state employees. According to a senior official from the Iowa Department of Management, the receipt of Recovery Act funds can continue to enable Iowa to mitigate the effects of the 10 percent cut by maintaining state and local education services and reducing the number of layoffs in state agencies and local school districts. The official stated that without Recovery Act funds, Iowa would have had to cut additional programs, services, and staff. This official also said that the across-the-board reduction should have a minimal, if any, effect on implementation of Recovery Act programs. However, the Iowa State Auditor said that reductions in staff can negatively affect the application of internal controls over Recovery Act expenditures, potentially making Recovery Act-funded programs more vulnerable to fraud, waste, and abuse.

- We visited three localities in Iowa to determine the extent to which local governments used Recovery Act funds (see table 4). Similar to Iowa's state government, local municipal governments have benefited from the use of Recovery Act funds under various programs, but implementation has strained municipal operational budgets and personnel resources.

¹¹Iowa's fiscal year begins July 1 and ends June 30.

¹²On October 7, 2009, the Iowa Revenue Estimating Conference lowered the fiscal year 2010 revenue estimate, previously set in March 2009, from about \$5.853 billion to about \$5.438 billion, about a \$414.9 million reduction.

¹³Executive Order 19, 32 Admin. Bull. 1139. As a result of the fiscal year 2010 across-the-board cuts, the total reduction in General Fund expenditures for executive branch departments and entities is \$564.4 million. Additionally, the legislative and judicial branches announced reductions to their fiscal year 2010 budgets of \$3.3 million and \$11.4 million, respectively. The fiscal year 2010 budgets for all three branches of government in Iowa was reduced by a total of \$579.1 million.

¹⁴State agencies plan to implement reductions-in-force for at least 180 positions, while leaving at least 230 positions vacant.

Table 4: Localities in Iowa Visited to Address Use of Recovery Act Funds

Locality	Population	Locality type	Unemployment rate (percent)
Cedar Rapids	128,056	City	6.6
Des Moines	197,052	City	7.3
Newton	15,042	City	8.1

Source: U.S. Census Bureau and U.S. Department of Labor.

Note: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

- To administer Recovery Act–funded programs, local governments in Iowa need to find other financial resources, such as local tax revenue, according to a senior official from the Iowa Department of Management. They pointed out that local governments in Iowa are mostly funded by local sources of revenues,¹⁵ and that the state does not share a significant amount of revenue with local governments, nor does it provide funding to local governments to address administrative costs for Recovery Act–funded programs.¹⁶
- These localities have benefited from the receipt and use of Recovery Act funds, but faced budget and staffing constraints in implementing Recovery Act–funded programs. For instance, officials from Des Moines said the city used about \$1.2 million to improve neighborhood infrastructure such as streets and sidewalks, and about \$1.8 million to fund homelessness prevention and rapid rehousing efforts.¹⁷ Des Moines officials noted that the availability of Recovery Act funds from federal and state sources enabled community development officials to assist more citizens than in previous years; however, the city has been affected by reduced revenue collection and higher administrative costs to implement Recovery Act programs. Due to reduced availability of staff and financial resources, Des Moines officials said they faced

¹⁵ Local sources of revenue include taxes on residential and commercial properties, as well as sales taxes levied by localities in Iowa.

¹⁶ Senior officials from the Iowa Department of Management said that Iowa did not plan to take advantage of federal allowances to recoup administrative costs related to Recovery Act activities because the General Assembly has already appropriated and prescribed the use of Recovery Act funds for fiscal years 2009 and 2010.

¹⁷ Funding for these initiatives would originate from the Recovery Act Community Development Block Grant and Homelessness Prevention and Rapid Re-Housing Program, respectively.

significant challenges adhering to requirements for Recovery Act–funded programs. For instance, city officials struggled to finish design applications needed to apply for funding for a new fire station from the Recovery Act Assistance to Firefighters Fire Station Construction Grant program.

- Similarly, officials from Newton said that Recovery Act funds obtained through state agencies allowed the city to construct capital projects that would not have otherwise been funded. For example, the city received about \$620,000 in grants through the state’s highway infrastructure program for street overlay projects and \$660,000 in loans and grants for an aeration basin replacement project to improve Newton’s wastewater facilities.¹⁸ However, city officials needed to use funds from their operating budget, as well as from Recovery Act funds, to complete Recovery Act projects under their jurisdiction. Cedar Rapids also received Recovery Act funds from federal and state sources for several programs, including about \$1,487,000 for transit capital assistance and about \$537,000 for homelessness prevention efforts.¹⁹ Cedar Rapids has applied for Recovery Act competitive grants but city officials said that they have limited staffing available to administer the grants program.

Iowa’s State Auditor and Iowa Accountability and Transparency Board Provide Oversight of Recovery Act Funds

Iowa’s State Auditor and Accountability and Transparency Board continue to monitor controls over Recovery Act Funds. Specifically:

- The Office of the State Auditor recently completed its 2009 audit plan. According to state officials, the audit plan reflects the increased risk associated with the receipt of Recovery Act funds by agencies and localities, as well as agency risk assessments submitted by agency auditors. For example, state audit officials told us that audits are in process at Iowa’s Department of Human Services, Department of Transportation, and the Workforce Development Agency because these agencies are receiving the bulk of Recovery Act funds.

¹⁸According to a Newton city official, funding for the street overlay projects originated from the Iowa Department of Transportation, while funding for the aeration basin replacement project originated from the Iowa Finance Authority’s State Revolving Fund. The Iowa Department of Transportation and the Iowa Finance Authority both received Recovery Act funds.

¹⁹The Iowa Department of Transportation and the Homelessness Prevention and Rapid Re-Housing Program would fund these initiatives.

- Recently, Iowa reduced the State Auditor’s appropriation by 10 percent, which followed the 30 percent reduction to the State Auditor’s appropriation implemented at the beginning of fiscal year 2010. These reductions are not expected to affect the State Auditor’s ability to oversee Recovery Act funds, state audit officials said, because of the auditor’s ability to bill state agencies directly for work associated with auditing federal funds. However, as a result of these reductions, the Office of the State Auditor may not be able to perform sufficient audit work at certain state agencies to issue an unqualified opinion on the state of Iowa comprehensive annual financial report, according to officials from the office.
- The Iowa Accountability and Transparency Board’s Internal Control Evaluation Team surveyed 82 programs and identified 6 high-priority programs—such as the Weatherization Assistance Program and the education stabilization portion of the SFSF program—that it expects will have some difficulty in fully complying with the accountability and transparency requirements in the Recovery Act. The board has required that these high-priority programs submit comprehensive accountability plans for the board’s review of Recovery Act activities. These plans are due by November 16, 2009.
- The U.S. Department of Justice and the DOE Office of the Inspector General provided training on federal procurement guidelines and fraud prevention on October 27, 2009. This training was mandatory for staff involved in programs identified as a high-priority by the board.
- Senior officials from the Iowa Department of Management said that they plan to create a more detailed “dashboard” of Recovery Act data on Iowa’s Economic Recovery Web site. Additionally, senior officials from the department want to create a Web-based system that allows users to pull up the number of jobs created or retained, by job classification code, from the use of Recovery Act funds in Iowa.

Iowa Reported on Jobs Created, Retained, and Other Information

Iowa’s centralized database and validation and certification processes helped to ensure the accuracy of data, reported jobs, and other information related to the use of Recovery Act funds to the federal government, as follows:

- On October 10, 2009 the state of Iowa submitted a detailed report to the federal government that included Recovery Act expenditures and the number of jobs created and jobs retained by the act.

- The Iowa Department of Management used a centralized database to report Iowa's Recovery Act information—funds received and expended, and performance measures, such as jobs created and retained—to federal entities. The state's centralized database calculated the number of jobs created or retained based upon data provided by state agency and locality officials, such as hours worked. State officials told us that they used a centralized database to help ensure the accuracy and consistency of the information reported. However, localities, such as public housing authorities and urbanized transit agencies—which receive their funding from federal agencies—report Recovery Act information to OMB, not through the state's centralized reporting database.
- The centralized database used to report Recovery Act information was created by the Iowa Recovery Act implementation executive working group. This executive working group was created in March 2009 to provide a coordinated process for (1) reporting on Recovery Act funds available to Iowa through various federal grants and (2) tracking the federal requirements and deadlines associated with those grants. A larger implementation working group—made up of representatives from 24 state agencies—is led by the executive working group and assisted by groups focused on implementation topics such as budget and tracking, intergovernmental coordination, and communication.
- Iowa officials told us that they developed internal controls to help ensure that the data submitted to federal entities are accurate. Specifically, Iowa inserted validation processes in the database to help identify and correct inaccurate data as it was entered. Officials told us that these validation processes generally worked and identified inaccuracies in the data. In addition, state agency and locality officials were required to certify their review and approval of their agency's information prior to submission to the state's centralized database and OMB. These certifications are intended to help ensure ownership and accuracy of the information.
- According to Iowa officials, the number of errors reported in the grant awards data was relatively small. Specifically, information on 29 of the 2,137 individual Recovery Act awards reported to OMB had to be removed from the original submission due to coding errors. In addition, the state's internal controls helped officials identify and correct duplicate subrecipient report submissions. To improve the process, state officials plan to provide additional training to agencies and localities that had problems with reporting required Recovery Act data. As a result, Iowa officials said they believe that the majority of

the problems identified in their initial quarterly report to OMB will be corrected before they are required to report in the next quarter.

State Comments on This Summary

We provided the Governor of Iowa with a draft of this appendix on November 17, 2009. The Director, Iowa Office of State-Federal Relations, and the Director for Performance Results, Department of Management, responded for the Governor on November 19, 2009. Officials agreed with our findings. The officials also offered technical suggestions, which we have incorporated, as appropriate.

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