United States Government Accountability Office

GAO

Report to Congressional Committees

July 2009

RECOVERY ACT

States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses (Florida)

GAO

Accountability * Integrity * Reliability

GAO-09-830SP

Contents

Tables

Figures

Appendix IV: Florida

Overview

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

Use of funds: GAO's work focused on nine federal programs, selected primarily because they have begun disbursing funds to states, and includes existing programs receiving significant amounts of Recovery Act funds or significant increases in funding, and new programs. Program funds are being directed to helping Florida stabilize its budget and support local governments, particularly school districts, and are being used to expand existing programs. Funds from some of these programs are intended for disbursement through states or directly to localities. The funds include the following:

- **Funds Made Available as a Result of Increased Medicaid Federal Medical Assistance Percentage (FMAP).** As of June 29, 2009, Florida has drawn down almost $1.3 billion in increased FMAP grant awards, which is almost 91 percent of its awards to date.[2] Florida is using freed up state funds made available as a result of the increased FMAP to cover the state's increased Medicaid caseload, and maintain current Medicaid populations, and level of benefits and offset the state budget deficit.[3]

- **U.S. Department of Education State Fiscal Stabilization Fund (SFSF).** Florida's request for stabilization funds was approved on May 12, 2009, and the state received $1.8 billion of its total SFSF allocation of $2.7 billion. Almost $1.5 billion is for education stabilization, and $329 million is for government services. Based on Florida's approved application, it will allocate 79 percent of the education stabilization funds to local education agencies (LEA) and 21 percent to institutions of higher education (IHE). Florida will make the funds available to LEAs and IHEs on July 1, 2009, the beginning of the school budgeting year. Florida will be using these funds to restore state aid to LEAs,

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

[2]Florida received increased FMAP grant awards of about $1.4 billion for the first three quarters of federal fiscal year 2009.

[3]The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of this increased FMAP may reduce the funds that states would otherwise have to use for their Medicaid programs, and states have reported using these available funds for a variety of purposes.

helping to stabilize their budgets and, among other uses, retain staff. For example, Miami-Dade school district officials estimate that the Recovery Act funds will allow them to save 1,919 positions or 10 percent of the district's teacher workforce.

- **Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA).** The Department of Education (Education) has awarded Florida $245 million in Recovery Act ESEA Title I, Part A, funds, or 50 percent of its total allocation of $490 million. Of these funds, the state has allocated state LEAs $231 million, as of June 25, 2009. Florida made these funds available to LEAs after April 1, 2009, to help them educate disadvantaged youth. For example, Miami-Dade school district officials reported that they are using the Recovery Act funds to deploy reading coaches to high-poverty, low-performing schools, and to provide supplemental, enrichment services to students enrolled in prekindergarten in schools implementing the Title I School-wide Program.

- **Individuals with Disabilities Act (IDEA), Parts B and C.** Education has awarded $335 million in Recovery Act IDEA, Parts B and C, funds, or 50 percent of its total allocation of $670 million. Florida has received $9.8 million of Part B funds for preschool grants and $313.6 million of Part B funds for school-aged children and youth. Florida made these funds available to LEAs upon receipt of an approved application, to support special education and related services for infants, toddlers, children, and youth with disabilities. The Florida Department of Health received $11.5 million of Part C funds for infants and families for early intervention services, and it has allocated $7 million of the funds across 15 contracts to local organizations for service delivery for its Early Steps Program, as of July 1, 2009.

- **Workforce Investment Act (WIA) Youth Program.** The U.S. Department of Labor allotted about $43 million of Recovery Act funds for the WIA Youth program. The state has allocated all of the funds to local workforce boards, based on information available on June 30, 2009. The Florida workforce boards' summer youth programs plan to create about 16,000 to 20,000 summer jobs for Florida youth.

- **Edward Byrne Memorial Justice Assistance Grants.** The Department of Justice's Bureau of Justice Assistance has awarded $81.5 million directly to Florida in Recovery Act funding, of which about 65 percent—about $53 million—is to be allocated by the state to eligible local jurisdictions.[4] As of June 30, 2009, the state has obligated and expended $8,300 for administrative expenses. Grant funds coming to the state of Florida will be used mostly to expand existing drug court programs. The remaining funds will be used for providing detention and treatment services for youth, purchasing radio equipment upgrades for the Department of Corrections, and developing a new seaport access database.

- **Public Housing Capital Fund.** The U.S. Department of Housing and Urban Development has allocated about $86 million in Recovery Act funding to 82 public housing agencies in Florida. Based on information available as of June 20, 2009, about $12 million (14 percent) had been obligated by 35 of those agencies. At the three housing agencies we visited—Venice Housing Authority, Tampa Housing Authority, Tallahassee Housing Authority—these funds, which flow directly to public housing agencies, are being used for various capital improvements, including modifying kitchens, replacing roofs and windows, and improving energy efficiency.

- **Weatherization Assistance Program.** The U.S. Department of Energy (DOE) allocated about $176 million in Recovery Act weatherization funding to Florida for a 3-year period. As of June 30, 2009, DOE has provided about $88 million to Florida, and the Department of Community Affairs (DCA) will have obligated almost $113,000 and expended about $77,000 of the initial program funds for such expenses as payroll for DCA staff, contract services, and travel and supplies. Florida also plans on using its initial funding to hire additional staff to monitor the program, prepare subgrantee agreements with its 29 local service providers, and provide start-up training for new agency staff and subgrantees. The additional 40 percent of the Recovery Act weatherization funds received on June 18, 2009, will be used to begin weatherizing at least 19,000 homes.

- **Highway Infrastructure Investment Funds.** The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned $1.4 billion in Recovery Act funds to Florida. As of June 25, 2009, the federal government obligated about $1 billion. According to Florida Department of Transportation officials, the state has

[4] We did not review Edward Byrne Memorial Justice Assistance Grants awarded directly to local governments in this report because the Bureau of Justice Assistance's (BJA) solicitation for local governments closed on June 17; therefore, not all of these funds have been awarded.

received bids for nine highway construction projects, and is currently advertising 39 additional Recovery Act projects—funded with $555 million in Recovery Act funds and $945 million in other federal, state, and local funds. Funding from the first round of FHWA obligations are being used for resurfacing projects, bridge repairs, and new construction. For example, in Hillsborough County, a major interstate project—costing over $445 million and using over $105 million in Recovery Act funds—will connect a major expressway to Florida's Interstate 4 to improve the flow of traffic and create a truck-only lane to provide direct access to the Port of Tampa.

Safeguards and transparency: Florida's accounting system will be used to separately track Recovery Act funds that flow through the state government, using selected identifiers such as a grant number or project number. The local entities that we visited have tracking systems in place, or are in the process of establishing tracking systems for Recovery Act funds, whether those funds are passed-through from the state agency or are directly awarded from a federal agency. While Florida law requires state agencies to establish and maintain internal controls, the state oversight agencies are preparing for the infusion of Recovery Act funds into the state. The Florida Department of Financial Services is planning to obtain separate agency representation letters from agency heads that say internal controls are in place for Recovery Act funds. Florida's Chief Inspector General established a communitywide working group of agency Inspectors General to address risk assessment, fraud prevention and awareness, and training. The Auditor General is monitoring the state's plans for accounting for and expending Recovery Act funds and tracking the expected changes in the Office of Management and Budget's (OMB) implementing guidance for the Single Audit Act's requirements.

Assessing the effects of spending: Florida agencies continue to have some concerns about the lack of clear federal guidance on assessing the results of Recovery Act spending and were awaiting final OMB and federal agency guidance on reporting on jobs retained and created. The recovery czar reported participating in conference calls with OMB regarding the guidance and having input into its development. On June 22, 2009, OMB issued additional guidance on reporting on the use of Recovery Act funds.[5] Florida is in the process of developing an automated Web-based system to

[5]OMB M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009).

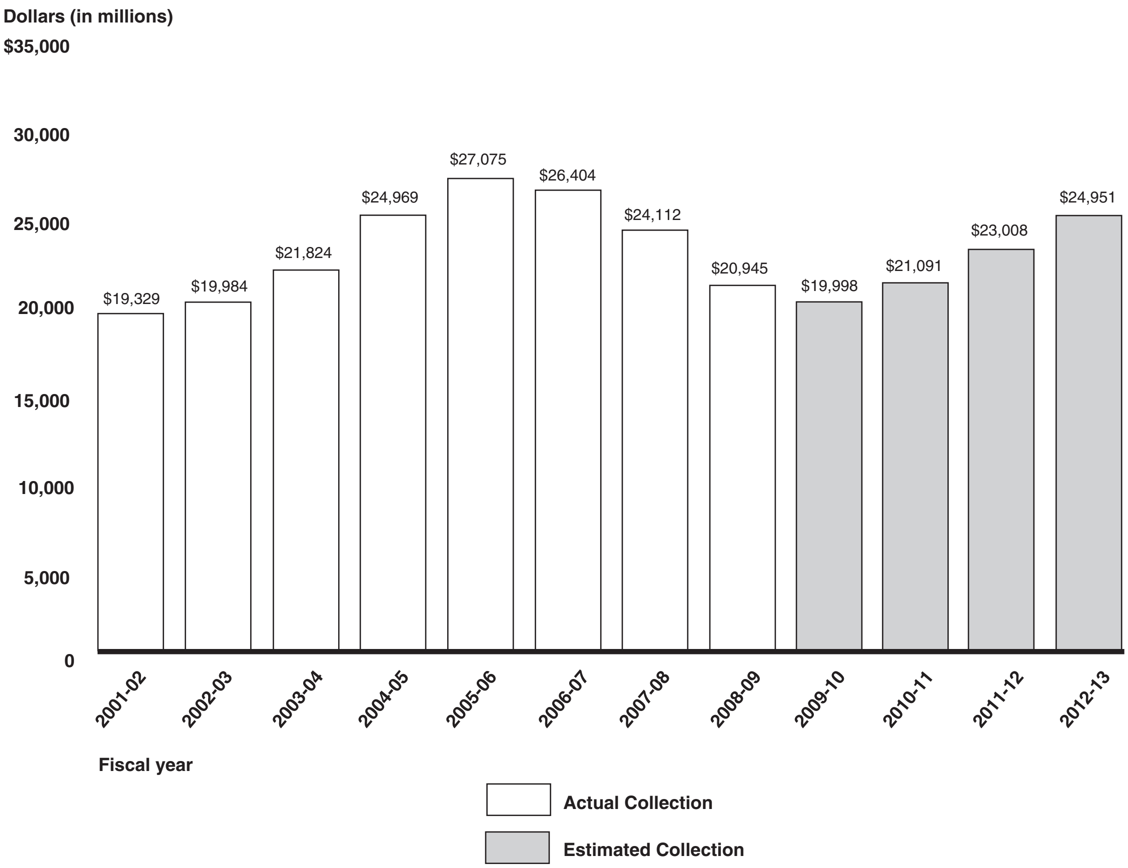
collect data and report on Recovery Act requirements for funds that flow through state agencies. In addition, since most state agencies have yet to obligate or expend Recovery Act funds, little, if, any data on actual jobs retained or created is available for Florida. Instead, some state agencies have estimated the number of jobs retained or created. For example, officials from one university stated that the Recovery Act stabilization funds would be used exclusively to retain about 400 of their 1,100 adjunct instructors.

Florida Will Use Recovery Act Funds in Conjunction with Other Revenue-Producing Activities to Address Budget Gap

On May 27, 2009, Florida passed a $66.5 billion budget for the state's 2009-2010 fiscal year. While developing this budget, officials noted that the state was facing a projected $4.8 billion gap in general revenue funds. This general revenue gap is due to the state's declining general revenue receipts, which have been decreasing over the past 3 years. For example, Florida's general revenue is estimated to be $21 billion for fiscal year 2009 and $20 billion for fiscal year 2010. To assist in closing the gap, $1.6 billion of Recovery Act funding will be used primarily from the State Fiscal Stabilization Fund (SFSF), and child support funds, in the form of increased federal matching funds. Funds made available as a result of the increased FMAP will also be used. For 2009-2010, Florida has budgeted a total of $5.3 billion in Recovery Act funds. We reported in April that the state planned to use about $3 billion in Recovery Act funds to reduce the state's budget shortfall for state fiscal year 2009-2010.[6] As shown in figure 1, the state is expecting over a 26 percent decrease in revenues between fiscal year 2005-06 and 2009-10.

[6] *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, GAO-09-580 (Washington, D.C.: Apr. 23, 2009).

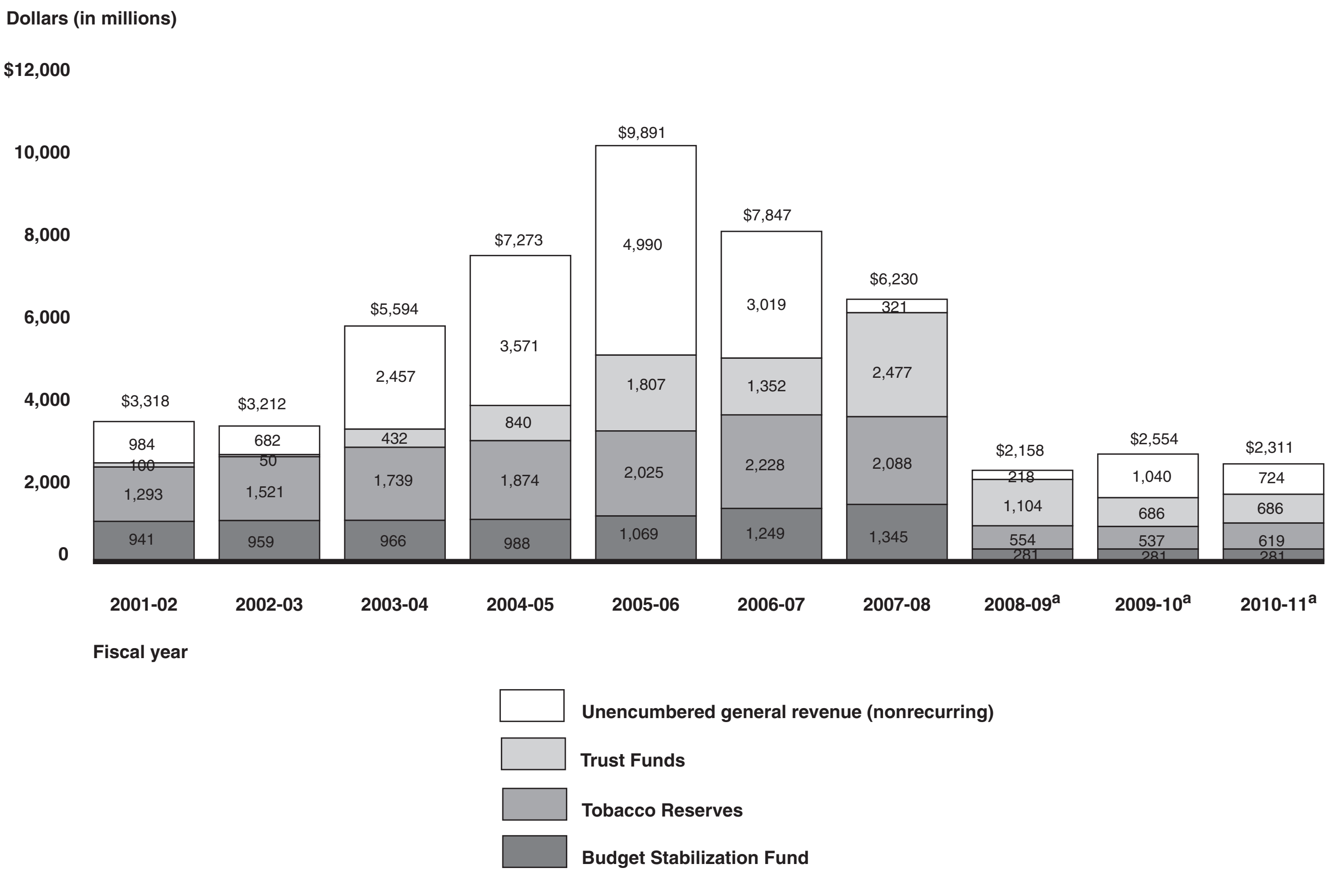
Figure 1: Florida's General Revenue, Fiscal Years 2002-2013



Source: GAO analysis of Florida Office of Policy and Budget Data.

The state has also substantially reduced its reserve funds to counter the decreases in general revenues. If Florida did not receive or use Recovery Act funds, the state would have potentially needed to consider options such as additional budgetary cuts, revenue enhancements, or further trust fund reductions. For example, in 2008, Florida had a reserve fund balance of $6.2 billion, while the current reserve balance is about $2.2 billion. As shown in figure 2, the state's reserve funds are estimated to substantially decrease in 2009.

Figure 2: Florida's Revenue Reserves, Fiscal Years 2002-2011



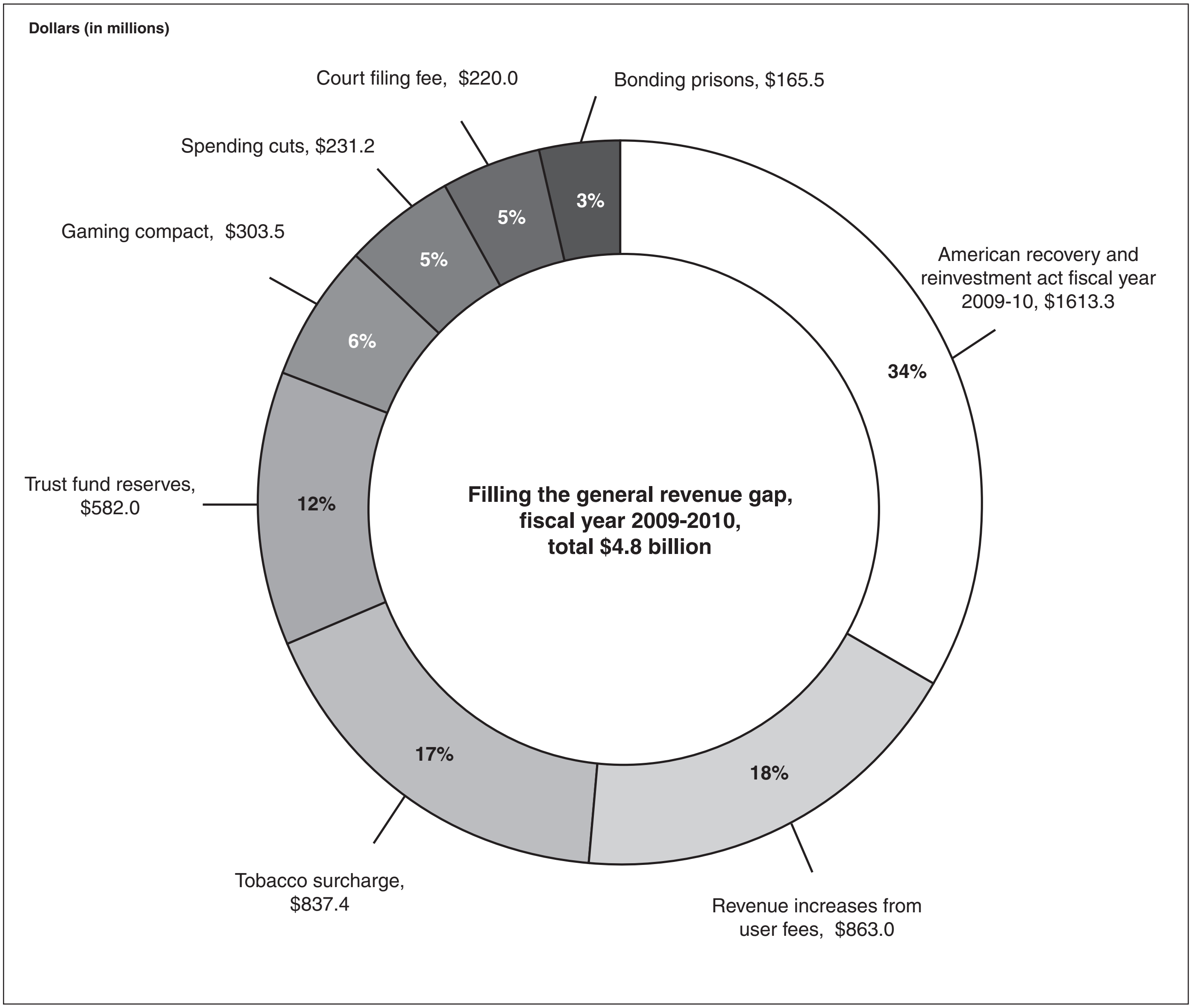
Source: GAO analysis of Florida Office of Policy and Budget data.

[a]Estimated.

The state has also experienced an increase in demand for some services with the downturn in the economy. For example, the number of unemployed people in the state has increased, which in turn increases the demand for unemployment compensation and other social services, such as food stamps. Other state-funded programs, such as higher-education institutions, have recently seen increasing enrollment of people trying to increase their marketable skills. This increased enrollment has strained institutions, which are also struggling with budget cuts. Other agencies—such as school districts—have laid off staff to meet the budget demands. According to state officials, these layoffs would have been significantly worse without Recovery Act funding.

However, Florida officials are not planning to continually rely on funding from the federal government to sustain Florida's budget for future years. Instead, Florida's legislature and Governor recently passed a number of new revenue-producing initiatives to help close the state's budget gap, as shown in figure 3. For example, according to state officials, the recently passed legislation, once ratified by the Seminole Tribe, will tax certain gambling profits on the Seminole Indian reservations and is estimated to produce about $170 million in revenue for the state on an annual basis. Other initiatives include levying a tobacco surcharge of $1 per pack, increasing motor vehicle fees, "trust fund sweeps" which move funds from department trust funds to general revenue, and saving $165 million in general revenue funds by financing the construction of new prisons with bond proceeds. State officials currently estimate these revenue generating actions will produce more than $2.0 billion in new general revenues.

Figure 3: Florida's Plan for Filling the General Revenue Gap



Source: GAO analysis of Florida Office of Policy and Budget Data.

Florida's capacity to oversee the recovery act funds may be strained due to the current budget situation and the potential increases in auditing requirements from the Office of Management and Budget's (OMB) guidance for implementing the Single Audit Act. The Florida Offices of Inspector General (OIG) currently estimates that there are 34 full-time employees available to work on Recovery Act–related activities, with 7 of these positions solely dedicated to Recovery Act funding oversight. The OIG has also determined that the Inspector General community may require additional resources to fully accomplish its total oversight activities through 2010; however, exact estimates are not available at this time. On the other hand, officials in the Auditor General's office stated that their office has adequate staffing to conduct the Single Audit reviews for the programs affected in the state. However, if the auditor's office will be required to monitor internal controls in the state agencies on an accelerated time frame and increase the number of programs that must be audited, then the auditor's office is unsure of its staffing needs, absent more specific direction on OMB's expectations.

Florida Medicaid Enrollment Has Increased 18 Percent since October 2007

Medicaid is a joint federal-state program that finances health care for certain categories of low-income individuals, including children, families, persons with disabilities, and persons who are elderly. The federal government matches state spending for Medicaid services according to a formula based on each state's per capita income in relation to the national average per capita income. The rate at which states are reimbursed for Medicaid service expenditures is known as the Federal Medical Assistance Percentage (FMAP), which may range from 50 percent to no more than 83 percent. The Recovery Act provides eligible states with an increased FMAP for 27 months from October 1, 2008, through December 31, 2010.[7] On February 25, 2009, the Centers for Medicare & Medicaid Services (CMS) made increased FMAP grant awards to states, and states may retroactively claim reimbursement for expenditures that occurred prior to the effective date of the Recovery Act.[8] Generally, for federal fiscal year 2009 through the first quarter of federal fiscal year 2011, the increased FMAP, which is calculated on a quarterly basis, provides for: (1) the maintenance of states' prior year FMAPs; (2) a general across-the-board increase of 6.2 percentage points in states' FMAPs; and (3) a further increase to the FMAPs for those states that have a qualifying increase in unemployment rates. The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of this increased FMAP may reduce the funds that states would otherwise

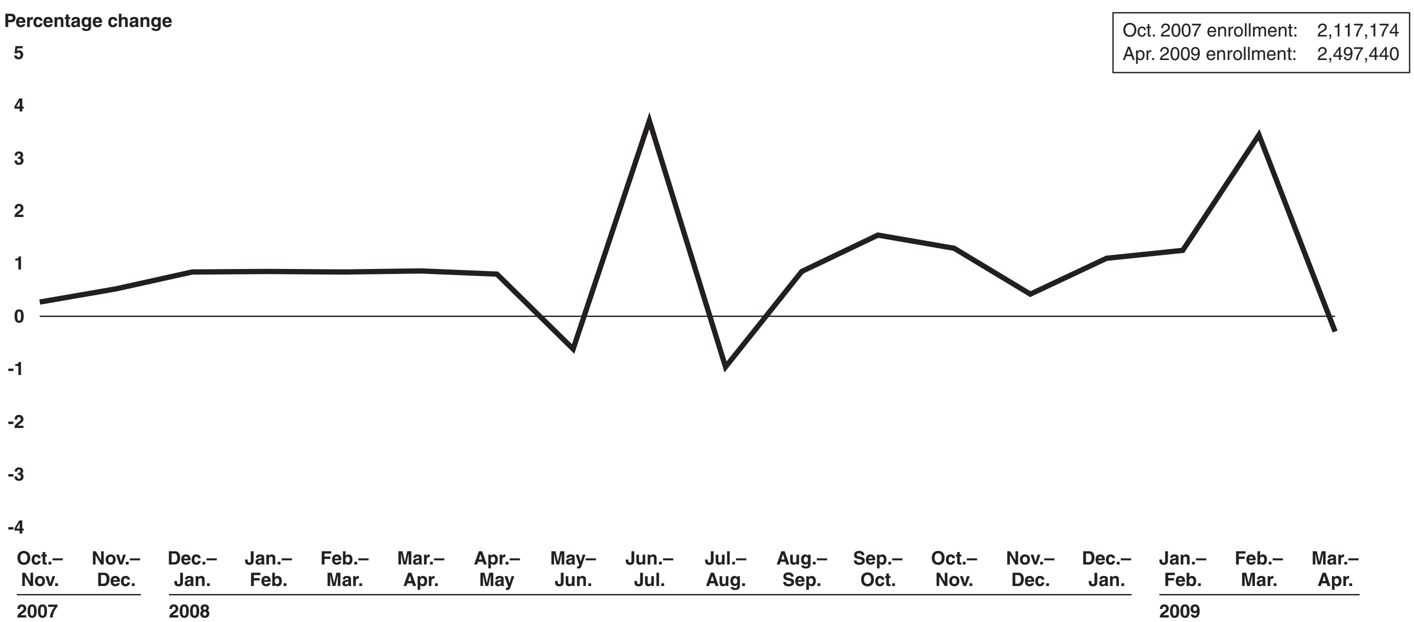
[7]Recovery Act, div. B, title V, §5001.

[8]Although the effective date of the Recovery Act was February 17, 2009, states generally may claim reimbursement for the increased FMAP for Medicaid service expenditures made on or after October 1, 2008.

have to use for their Medicaid programs, and states have reported using these available funds for a variety of purposes.

From October 2007 to April 2009, the state's Medicaid enrollment grew from 2,117,174 to 2,497,440, an increase of 18 percent. While the increase in enrollment was generally gradual during this period, larger increases occurred between June and July 2008 and February and March 2009. (See fig. 4.) Most of the increase in enrollment was attributable to the children and families population group.

Figure 4: Monthly Percentage Change in Medicaid Enrollment for Florida, October 2007 to April 2009



Source: GAO analysis of state reported data.

As of June 29, 2009, Florida has drawn down almost $1.3 billion in increased FMAP grant awards, which is almost 91 percent of its awards to date.[9] Florida officials reported that they are using funds made available as a result of the increased FMAP to offset the state budget deficit, cover the state's increased Medicaid caseload, and maintain the state's current Medicaid populations and benefits.

[9]Florida received increased FMAP grant awards of about $1.4 billion for the first three quarters of federal fiscal year 2009.

According to state officials, the availability of the increased FMAP provided Florida with the ability to maintain existing services and eligibility requirements in the state's Medicaid program, despite decreases in revenues. In particular, Medicaid funding for two population groups—certain low-income individuals and medically needy individuals—had relied on nonrecurring state revenues for the state fiscal year 2008-2009, but with funds made available as a result of increased FMAP, the funding is now augmented by Recovery Act funds and will continue at least through the end of calendar year 2010. State officials noted that continuing to cover these populations is a requirement for the state to maintain eligibility for increased FMAP funds. In addition, the state had lowered reimbursement rates to institutional providers over the last couple of years as part of an annual review of program size, populations, and cost—due in part to the shortage of these nonrecurring state revenue sources. Florida officials said it is difficult to speculate on how the legislature will use funds made available as the result of increased FMAP to build the Medicaid budget for the coming state fiscal year. They further noted that the Medicaid program had incurred no additional costs related to the administrative and reporting requirements associated with use of these funds.

Regarding the tracking of increased FMAP, state officials said that they will rely on an internal software program to track standard and increased FMAP funds separately in their existing accounting system. The internal software allows state officials to track increased FMAP by appropriation and expenditure. Florida officials said the state has internal controls in place, including periodic reconciliation processes, to ensure that the amount of adjudicated Medicaid claims that Florida processes equals the state's drawdown of FMAP funds. Florida officials said that regarding the use of FMAP funds, the state's internal controls do distinguish between regular and increased FMAP and that all FMAP funds are only used for Medicaid purposes. Auditors from the state's Medicaid Program Integrity Division within the Office of the Inspector General routinely review the state's Medicaid program for instances of fraud, waste, and abuse, and will continue to use existing protocols to review use of funds made available as the result of increased FMAP.

Due to concerns that the method the state uses to determine prompt payment could violate the Recovery Act,[10] Florida officials made several changes to the state's payment methodology and implemented system enhancements to comply with the Recovery Act's requirement. Regarding the Single Audit, the 2007 and 2008 audits each identified one material weakness in the state's Medicaid program, which was related to insufficient documentation that data exchanges to verify eligibility were performed.[11] The 2008 Single Audit also raised additional concerns related to the documentation of eligibility decisions.

School Districts and Colleges Report Plans to Use State Fiscal Stabilization Funds to Retain Teaching Staff and Establish Systems to Track Funds

The Recovery Act created a State Fiscal Stabilization Fund (SFSF) to be administered by the U.S. Department of Education (Education). The SFSF provides funds to states to help avoid reductions in education and other essential public services. The initial award of SFSF funding requires each state to submit an application to Education that provides several assurances. These include assurances that the state will meet maintenance-of-effort requirements (or it will be able to comply with waiver provisions) and that it will implement strategies to meet certain educational requirements, including increasing teacher effectiveness, addressing inequities in the distribution of highly qualified teachers, and improving the quality of state academic standards and assessments. Further, the state applications must contain baseline data that demonstrate the state's current status in each of the assurances. States must allocate 81.8 percent of their SFSF funds to support education (education stabilization funds), and must use the remaining 18.2 percent for public safety and other government services, which may include education (government services funds). After maintaining state support for education at fiscal year 2006 levels, states must use education

[10]Under the Recovery Act, states are not eligible to receive the increased FMAP for certain claims for days during any period in which that state has failed to meet the prompt payment requirement under the Medicaid statute as applied to those claims. See Recovery Act, div. B, title V, §5001(f)(2). Prompt payment requires states to pay 90 percent of clean claims from health care practitioners and certain other providers within 30 days of receipt and 99 percent of these claims within 90 days of receipt. See 42 U.S.C. §1396a(a)(37)(A).

[11]The Single Audit Act of 1984, as amended (31 U.S.C. ch. 75), requires that each state, local government, or nonprofit organization that expends $500,000 or more a year in federal awards must have a single audit conducted for that year subject to applicable requirements, which are generally set out in Office of Management and Budget (OMB) Circular No. A-133, Audits of States, Local Governments and Non-Profit Organizations (June 27, 2003). If an entity expends federal awards under only one federal program, the entity may elect to have an audit of that program.

stabilization funds to restore state funding to the greater of fiscal year 2008 or 2009 levels for state support to school districts or institutions of higher education (IHEs). When distributing these funds to school districts, states must use their primary education funding formula but maintain discretion in how funds are allocated to public IHEs. In general, school districts maintain broad discretion in how they can use stabilization funds, but states have some ability to direct IHEs in how to use these funds.

Florida's request for stabilization funds was approved in May 2009, and it received $1.8 billion of its total $2.7 billion SFSF allocation. Almost $1.5 billion is for education stabilization, and $329 million is for government services. Based on the state's approved application, the state will allocate 79 percent of the education stabilization funds to local education agencies (LEAs) and 21 percent to IHEs. Florida will make the funds available to LEAs and IHEs on July 1, 2009, the beginning of the school budgeting year. Florida submitted a waiver for its maintenance-of-effort requirement, and a state official told us it was approved May 12, 2009.

We selected the Miami-Dade and Hillsborough County school districts to visit because they are the first and third largest local school districts in the state with regard to Recovery Act funding and student population, respectively. Both school districts reported decreases in state funding for the upcoming 2009-2010 school year. Miami-Dade and Hillsborough County school district officials cited budget shortfalls of $173 million and $77 million respectively, for school year 2009-2010 and said they will use their SFSF allocations of $119 million and $66 million respectively, to partially fill those gaps. The amount of funds allocated was determined by the state's formula for base funding, and the funds will be made available to the local school districts through the Florida Education Finance Program on July 1, 2009. Local school districts have to apply to the Florida Department of Education for the funds, and those applications were received June 8, 2009.

Selected School Districts' Planned Use of Stabilization Funds and Monitoring

The Miami-Dade and Hillsborough school districts will place the stabilization funds in their general funds, and they plan to use them primarily to help the school districts retain positions, or create new jobs, or both. The Florida Department of Education published strategies and guidance for all Recovery Act education funding streams on its Web site, and there are 21 recommended strategies for spending stabilization funds. The local school district officials we spoke to told us they were establishing systems and processes to track the stabilization funds and report on their uses to the state.

Miami-Dade: Miami-Dade school district officials estimate that the stabilization funds will help them save 1,919 positions, or 10 percent of the district's teacher workforce.[12] In addition to retaining positions, they said that they plan to use some of the SFSF funds to focus on more professional development and the continued hiring of Teach for America teachers. Moreover, Miami-Dade officials said its controller is setting up unique accounting codes for its funds and programs as required by the state to track and report on their usage.

Hillsborough: Hillsborough County school district officials estimate that the funds will save roughly 1,100 positions. These officials reported that they have created accounting codes for their Recovery Act funds that will allow them to track the funds on specific projects. They plan to oversee their use of funds via the quarterly reports that must be filed with the state Department of Education as well as through their annual self-evaluation.

Stabilization Funds Will Allow Institutions of Higher Education to Maintain Staff and Will Mitigate Tuition Increases

All three of the IHEs we visited in Florida have reported decreases in state funding that they will compensate for with stabilization funds. The SFSF they receive will not fill the gaps completely. (See table 1.)

[12]These estimates may be understated because they are based on average salaries and the positions eliminated would most likely be lower-cost, newer hires.

Table 1: Decreases in State Funding and Stabilization Funds Received by Institutions of Higher Education We Visited

School	Decrease in state funds (dollars in millions)	Stabilization funds received (dollars in millions)	Stabilization funds as a percent of decrease
Hillsborough Community College (HCC)	$6[a]	$3.9	65%
University of South Florida (USF)	36[b]	15.1	42
Florida Agricultural and Mechanical University (FAMU)	16.2[b]	7.9	49

Source: HCC, USF, FAMU.

Notes: Figures were provided by program officials at HCC, USF, FAMU.

[a]Decrease was in the state's 2008-2009 fiscal year.

[b]Decrease is for state's 2009-2010 fiscal year, which began July 1.

While the schools we visited were still deciding on what and when the funds will be spent—their budgets were finalized July 1, 2009—all three of these institutions reported that they will use stabilization funds to retain teaching staff or create new jobs, or both. With regard to retaining teaching staff, Hillsborough Community College (HCC) reported that it would use stabilization funds exclusively to retain about 400 of its 1,100 adjunct instructors. A University of South Florida (USF) official said the university would use the funds to hire a sufficient number of short-term adjunct professors to maintain delivery of academic programs, so that students could make progress toward graduation. Florida Agricultural and Mechanical University (FAMU) officials said that stabilization funds would enable the university to retain instructional faculty to provide courses. With regard to creating new jobs, USF officials said they would hire postdoctoral fellows to stimulate research and additional staff members to address reporting requirements and compliance. FAMU officials said they would hire both undergraduates and graduates for assistantships.

State officials who oversee the systems that govern the state's college and university systems said that stabilization funds helped mitigate tuition increases. According to state officials, the state legislature sets tuition for the system and increased tuition by 8 percent for the 2009-2010 school year. Officials estimated that without stabilization funds the increase in tuition necessary to compensate for decreases in state funding would have been 21 percent for students at community colleges and 35 percent for students at universities.

All of the IHEs we visited will be required to submit an application by June 15, 2009, to receive SFSF. The application requires program-specific assurances related to distribution and use of the funds (e.g., spend funds quickly to save and create jobs) and prohibited uses of the funds (e.g., to increase university endowment), and required a budget narrative that provided descriptions of costs, jobs created, and jobs continued. Officials at all three IHEs said they had received substantive guidance on allowable uses and tracking, but only two of the three said they had received substantive guidance on reporting of SFSF.

All three institutions we visited said that they can track SFSF funds separately, but only one could articulate plans to track jobs created and saved. All three schools said they would add codes to their accounting systems to distinguish SFSF funds from others. However, only FAMU said that it could link jobs created or saved back to stabilizations funds. According to FAMU officials, program administrators will be asked to identify which positions would have been cut without SFSF and are being continued or created because of them. Both HCC and USF acknowledged that they had not yet resolved this issue.

Districts We Visited Did Not Anticipate Any Challenges Meeting Their Required Elementary and Secondary Education Act Title I Funds Spending Time Frames and Are Modifying Systems to Ensure Adequate Controls and Compliance

The Recovery Act provides $10 billion to help LEAs educate disadvantaged youth by making additional funds available beyond those regularly allocated through Title I, Part A, of the Elementary and Secondary Education Act (ESEA) of 1965. The Recovery Act requires these additional funds to be distributed through states to LEAs using existing federal funding formula, which target funds based on such factors as high concentrations of students from families living in poverty. In using the funds, LEAs are required to comply with current statutory and regulatory requirements, and must obligate 85 percent of their fiscal year 2009 funds (including Recovery Act funds) by September 30, 2010.[13] Education is advising LEAs to use the funds in ways that will build their long-term capacity to serve disadvantaged youth, such as through providing professional development to teachers. Education allocated the first half of states' ESEA Title I, Part A, allocations on April 1, 2009, with Florida receiving $245 million of its approximately $490 million total allocation. Of these funds, the state has allocated $231 million to LEAs, as of June 25, 2009.

The Florida Department of Education published strategies and guidance for all education-related Recovery Act funding streams on its Web site. Of the 21 strategies, 18 applied to ESEA Title I funding. In its Recovery Act, ESEA Title I application, the state required the districts to identify how each line of the budget narrative aligned with one of the four principles suggested by Education for Recovery Act funding (e.g., spend the funds quickly to save and create jobs).

The two school districts we visited received their Recovery Act, ESEA Title I allocations. Miami-Dade and Hillsborough County schools districts received $48 million and $17 million, respectively. Miami-Dade has begun obligating and expending these funds for reading coaches, for supplemental, enrichment services to prekindergarten students, and for supplemental, core subject–area teachers allocated to schools. Hillsborough County school district officials reported they would begin obligating and expending funds in June. Officials from both districts reported that they did not anticipate any challenges meeting their required spending time frames. Miami-Dade school district officials told us that the

[13]LEAs must obligate at least 85 percent of their Recovery Act, ESEA Title I, Part A funds by September 30, 2010, unless granted a waiver, and all of their funds by September 30, 2011. This is referred to as a carryover limitation.

state had requested a waiver from Education for the maintenance of effort requirement on behalf of the 67 school districts in Florida.

Miami-Dade County school district officials told us they will be adding 104 public and 50 nonpublic schools[14] to its ESEA Title I program, and they anticipate challenges providing monitoring and oversight, especially to these 104 new public schools adding additional staff in order to process and meet set-aside requirements to spend a specific amount of funds on a particular activity, [15] and needing thorough and strategic planning to minimize the funding cliff effect at the end of the grant period. Hillsborough County school district is adding one school to its ESEA Title I program and does not anticipate any additional challenges. State officials told us that they repeatedly stressed the importance of avoiding the funding cliff by using the ESEA Title I funds in the most effective and efficient manner, and planning for long-term impact with short-term funds.

Both school districts plan on using the funds for instruction, technology, and other purposes such as supporting parental involvement.[16] For preschools, Miami-Dade plans to use the funds for supplemental, enrichment educational services at schools implementing the ESEA Title I Schoolwide Program, which allows ESEA Title I funds to be used to benefit all students in certain schools, and for at-home instructional services for parents of preschool children through the Home Instructional Program for Parents of Preschool Youngsters. For secondary schools, officials said they will use the funds for guidance and support services from the Student Services (i.e., College Advisors Program) staff for students in high schools, for supplemental, core subject–area teachers, and for reading coaches. Hillsborough County school districts plan to use the preschool funds to provide additional instructional resources and technology for each of its preschool classes. The funds for secondary schools will be used for the purposes of technology, parent involvement

[14]Under ESEA Title I, Part A, LEAs are required to provide services for eligible private school students, as well as eligible public school students.

[15]ESEA Title I, Part A, has several requirements under which an LEA must spend a specific amount of funds on activities such as professional development.

[16]Miami-Dade school district officials told us the Florida Department of Education encouraged the local school districts to use additional ESEA Title I funds for preschool and secondary schools by means of technical assistance meetings, conference phone calls, and printed materials.

resources, incentive pay, staff development, and supporting leadership development.

Both districts are required to report to the Florida Department of Education on the use of the Recovery Act ESEA Title I funds and modify their systems to help ensure adequate internal controls and compliance. Hillsborough County school district has created accounting codes for their funds that will allow them to tag funds to a project so, for example, it will be able to report how much is spent on guidance counseling using Recovery Act ESEA, Title I, Part A funds. School district officials also told us that they will have project managers and fund managers who will have knowledge across their program areas, and they will hire program managers, who in turn, will hire people to go to schools to ensure monitoring is being done and data collected. In addition, they will also have a fiscal compliance and reporting person to ensure that the funds they are spending is meeting Recovery Act goals. To help ensure its oversight, Miami-Dade school district has identified and redeployed the additional staff needed to process and meet set-aside requirements for its much larger funding amounts, and it has developed a strategic planning process for the evaluation of all program initiatives and activities. This approach was used to maximize effectiveness and efficiency in the use of the funds and to minimize the cliff effect at the end of the grant period.

Officials Reported Individuals with Disabilities Act Funding Guidance Met Their Needs and They Documented Their Planned Activities for Funds in Applications

The Recovery Act provided supplemental funding for programs authorized by Parts B and C of the Individuals with Disabilities Education Act (IDEA), the major federal statute that supports special education and related services for infants, toddlers, children, and youth with disabilities. Part B includes programs that ensure preschool and school-aged children with disabilities have access to a free and appropriate public education, and Part C programs provide early intervention and related services for infants and toddlers with disabilities or at risk of developing a disability and their families. IDEA funds are authorized to states through three grants—Part B preschool-age, Part B school-age, and Part C grants for infants and families. States were not required to submit an application to Education in order to receive the initial Recovery Act funding for IDEA Parts B and C (50 percent of the total IDEA funding provided in the Recovery Act). States will receive the remaining 50 percent by September 30, 2009, after submitting information to Education addressing how they will meet Recovery Act accountability and reporting requirements. All IDEA Recovery Act funds must be used in accordance with IDEA statutory and regulatory requirements.

Education allocated the first half of states' total IDEA allocations on April 1, 2009, with Florida receiving $335 million of its $670 million total allocation for all IDEA programs. The largest share of IDEA funding is for the Part B, school-aged program for children and youth. The state's initial allocation was

- $9.8 million for Part B preschool grants,
- $313.6 million for Part B grants for school-aged children and youth, and
- $11.5 million for Part C grants for infants and families for early intervention services.

Officials at the Miami-Dade and Hillsborough County school districts said that the Recovery Act, IDEA guidance they received met their needs. The Florida Department of Education published strategies and guidance on all Recovery Act education-related funding streams on its Web site, and 15 of the 21 strategies dealt with IDEA funding. In addition, the department conducted a series of teleconference calls with local school districts as well as providing supplementary written materials. Officials from the Miami-Dade and Hillsborough County school districts told us they did not anticipate any challenges with respect to using the IDEA Recovery Act funds.

Florida required local school districts to submit project applications for IDEA funds that list the activities and the strategy they are aligned with, positions saved and created, and the funding for the project. In the application, the school district has to agree to six specific assurances the state has required for Recovery Act funds, such as one pertaining to using funds quickly to create and save jobs. Both school districts have received their project award notifications from the state. Officials from both school districts reported that they will be measuring and reporting on the impact of their IDEA funds to the state Department of Education and that they would conduct program evaluations on key activities and initiatives funded with IDEA funds. Table 2 provides some examples of how they plan to spend their IDEA funds in accordance with each of five usages.

Table 2: Selected Examples of Miami-Dade and Hillsborough County School Districts' IDEA Spending Plans

Miami-Dade County School District	Hillsborough County School District
Use 1: Expand Inclusive Placement Options for Preschoolers with Disabilities	
Training will be provided on Social Emotional Competence to prekindergarten teachers to build capacity for serving pre-K children with challenging behaviors, and funds will be provided to prekindergarten teachers to purchase materials and equipment.	The school district wants to increase its early intervening services to children not identified as having a disability. The hiring staff is continuing to complete evaluations in a timely manner (The goal is to place children into school by 3rd birthday); They are looking to support this with assessment teams. Additionally, they are exploring opportunities with voluntary pre-K programs.
Use 2: Develop or Expand the Capacity to Collect and Use Data to Improve Teaching and Learning	
The school district will be working with its Information Technology Services group to expand existing systems to collect, report and provide easy access to data that will help improve teaching and learning.	The school district wants to upgrade technology for computer access to create a structure to include student data storage capacity for curriculum, student work, and a reporting data system to analyze learner outcomes.
Use 3: Provide Professional Development for Teachers to Improve Outcomes for Students with Disabilities	
A Response to Intervention Institute will offer professional development for teachers, social workers, psychologists, administrators and other professionals to expand capacity in effectively addressing the assessment, instruction, and interventions needed by students.	The school district will provide professional development for teachers, support staff, bus drivers, and so forth, to enhance knowledge of state or local procedures, policies, curriculum, behavior strategies, and access points.
Use 4: Obtain Job Placements for Youths with Disabilities	
Expansion of transition services and programs for students in the 18-22 age brackets are planned. For example, they plan to increase and expand capacity of on-the-job training programs whereby students are provided on-the-job training and supported employment at business sites in the community.	The school district will employ career specialists to assist with training of employable skills, job training, and employment of students with disabilities.
Use 5: Acquire Assistive Technology Devices	
The district has developed a Five-Year Plan to increase capacity and infrastructure to address the assistive technology needs of its students. Plans for 2009-10 IDEA Recovery Act funds includes purchasing a wider variety of computer and assistive technology equipment and devices for students, and providing funding for hourly personnel to conduct evaluations to determine a student's need for assistive technology.	The school district is pursuing opportunities to enhance adaptive technology and do additional testing (e.g., communication skills).

Source: Miami-Dade and Hillsborough County School District Officials.

Miami-Dade school district officials said they will avoid the cliff effect after the funding expires by using the funds to support expansion of programs that can be sustained, by limiting the number of jobs created to a minimum, holding firm with the current district hiring freeze, and covering salaries for individuals who are currently in the Florida Deferred Option Retirement Program and have 2 years left of employment. Hillsborough County school district officials told us they will avoid unsustainable, continuing commitments by only allocating these funds to one time expenditures during the time period allowed.

The Florida Department of Health received $11.5 million of Part C funds for infants and families for early intervention services. It has allocated $7 million of the funds across 15 contracts to local organizations for service delivery for its Early Steps Program, based on information available as of July 1, 2009.

Workforce Boards Were Working to Fill Available Slots for Summer Youth Employment Activities Combining Work Readiness and On-Site Job Experiences

The Recovery Act provides an additional $1.2 billion in funds nationwide for the Workforce Investment Act (WIA) Youth program to facilitate the employment and training of youth. The WIA Youth program is designed to provide low-income, in-school and out-of-school youth age 14 to 21, who have additional barriers to success, with services that lead to educational achievement and successful employment, among other goals. The Recovery Act extended eligibility through age 24 for youth receiving services funded by the act. In addition, the Recovery Act provided that, of the WIA Youth performance measures, only the work-readiness measure is required to assess the effectiveness of summer-only employment for youth served with Recovery Act funds. Within the parameters set forth in federal agency guidance, local areas may determine the methodology for measuring work readiness gains. The program is administered by the Department of Labor, and funds are distributed to states based upon a statutory formula; states, in turn, distribute at least 85 percent of the funds to local areas, reserving up to 15 percent for statewide activities. The local areas, through their local workforce investment boards, have flexibility to decide how they will use these funds to provide required services. In the conference report accompanying the bill that became the Recovery Act,[17] the conferees stated that they were particularly interested in states using these funds to create summer employment opportunities for youth. Summer employment may include any set of allowable WIA Youth activities—such as tutoring and study skills training, occupational skills training, and supportive services—as long as it also includes a work-experience component. Work experience may be provided at public sector, private sector, or nonprofit work sites. The work sites must meet safety guidelines and federal/state wage laws.[18]

[17]H.R. Rep. No. 111-16, at 448 (2009).

[18]Current federal wage law specifies a minimum wage of $6.55 per hour until July 24, 2009, when it becomes $7.25 per hour. Where federal and state laws have different minimum wage rates, the higher standard applies.

In Florida, a 45-member board appointed by the Governor oversees and monitors the administration of the state's workforce policy, programs, and services. These programs and services are carried out by the 24 business-led Regional Workforce Boards and the Agency for Workforce Innovation. Direct services are provided at nearly 100 One-Stop Centers with locations in every county in the state. We selected three regional workforce boards—South Florida Workforce (Miami-Dade County), Workforce One, Employment Solutions (Broward County), and the Tampa Bay Workforce Alliance (Hillsborough County)—because they were among the largest recipients of Recovery Act dollars and were among those programs with the largest anticipated participation. In addition, they represented different geographic regions of the state.

The state of Florida received $42,873,265 for WIA Youth activities under the Recovery Act and set the goal of creating roughly 16,000 to 20,000 summer jobs in 2009 through its WIA Youth program. The state does not plan to use any of the 15 percent of Recovery Act youth funds that can be retained for statewide activities. All of the workforce boards in Florida have procurement agreement plans approved by the state workforce board so that they can contract with service providers; in addition, the state sought and was given two waivers by the Department of Labor: one that allowed workforce boards to expand contracts with existing service providers rather make existing providers go through a competitive bidding process and another that allowed them to collect only one performance measure—readiness for work—for youth who participate in summer youth programs and continue on in work experience.

Programs have begun to draw down funds. (See table 3 for the amounts they received and the amounts they have expended.)

Table 3: Allocations Workforce Boards Received and Funds Expended As-of Dates

Workforce board	Funds received	Funds expended	As-of date
Miami-Dade County	$7,200,000	$25,892[a]	April 30, 2009
Hillsborough County (Tampa)	2,534,737	150,000	April 30, 2009
Broward County	2,362,791	108,977	May 29, 2009

Source: Workforce boards.

[a]Miami-Dade County reported this figure as the year-to-date Recovery Act youth expenditures.

Each of the three local areas will offer work-readiness training and on-site job experiences that incorporate green jobs. Hillsborough County was the only site we visited where the activities differed for older versus younger youth. Specifically, all youth will participate in work-readiness activities, but 20- to 24-year-olds will work at work sites and 17- to 19-year-olds will participate in a business simulation where they create and work on an on-line magazine.[19] Hillsborough officials estimated that between 60 to 80 youth ages 20- to 24 would participate. All three counties said that they will assess participants' learning through pre- and posttesting and collect feedback from businesses and work site supervisors. All plan to include green jobs in some way. In Broward County, for example, some participants will do clerical work at a roofing company that installs roofing materials with integrated solar circuits for heating and cooling; others will help dismantle computer components that are sold to a company that recycles components.

Each of the local areas either has or is working to ensure that it has an adequate number of entities to provide job-readiness training, employers to provide jobs, and participants to fill available slots. Miami-Dade County, with a target of 4,000 participants, already has in place its three service providers—Miami-Dade County Public School System, the Monroe County Public School System, and the Florida Keys Community College—that will provide the work-readiness training and on-site job experience. As of May 20, 2009, the board has identified 3,000 jobs. Miami-Dade has more eligible participants than slots. It has an on-line application system that automatically determines eligibility. It has so many applicants it will use a lottery to fill slots. Hillsborough County, with a target of 940 participants, also has in place enough community and faith-based organizations to provide work-readiness training. Its program has enrolled 436 youth: 276 are 17- to 19-year-olds, and 160 are 20- to 24-year-olds. They have secured a corresponding number of jobs for the 20-24 year olds. Broward County, with a target of 725 participants, has its service provider in place, has enrolled about 880 participants, and has secured a corresponding number of jobs.

The challenges workforce boards faced getting their summer youth programs up and running seemed to depend, in part, on their previous experience with such programs. Miami-Dade County officials reported no challenges. Officials there noted that they had had a large summer youth program in the summer of 2008 funded from a charitable trust. One of their service providers that summer was the Miami-Dade County Public School System, which will serve again as a service provider this summer. In

[19] The 17- to 19-year-olds receive a stipend for participating in the business simulations.

contrast, Hillsborough County, which did not have a separate, stand-alone summer youth program in 2008, reported that enrolling youth posed their greatest challenge. Hillsborough officials said that for the 2009 summer program, they anticipated a rush that did not happen. To boost enrollment, they have taken a number of steps, including buying advertising in local movie theaters, radio spots, and mass mailings to targeted groups. Other challenges reported by the three local areas included: time frames for setting up programs; demands on existing staff before additional staff could be hired; the volume of paper work; the need to collect documentation required for eligibility determination, and determining what constituted a “green” job.

The Majority of Florida’s State-Retained Byrne Justice Assistance Grants Will Be Used for Drug Court Programs, while State Officials Expect Local Entities Will Use Funds for Equipment Purchases

The Edward Byrne Memorial Justice Assistance Grant (JAG) program within the Department of Justice’s Bureau of Justice Assistance (BJA) provides federal grants to state and local governments for law enforcement and other criminal justice activities, such as crime prevention and domestic violence programs, corrections, treatment, justice information-sharing initiatives, and victims’ services. Under the Recovery Act, an additional $2 billion in grants are available to state and local governments for such activities, using the rules and structure of the existing JAG program. The level of funding is formula-based and is determined by a combination of crime and population statistics. Using this formula, 60 percent of a state’s JAG allocation is awarded by BJA directly to the state, which must in turn allocate a formula-based share of those funds to local governments within the state. The remaining 40 percent of funds is awarded directly by BJA to eligible units of local government within the state.[20] The total JAG allocation for Florida state and local governments under the Recovery Act is about $135.1 million, a significant increase from the previous fiscal year 2008 allocation of about $10.1 million. About $81.5 million of the total JAG allocation is included in the Florida state budget, with the remaining $53.6 million allocated directly by BJA to local governments throughout the state. The Florida Department of Law Enforcement (FDLE) is the state administering agency for the JAG program.

[20]We did not review these funds awarded directly to local governments in this report because BJA’s solicitation for local governments closed on June 17, 2009.

As of June 30, 2009, Florida has received its full state award of about $81.5 million.[21] Of this amount, about $29 million, or 35 percent, will be retained for state criminal justice agencies, and about $53 million, or 65 percent, will be passed through to local governments—counties and cities.[22] As of June 30, 2009, the state has obligated and expended $8,300 for FDLE administrative expenses.

Almost 75 percent of the state retained JAG program funds are to be used by the Florida courts, state attorneys, and public defenders for drug court programs. The remaining funds are to be used by the Department of Juvenile Justice for detention and treatment services for youth, by the Department of Corrections to purchase radio equipment upgrades, and by FDLE to develop a database that enables seaport security authorities to determine if individuals meet Florida statutory requirements to enter secure or restricted areas of the seaport. The funds for the drug court programs are for a significant expansion of existing drug court programs, while the funds for the juvenile justice programs, radio equipment, and seaport database are for new JAG programs. Even though the state legislature authorized the Recovery Act JAG program funding for the state agencies related to the state-retained funds, each state criminal agency is required to submit an application to FDLE with a detailed description of the project, budget, and related performance measures. At this time, FDLE cannot establish an application submission date for the Recovery Act funds allocated to the drug court programs until they receive additional information from the joint Legislative Budget Commission.[23] Applications for the three remaining programs are due to FDLE by June 30, 2009. For the state-retained funds that are going to be used for drug-based court programs, juvenile justice programs, and the seaport database, a FDLE

[21]Due to rounding, this number may not exactly equal 60 percent of the total JAG award.

[22]While the Recovery Act, JAG program allows the state administering agency to retain 10 percent of the funds for administrative costs, FDLE plans to only retain about 1.1 percent of the $81.5 million for administrative purposes. Some of these funds maybe used to hire temporary staff to assist in the increased workload due to the additional Recovery Act funds.

[23]While the Florida budget authorized over $21 million for the drug court programs, it did not provide detailed information on how the funds would be allocated among the different courts, state attorneys and public defenders' offices. Florida appropriation act language requires the Chief Justice to develop a plan, including a budget that allocates the funds among the different drug court programs and offices. The Legislative Budget Commission must approve the plan before the drug court program funds can be expended. No deadline has been set to complete the plan nor a date set for the Legislative Budget Commission to meet and approve the plan.

official said that the vast majority of the funds would result in job retention and creation with very little going for equipment other than some computers and office equipment. The funds for the Department of Corrections are to be used primarily for the purchase of new equipment.

The JAG program applications for the $52.5 million that is passed through the state to the local governments are due to FDLE by June 12, 2009. Each local application will also include a detailed description of each project to be funded along with a detailed budget and performance measures. Each local application must represent agreement on expenditure of grant funds among a majority of the local units of government that also represents a majority of the population within the geographic boundaries of the applicant's county.[24] Once the applications are approved, the local entities can begin using the funds. However, FDLE officials did not believe that local entities would begin drawing down funds before October 1, 2009. For local projects, FDLE officials stated that they do not yet have a sense of the extent to which JAG program funds will contribute to job creation or retention, and that it is likely most of the funds will be used by the local entities for equipment purchases. Thus, it may be difficult to identify the number of jobs retained and created. FDLE officials also said that some of the local JAG program funds maybe used to retain personnel on special tasks forces.

[24]If a majority of the local units of government are unable to agree upon the expenditure of funds, then the funds are to be distributed at the discretion of the FDLE. Fla. Admin. Code 11D-9.002.

Selected Housing Authorities We Visited Plan to Meet Accelerated Obligation and Expenditure Time Frames and Have Systems in Place to Assess Results

The Public Housing Capital Fund provides formula-based grant funds directly to public housing agencies to improve the physical condition of their properties for the development, financing, and modernization of public housing developments, and for management improvements.[25] The Recovery Act requires the Department of Housing and Urban Development (HUD) to allocate $3 billion through the Public Housing Capital Fund to public housing agencies using the same formula for amounts made available in fiscal year 2008. Recovery Act requirements specify that public housing agencies must obligate funds within 1 year of the date they are made available to public housing agencies for obligation, expend at least 60 percent of funds within 2 years of that date, and expend 100 percent of the funds within 3 years of that date. Public housing agencies are expected to give priority to projects that can award contracts based on bids within 120 days from the date the funds are made available, as well as capital projects that rehabilitate vacant units, or those already underway, or included in the required 5-year capital fund plans. HUD is also required to award $1 billion to housing agencies based on competition for priority investments, including investments that leverage private sector funding/financing for renovations and energy conservation, and retrofit investments. On May 7, 2009, HUD issued its Notice of Funding Availability (NOFA) that describes the competitive process, criteria for applications, and time frames for submitting applications.[26]

As described in figure 5, Florida has 82 public housing agencies that have received Recovery Act formula grant awards. In total, these public housing agencies received about $86 million from the Public Housing Capital Fund formula grant awards. As of June 20, 2009, 35 of the state's public housing agencies have obligated about $12 million, and 7 have expended $628,890. We visited three public housing agencies in Florida. These are: the Venice Housing Authority, the Tampa Housing Authority, and the Tallahassee Housing Authority. We selected the Venice Housing Authority because it is a small public housing agency with a $99,008 capital fund allocation and is

[25]Public housing agencies receive funds directly from HUD. Funds awarded to the public housing agencies do not pass through the state budget.

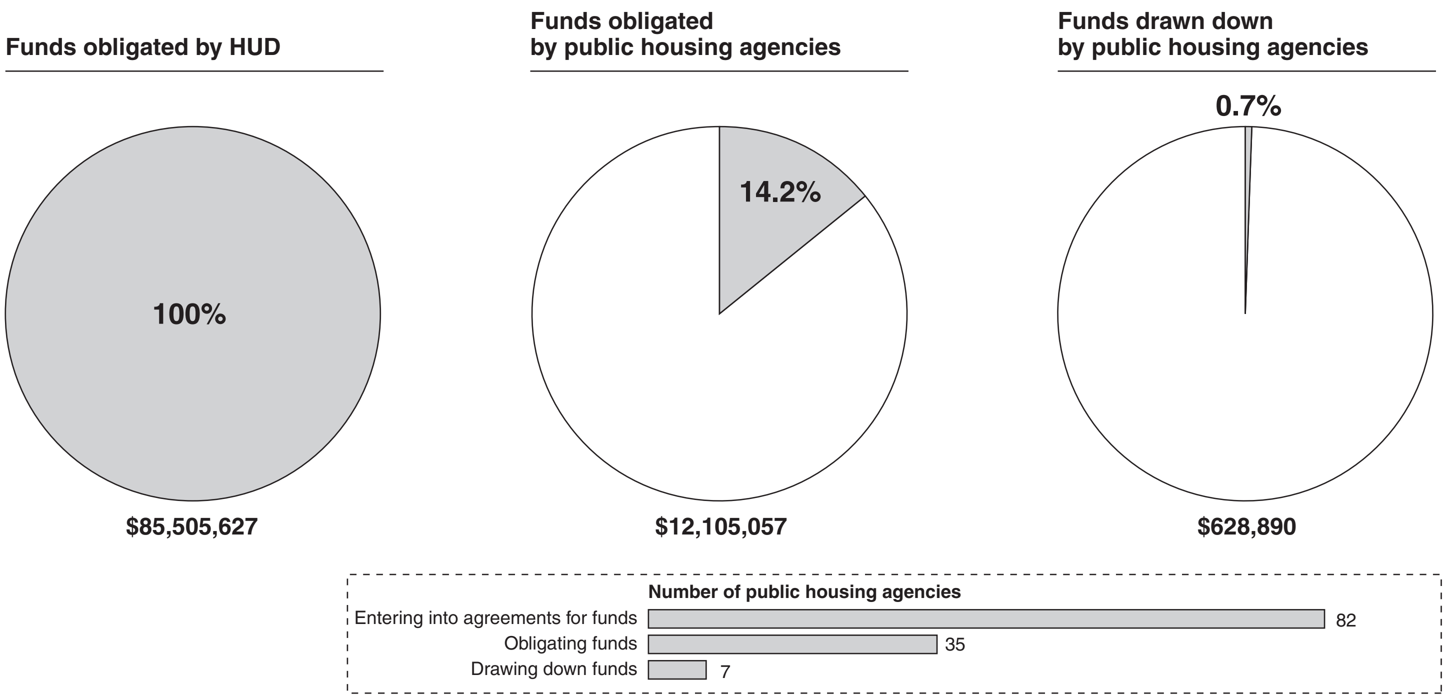
[26]HUD released a revised NOFA for competitive awards on June 3, 2009. The revision included changes and clarifications to the criteria and time frames for application, and to funding limits.

currently designated “troubled”[27] by HUD. We selected the Tampa Housing Authority because it received the second-largest capital fund allocation in Florida—$10.5 million.[28] Lastly, we selected the Tallahassee Housing Authority with a $1.4 million capital fund allocation, because it was visited for the first 60-day report. These housing authorities’ grants were awarded on the basis of the Public Housing Capital Fund formula used for awards made in fiscal year 2008.

[27]HUD developed the Public Housing Assessment System to evaluate the overall condition of housing agencies and measure performance in major operational areas of the public housing program. These include financial condition, management operations, physical condition of the housing agencies’ public housing programs, and the residents’ assessment (through a resident survey) of the housing agencies’ performance. Housing agencies that are deficient in one or more of these areas are designated as troubled performers by HUD and are statutorily subject to increased monitoring.

[28]While the Miami-Dade Housing Authority received the largest allocation, we chose Tampa because the HUD Inspector General is currently reviewing Miami-Dade.

Figure 5: Percent of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Florida



Source: GAO analysis of HUD data.

As of June 20, 2009, of the three housing authorities we visited, only Tampa had obligated and expended any Recovery Act funding. One of the housing authorities is engaged in the construction of new units, another is engaged in both the construction of new units and the rehabilitation of old ones, and the third is solely engaged in rehabilitation. These housing authorities prioritized projects based on whether they were part of their plans, shovel-ready, and urgent.

The Venice Housing Authority Will Completely Rebuild with Recovery Act and Other Funding and Has Systems in Place to Monitor Results

The Venice Housing Authority, which received $99,008, has not obligated or expended any Recovery Act funds because it is in the process of finalizing its infrastructure and demolition plans. The housing agency consists of only one project with 50 housing units. (See fig. 6). It plans to demolish all 50 units and construct 117 rental units consisting of a 60-unit building for senior citizens and 57 family housing units. Currently all of the units are vacant. The housing agency plans to expend all of its Recovery Act funds by the end of 2009 and entirely complete the project by the end of 2013. The housing agency will first use Recovery Act funding to demolish the existing housing, and once the funds are expended, it will use other funding—Community Development Block Grant and tax credits—to complete the project. Housing agency officials said that they have been planning this initiative for years and only recently did the planning and financing come together.

Figure 6: Front and Back View of Vacant Rental Units Scheduled for Demolition by Venice Housing Authority

Source: GAO.

Venice tracks demolition, site preparation, and infrastructure work with development reports and through project-manager oversight. The housing agency uses QuickBooks[29] to capture fund expenditures as well as to produce reports that are sent to HUD, the county, and the state. According to a Venice Housing Authority official, goals and performance measures have been included in the housing agency's development contract and will be monitored closely by the project manager and the housing authority board of directors. Job creation and retention will be tracked by the project manager as well as by reports provided by the developer, which are part of the authority's standard project-management process. The data will also be captured by in-house documentation using spreadsheets and memorandums.

[29]QuickBooks is small-business financial-management software.

The Tampa Housing Authority Will Rehabilitate Existing Units with Recovery Act Funding and Has Systems to Track Results

While the Tampa Housing Authority has awarded all of its Recovery Act projects, as of June 20, 2009, it has only obligated $3,733,365 of the $10,540,573 it was allocated, and expended $346,871. According to a housing agency official, funds are expended as work is completed. The Tampa Housing Authority will build a new 69-unit development with a portion of its Recovery Act allocation and rehabilitate 18 existing projects, consisting of 2,770 units. The initiatives will focus on (1) improving energy efficiency, such as installing windows with double panes, and replacing inefficient heating and air conditioning systems, (2) life safety concerns, such as replacing deteriorated roofs, and floors, and (3) curb appeal such as improving sidewalks, parking lots, and landscaping. The housing agency identified its projects through a physical needs assessment, brainstorming with responsible departments, resident meetings and feedback, and a review of its 5-year plan. It based its priorities on whether the projects were shovel-ready—able to be contracted within 90 to 120 days. One example of a current project is roof replacement at the North Boulevard Homes development. (See fig. 7.) The $550,715 project will involve the replacement of deteriorated roofs on 33 buildings. The project started on April 4, 2009, and was scheduled to be completed on June 5, 2009. In addition, the housing agency plans to rehabilitate all 34 of its vacant units with Recovery Act funding. All of the projects that were underway as of the date of our visit are scheduled to be completed by the end of 2009.

Figure 7: Workers Repairing Roof at Public Housing Development for Tampa Housing Authority

Source: GAO.

Tampa tracks grants, budgets, costs, work progress, progress payments, and several other factors with Yardi Systems software.[30] According to a Tampa Housing Authority official, the housing agency will ensure credible results through site visits, progress meetings, city inspections, and reviews of project schedules, scope of work, specifications, shop drawings, code compliance, and progress payments. Progress payments will be made as progress is achieved with a 10 percent withholding until the project is completed. In addition, the housing agency will conduct resident surveys as part of its measurement process. It will also track the number of jobs created with Recovery Act funding on a real-time basis and the contracts awarded to minority business enterprises and Section 3 contractors (low-income residents in the area).

[30]Yardi Systems is real-estate investment and property-management software.

The Tallahassee Housing Authority's Budget Has Not Yet Been Approved

The Tallahassee Housing Authority has not obligated or expended any of its $1,392,275 Capital Fund grant because it is waiting for the HUD field office to approve its budget. HUD asked for more detail in certain line items. The housing agency will rehabilitate three projects consisting of 296 units, including 5 vacant units, with Recovery Act funds. These are estimated to begin before July 2009 and be completed by March 2010. The initiatives include new roofs, damaged driveway and walkway replacements, siding replacements, energy-efficient window installations, and kitchen upgrades. The housing agency selected the projects from its 2008, 5-year plan. According to a Tallahassee official, it gave priority to projects that were shovel-ready and considered to be urgent, such as roof replacements. Additionally, the housing agency selected 33 "scattered site units"—single family homes that are scattered throughout the community—for upgrades, because of the difficulty in obtaining funding for those units.

Tallahassee's Modernization Director utilizes the TEN MAST software spreadsheet function to track costs by project and unit.[31] This software also enables the housing agency to capture detailed information on work orders and funds spent by project. In addition, the housing agency plans to use current project-management procedures and practices to track project cost, timeliness, and quality. It will also use standard project documentation to track the number of jobs created, retained, and contracted with Recovery Act funding.

[31]TEN MAST, a public housing software, is used for managing tenant and financial data, tracking maintenance activities, performing unit inspections, and producing standard HUD and agency-specific reports and data reporting.

Housing Agencies Use Electronic Line of Credit Control System as Their Internal Control

All housing authorities access HUD's Electronic Line of Credit Control System (eLOCCS)[32] to track Recovery Act grants and draw down funds for expenditure. According to a Tampa Housing Authority official, the system is a control in itself because it precludes housing authorities from drawing down Recovery Act funds for non–Recovery Act projects. With the exception of perhaps hiring additional project-management staff, the three housing authorities we visited anticipate no changes to their internal controls to accommodate the infusion of Recovery Act funding.

Housing Authorities Believe They Can Meet Accelerated Time Frames

While, of the housing authorities we visited, only the Tampa Housing Authority had obligated and expended Recovery Act funding, none considered meeting the accelerated obligation and expenditure time frames a problem. For example, the Tampa Housing Authority fast-tracked the award and obligation of most of its Recovery Act projects through Job Order Contracting (JOC). According to Tampa Housing Authority officials, JOC minimizes unnecessary engineering, design, and other procurement processes by awarding long-term contracts for a wide array of project improvements and renovations. Similarly, the Tallahassee Housing Authority utilizes a "small works roster list," which is a list of contractors that the housing agency has already approved for specific services such as painting. The list enables the housing agency to get rehabilitation projects underway quickly because it obviates the need for formal advertising. The list is reviewed and updated annually. When asked about the application of prevailing wage rates as required by the Davis-Bacon Act,[33] a Tampa Housing Authority official indicated that it is a nonissue because Florida's minimum wage is higher than Davis-Bacon requirements.

[32]The Line of Credit Control System (LOCCS) is the U.S. Department of Housing and Urban Development's (HUD) primary grant disbursement system, handling disbursements for the majority of HUD programs. Previously, the only access by grantees to LOCCS was through the Voice Response System (VRS), which allows touchtone telephone access to LOCCS for query and drawdown purposes. eLOCCS is the Internet version of LOCCS VRS, providing drawdown and significantly more query and reporting capability. Introduced in October 2001, eLOCCS access is currently limited to public housing authorities. Query access is available for all public housing authority supported program areas, but drawdown activity is limited to program areas supported by eLOCCS. For those program areas not supported by eLOCCS, voucher draws must be done through LOCCS VRS.

[33]The Recovery Act requires all laborers and mechanics employed by contractors and subcontractors on Recovery Act projects to be paid at least the prevailing wages as determined under the Davis-Bacon Act. Recovery Act, div. A, title XVI, § 1606. Under the Davis-Bacon Act, the Department of Labor determines the prevailing wage for projects of a similar character in the locality. 40 U.S.C. §§ 3141-3148.

The State Plans to Weatherize about 19,000 Homes and Hire a Contractor to Implement an Inspection Plan for Recovery Act Weatherization Projects

The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, administered by the U.S. Department of Energy (DOE) through each of the states and the District of Columbia.[34] This funding is a significant addition to the annual appropriations for the weatherization program that have been about $225 million per year in recent years. The program is designed to reduce the utility bills of low-income households by making long-term energy efficiency improvements to homes by, for example, installing insulation, sealing leaks around doors and windows, or modernizing heating equipment and air circulating fans. During the past 32 years, the Weatherization Assistance Program has assisted more than 6.2 million low-income families. According to DOE, by reducing the utility bills of low-income households instead of offering aid, the Weatherization Assistance Program reduces their dependency by allowing these funds to be spent on more-pressing family needs.

DOE allocates weatherization funds among the states and the District of Columbia, using a formula based on low-income households, climate conditions, and residential energy expenditures by low-income households. DOE required each state to submit an application as a basis for providing the first 10 percent of Recovery Act allocation. DOE will provide the next 40 percent of funds to a state once the department has approved its state plan, which outlines, among other things, the state's plans for using the weatherization funds and for monitoring and measuring performance. DOE plans to release the final 50 percent of the funding to each state based on the department's progress reviews examining each state's performance in spending its first 50 percent of the funds and the state's compliance with Recovery Act's reporting and other requirements.

DOE allocated to Florida about $176 million in funding for the Recovery Act Weatherization Assistance Program for a 3-year period. Florida's Department of Community Affairs (DCA) is responsible for administering the program. DCA received a DOE Funding Opportunity Announcement on March 12, 2009, along with a Weatherization Program Notice 09-1B[35] and subsequently received additional guidance on using the initial 10 percent allocation and in developing the state weatherization program

[34]DOE also allocates funds to American Samoa, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, Guam, the Virgin Islands, the Navajo Indian tribe, and the Northern Arapahoe Indian tribe.

[35]Grant Guidance to Administer the American Recovery and Reinvestment Act of 2009 Funding.

plan by means of e-mail, FedConnect,[36] and regional conference calls. After DCA submitted its initial application for funding on March 23, 2009, to DOE, it continued its planning and finalized its 2009-2012 Weatherization Assistance Program State Plan, which it submitted to DOE on May 11, 2009. DOE approved the state plan on June 18, 2009. DCA officials stated that they are still waiting for guidance from DOE on the application of the Davis-Bacon Act. DCA officials also stated that their state weatherization plan includes, and the contracts with subgrantees will require, that workers are paid prevailing wage rates for the different skill sets based on the county where the project is located.

On April 10, 2009, DOE provided the initial 10 percent allocation (approximately $18 million) to Florida. According to DCA officials, the department will be using the initial 10 percent funding to hire additional DCA staff to monitor the program, prepare initial subgrantee agreements with its 29 local service providers,[37] and provide start-up training for new DCA staff and subgrantees. As of June 30, 2009, DCA will have obligated almost $113,000 and expended about $77,000 of the initial program funds for such expenses as payroll for DCA staff, contract services, and travel and supplies. On June 18, 2009, DOE approved Florida's state weatherization plan and provided an additional $70 million. Florida plans to use these funds to implement actual weatherization projects.

As stated in its state plan, DCA's goals include weatherizing at least 19,090 dwellings. According to a DCA official, DOE estimates that each household receiving weatherization services could realize about $300 to $350 of savings on their utility bill annually, which could result in as much as $5.7 million in overall energy savings annually. Of the $176 million the state will receive, the planned allocation is about $137 million for weatherization production including about $34 million for multifamily housing, and about $30 million for training and technical assistance. Initially, most of the training and technical assistance funds will be retained by DCA for monitoring, oversight, and training of subgrantees. For example, DCA is working with the Florida Solar Energy Center to

[36]FedConnect is an online marketplace where federal agencies post opportunities and make awards via the Web site. Registered users also have the ability to electronically submit applications or questions to DOE directly through this site. *www.*fedconnect.*net*.

[37]Local providers include community action agencies, local governments, nonprofit housing agencies, and urban leagues.

develop a weatherization inspector training curriculum that all new hires will be required to attend and pass.

A recent DCA Inspector General audit identified some internal control weakness in monitoring of Florida's weatherization assistance program.[38] For example, one of the three subgrantees reviewed could not provide complete and accurate supporting documentation for incurred expenses reimbursed by DCA and submitted final status reports prior to completion of the work on the weatherized homes. The DCA Inspector General stated that the findings in this audit would also be applicable to Recovery Act weatherization funds. However, the Inspector General believed that the DCA's plan to hire a contractor to implement an inspection plan for Recovery Act weatherization projects should correct this control weakness. The contractor will have field inspectors stationed across the state to inspect homes weatherized with Recovery Act funds and to check subgrantees' files to ensure they contain sufficient supporting financial and programmatic documentation, such as invoices, building permits, and income eligibility, before DCA reimburses the subgrantee.

Recovery Act Funds Have Been Obligated for Highway Projects

The Recovery Act provides funding to the states for restoration, repair, and construction of highways and other activities allowed under the Federal-Aid Highway Surface Transportation Program, and for other eligible surface transportation projects. The act requires that 30 percent of these funds be suballocated for projects in metropolitan and other areas of the state. Highway funds are apportioned to the states through existing federal-aid highway program mechanisms and states must follow the requirements of the existing program including planning, environmental review, contracting, and other requirements. However, the federal fund share of highway infrastructure investment projects under the Recovery Act is up to 100 percent, while the federal share under the existing federal-aid highway program is usually 80 percent.

Florida was apportioned $1.4 billion in Recovery Act funds for highway infrastructure and other eligible projects. As of June 25, about $1 billion in apportioned funds had been obligated. The U.S. Department of Transportation (DOT) has interpreted the term "obligation of funds" to mean the federal government's contractual commitment to pay for the

[38]Department of Community Affairs, Office of Inspector General, *Audit Report: Weatherization Assistance Program*, ACN: 08-A401 (Tallahassee, FL.: June 30, 2009).

federal share of the project. This commitment occurs at the time the federal government signs a project agreement and the project agreement is executed. As of June 25, 2009, no funds had been reimbursed by Federal Highway Administration (FHWA). States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

Florida Will Use Recovery Act Funds for Resurfacing Projects, Bridge Repairs, and New Construction

In Florida, the largest percentage of the Recovery Act funds are being used on a few high-dollar statewide projects to increase capacity. Over 47 percent of the funds or $494 million, are dedicated to such projects. For example, in Hillsborough County, a major interstate project—costing over $445 million and using over $105 million in Recovery Act funds—will connect a major expressway to the Florida's Interstate 4 to improve the flow of traffic and create a truck-only lane to provide direct access to the Port of Tampa. According to state officials, these new construction projects will accelerate the completion of some of the state's long-term interstate projects, given that some Recovery Act–funded projects had previously been approved and included in the department's 5-year work program, but were removed due to a lack of funding.

A smaller portion of the remaining Recovery Act funds—9 percent or $93 million—are being used for multiple small-dollar projects, primarily resurfacing projects, in rural economically distressed areas (EDA). Of the 524 highway projects that Florida has selected for Recovery Act funding, approximately 193 or 37 percent are resurfacing projects. The cost of these resurfacing projects varies, ranging from about $4,000 to $13 million. The resurfacing highway projects were largely approved for locally administered projects and projects located in rural EDAs. Florida Department of Transportation (FDOT) and local county officials stated that in addition to other factors, these resurfacing projects were selected primarily because the highways were in need of repair and a larger number of projects could be started and completed quickly. For example, in two of the three EDAs we visited—Citrus and Hernando—where recovery funds totaling $14 million will be used for 17 of the 20 locally administered Recovery Act funded projects—county officials stated the resurfacing projects should be completed within 3 years and have an immediate impact on the local economy and create jobs quickly.

As shown in table 4, as of June 25, 2009, about 78 percent of Florida's Recovery Act funds have been obligated. According to FDOT, the state has received bids for nine highway construction projects, and is currently advertising 39 additional Recovery Act projects—funded with $555 million in Recovery Act funds and $945 million in other federal, state, and local funds.

Table 4: Highway Obligations for Florida by Project Type as of June 25, 2009

Dollars in millions

	Pavement projects			Bridge projects				
	New construction	Pavement improvement	Pavement widening	New construction	Replacement	Improvement	Other[a]	Total
	$140	$93	$494	$140	$0	$54	$128	**$1,049**
Percent of total obligations	13.4	8.9	47.1	13.3	0.0	5.1	12.2	**100.0**

Source: GAO analysis of Federal Highway Administration data.

[a]Includes safety projects, such as improving safety at railroad grade crossings, transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

Florida Expects to Meet Recovery Act's Requirements

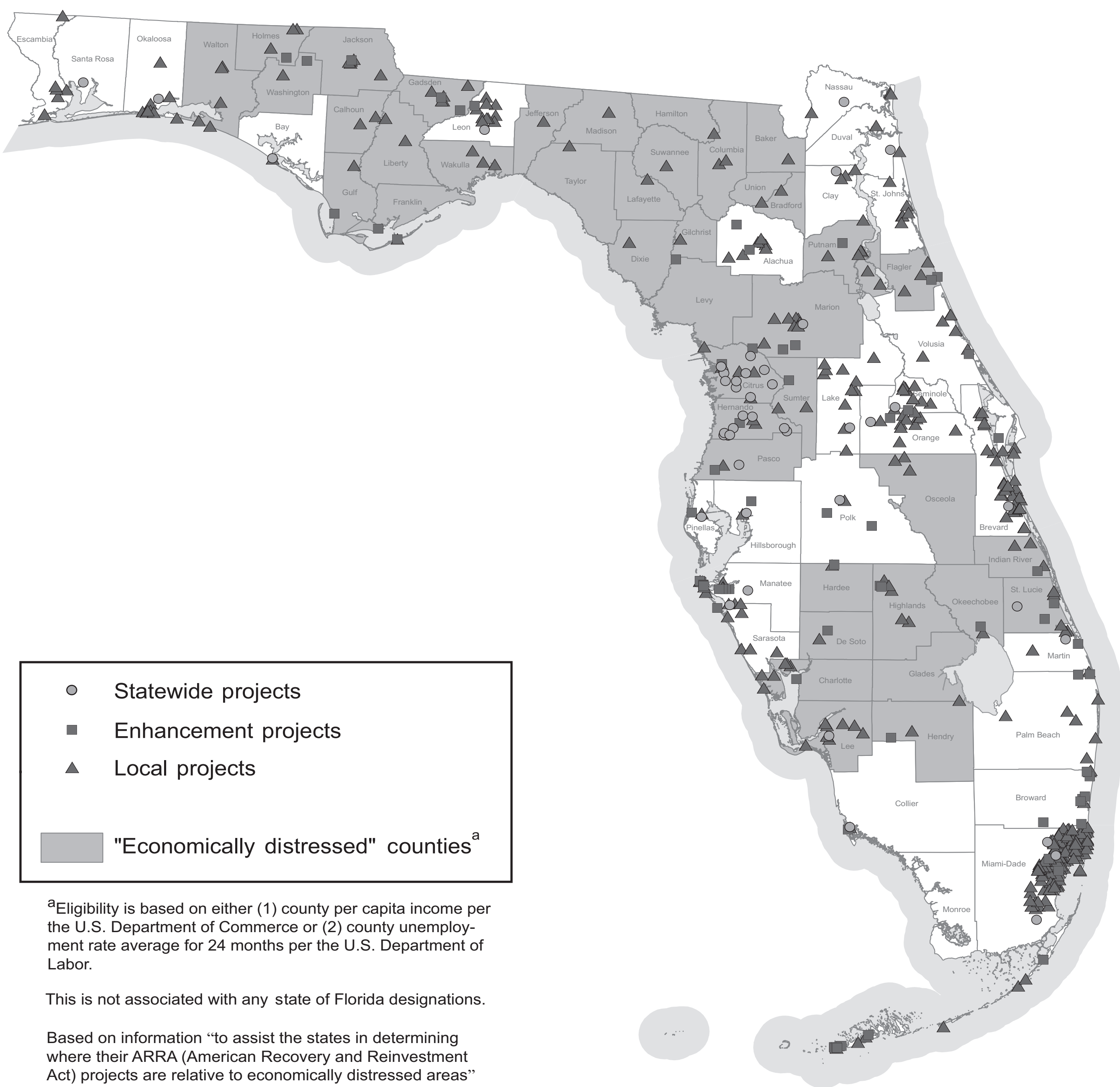
The Recovery Act includes a number of specific requirements for highway infrastructure spending. First, the states are required to ensure that 50 percent of apportioned Recovery Act funds are obligated within 120 days of apportionment (before June 30, 2009) and that the remaining apportioned funds are obligated within 1 year. The 50 percent rule applies only to funds apportioned to the state and not to the 30 percent of funds required by the Recovery Act to be suballocated—primarily based on population—for metropolitan, regional, and local use. The Secretary of Transportation is to withdraw and redistribute to other states any amount that is not obligated within these time frames. FDOT officials stated that the state is on track to meet all of the Recovery Act's requirements for transportation funds. As of June 25, 2009, 93 percent of the $943 million that FHWA has determined is subject to the 50 percent rule for the 120-day redistribution had been obligated. FDOT officials expect that all of the remaining funds will be obligated within the 1-year limit.

Second, the Recovery Act requires states to give priority to projects located in EDA[39] and projects that can be completed within 3 years. In selecting highway projects to recommend for Recovery Act funding, state officials took steps to ensure at least one Recovery Act–funded highway project was approved for each county identified as an EDA. Over 60

[39]What constitutes an EDA is defined by the Public Works and Economic Development Act of 1965, as amended.

percent of Florida's 67 counties—41 counties—have been designated as EDAs. Figure 8 shows a map of statewide, local, and transportation enhancement projects throughout the state, and EDAs. However, there seemed to be confusion on the Recovery Act 3-year-completion requirement—completion of the construction highway project versus expenditure of the Recovery Act funds. Officials we interviewed in three EDA counties—Citrus, Hernando, and Pasco—considered the 3-year completion of highway project as a requirement for Recovery Act funding. However, FDOT officials stated that the actual construction of the highway projects does not have to be completed within 3 years, just those expenditures being paid for with Recovery Act funds. For example, a multimillion dollar 5-year interstate highway project will be built with both Recovery Act and state funds. Recovery Act funds will be used first and are anticipated to be expended within the first 3 years of the project.

Figure 8: Map of Florida Showing Projects Recommended for Recovery Act Funding, as of April 15, 2009



[a]Eligibility is based on either (1) county per capita income per the U.S. Department of Commerce or (2) county unemployment rate average for 24 months per the U.S. Department of Labor.

This is not associated with any state of Florida designations.

Based on information "to assist the states in determining where their ARRA (American Recovery and Reinvestment Act) projects are relative to economically distressed areas" obtained on March 18, 2009, from the Federal Highway Administration (FHWA) Web site for implementing guidance for the American Recovery and Reinvestment Act of 2009.

Source: Florida Department of Transportation.

Third, the Recovery Act required the governor of each state to certify that the state would maintain the level of spending for the types of transportation projects funded by the Recovery Act that the state had planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state had to identify the amount of funds the state planned to expend from its sources as of February 17, 2009, for the period beginning on that date and extending through September 30, 2010.[40] On March 19, 2009, Florida submitted its maintenance-of-effort certification to DOT. As we reported in our April report, the state submitted a "conditional" maintenance-of-effort certification, meaning that the certification was subject to conditions or assumptions, future legislative action, future revenues, or other conditions. Specifically Florida stated that funds were derived from dedicated funding sources by Florida law and were subject to fluctuations resulting from economic conditions; however, the sources remain dedicated to transportation projects and the funding mechanisms will remain unchanged. On April 22, 2009, DOT Secretary informed states that conditional and explanatory certifications were not permitted, provided additional guidance, and gave states the option of amending their certifications by May 22, 2009. Florida removed the conditions and resubmitted its certification on May 22, 2009. The DOT has reviewed Florida's resubmitted certification letter and has concluded that the form of the letter is consistent with the additional guidance. The DOT is currently evaluating whether the states method of calculating the amounts they planned to expend for the covered programs is in compliance with DOT guidance. Although state officials are optimistic about the state being able to maintain its level of effort, the fiscal strength of Florida's economy remains a key factor in the state's ability to meet the Recovery Act's maintenance-of-effort requirement.

[40]States that are unable to maintain their planned levels of effort will be prohibited from benefiting from the redistribution of obligation authority that will occur after August 1 for fiscal year 2011. As part of the federal-aid highway program, FHWA assesses the ability of each state to have its apportioned funds obligated by the end of the federal fiscal year (September 30) and adjusts the limitation on obligations for federal-aid highway and highway safety construction programs by reducing for some states the available authority to obligate funds and increasing the authority of other states.

Florida Has Tracking Systems in Place and Is Developing Oversight Plans for the Recovery Act

According to officials from Florida's Department of Financial Services, once the governor's office submits authorized budget releases to the Department of Financial Services for Recovery Act funds that were separately appropriated, this information will be loaded into the state's accounting system—Florida Accounting Information Resource (FLAIR)—which will be used to track Recovery Act funds that flow through the state government. The state agencies will also record the Recovery Act funds separately from other state and federal funds in their systems using selected identifiers in FLAIR such as a grant number or project number.

The local entities that we visited have tracking systems in place, or are in the process of establishing tracking systems for Recovery Act funds, whether those funds are passed-through from the state agency, or are directly awarded from a federal agency. For instance:

- Officials from all three of the IHEs that we visited in Florida said that they can track stabilization funds separately by adding codes to their accounting systems to distinguish stabilization funds from others.
- Officials from two local school districts that we visited told us they were establishing systems and processes to track the stabilization funds and report on their uses to the state.
- Officials from the three public housing agencies we interviewed told us that they use HUD's eLOCCS to separately code and track Recovery Act Public Housing Capital Fund grants. Additionally, they all have their own in-house systems used for tracking expenditures.

Plans for Statewide Monitoring and Oversight Activities Are Underway

Florida law requires that each state agency establish and maintain management systems and controls that promote and encourage compliance; economic, efficient, and effective operations; reliable records and reports; and the safeguarding of assets.[41] However, while Florida law requires state agencies to have such internal controls, the state oversight agencies are preparing for the infusion of Recovery Act funds into the state.

[41] Fla. Stat. §215.86.

Florida Is Increasing Financial Management over Recovery Act Disbursements

The Florida Department of Financial Services is responsible for settling the state's expenditures and the reporting of financial information. Currently, it obtains a representation letter every year from each agency head stating that they are responsible for establishing and maintaining effective controls over financial reporting and preventing and detecting fraud for all funds administered by their agency. However, Department of Financial Services officials stated that, this year, they will ask the agency heads to also to sign a separate representation letter for Recovery Act funds that says internal controls are in place for Recovery Act funds and that these funds will be tracked separately from other funds. They are also drafting a Chief Financial Officer memorandum that they plan to send to state agencies before the end of June establishing the requirements for processing Recovery Act revenues and expenditures. For the next fiscal year (July 1, 2009 to June 30, 2010), the Department of Financial Services' Bureau of Auditing will include methodologies for sampling and testing Recovery Act expenditures in its audit plan.

Inspectors General Are Conducting Risk Assessments of Recovery Act Funds

Each state agency has an OIG that is responsible for conducting audits, investigations, and technical assistance, and promoting accountability, integrity, and efficiency in the state government. In response to the Recovery Act, Florida's Chief Inspector General established a communitywide working group of agency Inspectors General to address risk assessment, fraud prevention and awareness, and training.

For risk assessments, the OIGs surveyed state agencies to determine if they will receive Recovery Act funds, if they have completed a 2009-2010 risk assessment, and if the risk assessment for Recovery Act funds will be included as part of their annual risk assessment or as a separate risk assessment. Currently, 21 of the 33 state agencies surveyed indicated that they should be receiving Recovery Act funds, while 8 will not receive any funds, and 4 agencies are unsure if they will receive Recovery Act funds that will flow through the state. The OIGs are now in the process of administering a more-detailed risk-assessment survey on agency programs that receive Recovery Act funds to identify, among other things, whether there are systems in place to capture performance measurements, staff in place to perform program oversight, and what is the resolution of findings from past audit reports. Finally, the OIGs have developed a document for agencies to record monitoring and oversight activities for programs that will receive Recovery Act funds.

The OIG community has established a Recovery Act Fraud Deterrence Committee that is developing a number of activities centered on fraud prevention and detection. For example, the committee is developing a template for fraud awareness briefings that OIGs can customize when giving briefings to both external partners and agency officials. The Fraud Deterrence Committee is also in the process of developing interagency fraud alerts by collecting and sharing examples of contractor fraud violations since some contractors may be doing business with more than one agency. The Fraud Deterrence Committee also contacted the Florida Institute of Certified Public Accountants, which is allowing the committee to post information on the institute's Web site for their members who conduct audits of recipients receiving Recovery Act funds to make them aware of the oversight and accountability provisions of the act. In addition, the FDOT OIG is producing a fraud awareness video that will be used at pre-construction conferences as well as being posted on the OIG Web site.

The OIG community also has a reporting committee that has conducted and is continuing to conduct work in three primary areas, which includes conducting and reporting on agency workforce assessment surveys, succession planning, and developing a Florida OIG Recovery Act Web site. The survey and report on agency workforce assessment showed that the OIG community needs to plan for successions: of the 31 respondents, 8 of the Inspectors General are eligible to retire. The reporting committee is also developing an OIG Web site that will provide visibility of all OIG Recovery Act initiatives as well as links to other state and federal Recovery Act Web sites. According to OIG officials, the Web site will be accessible by both agency staff and the public and became operational at the end of June 2009. [42]

State Auditor Expects the Recovery Act to Impact Florida's Annual Single Audit

The Auditor General is appointed by Florida's legislature and serves as the state's independent auditor for the annual Single Audit. The Single Audit includes determining if federal expenditures are in compliance with significant applicable laws and regulations and assessing the effectiveness of key internal controls. The auditing of federal awards, including grant funds, administered by state and local governments and nonprofit organizations is intended to be a key accountability mechanism over the

[42] www.floridaoig.org.

proper use of federal funding.[43] Given that the Recovery Act imposes new transparency and accountability requirements on federal awarding agencies and their recipients, the Auditor General is anticipating the new requirements to have some impact on the Single Audit and is preparing to adapt to this new environment. In preparation for the Single Audits for 2008-2009, the Auditor General is monitoring the state's plans for accounting for and expending Recovery Act funds and tracking the expected changes in OMB's guidance for implementing the Single Audit Act's requirements. OMB issued updated guidance on April 3, 2009, and is scheduled to issue additional auditing guidance by June 30, 2009.

Even though the Auditor General expects the number of major federal programs[44] in Florida to increase as a result of the large infusion of Recovery Act funds into the state, and thus be included as part of the state's annual Single Audit, officials from the Auditor General's office noted that they have enough resources to conduct the audit. Additionally, they also stated that they have the option of shifting staff around if deemed necessary to address issues related to the Recovery Act.

Single Audit Results Used by Various State Officials for Oversight Activities

Under current Single Audit Act requirements, non-federal recipients of federal awards are required to follow up and take corrective action on audit findings.[45] According to Florida officials, corrective action is monitored by the OIGs serving in the agencies that receive financial assistance. Officials from both of Florida's OIGs for FDOT and the Florida Department of Education outlined how they use Single Audit results.

To address Single Audit results, the OIG for FDOT has a Single Audit Coordinator and eight Single Audit District Liaisons, which have been in place in excess of 5 years and approximately 2 years, respectively. The Single Audit Coordinator performs single audit compliance reviews; advises the FDOT district and central offices' program and project

[43]The Single Audit Act, as amended, requires each reporting entity that expends $500,000 or more in federal awards, including grants and other assistance, in a fiscal year to obtain an annual "single audit," which includes an audit of the entity's financial statements and a schedule of the expenditure of federal awards, and review of related internal controls.

[44]The auditor uses a risk-based approach to determine which federal programs are considered major programs. The risk-based approach includes consideration of current and prior audit experience, oversight by federal agencies and pass-through entities, and the inherent risk of the federal program.

[45]31 U.S.C § 7502(i)

managers on Single Audit issues and audit findings; provides feedback and concerns about subrecipient's audit findings and questioned costs; utilizes an automated system to track Single Audit and monitoring efforts; and routinely communicates with program managers through phone, e-mails, and newsletters to share Single Audit information. The Single Audit District Liaison serves as a point of contact within each of the eight districts and works with the 100 program managers to address and ensure accountability for Single Audit issues. State and district office program managers review Single Audit reports and determine whether there are any reported questioned costs or material findings. When there are, the program manager requests and reviews subrecipients' corrective action plans and in doing so, works with the Single Audit District Liaison.[46]

Officials for the Florida Education Department's OIG said they use Single Audit results in the risk assessment for all audits they perform of contractors and grant subrecipients to identify areas to cover in their audit procedures. They also said that they inquire about results of Single Audits when performing the annual risk assessment of the department and to develop annual and long-range audit plans. Within the Florida Department of Education, there is an Audit Resolution and Monitoring Unit that oversees the resolution of Single Audit findings and program fiscal audit findings for the department's subrecipients of federal and state funds. This office works with the LEAs and program staff to resolve each finding applicable to the identified programs. State program managers are provided copies of all Single Audit reports with findings related to the program areas as well the resolution of those findings.

[46]The program manager must contact the subrecipient in writing to either accept the corrective action plan or make further recommendations. This response must occur within 6 months of receipt of the audit report.

While Little Data on the Effects of Recovery Act Spending Is Currently Available, Florida Is Developing a Tracking System

While Florida state officials had concerns about the lack of clear federal guidance on assessing results of Recovery Act spending especially in the area of jobs, they provided input on OMB's guidance issued June 22, 2009. On April 3, 2009, OMB issued guidance indicating that it would be developing a comprehensive system to collect information, including jobs retained and created, on Recovery Act funds sent to all recipients. Florida officials endorsed the idea of a single uniform system for data reporting as outlined in this guidance. Florida's recovery czar, as part of an informal working group, participated in two conference calls with OMB staff working on the reporting requirements and provided input on them. Based on this, the czar said he expected that Florida's reporting system will be consistent with OMB's reporting requirements. OMB's June guidance provides additional information on reporting on the use of Recovery Act funds, including a methodology for calculating the number of jobs created or retained and additional information on subrecipient and vendor reporting. The new guidance also includes a supplement that contains a recipient reporting template and data dictionary.[47] OMB plans to continue to foster a series of forums, meetings, and small-scale data collection pilots during the month of July 2009. This will provide an opportunity for federal agencies and recipients to clarify such items as logistics surrounding the October 10, 2009, reporting of data; troubleshoot potential data-reporting challenges by fostering a common understanding of data definitions, reporting instructions, and data quality responsibilities; and to share best practices for planning and implementing the Recovery Act reporting requirements. However, according to the Florida recovery czar, the guidance does not specify how non-recipients with oversight responsibility, such as recovery czars, will be able to have access to information submitted by recipients in their state.

During our visits to Florida, program officials were also still in the early stages of developing plans to assess the effects of the Recovery Act spending, because they were waiting for the final guidance from OMB and their federal agency on how to measure jobs retained and created with Recovery Act funds. For example, FDOT officials stated that contractors would document the number of workers retained and hired to build a road resurfacing project, but it would be difficult to determine the number of indirect jobs created or saved as a result of this project, such as the jobs retained and created by the company that provided the asphalt for the roads. FDOT officials said the state will not be responsible for providing

[47] OMB Supplement 2, *Recipient Reporting Data Model*, V2.0.1 (June 22, 2009).

information on indirect jobs created. Instead, FHWA will develop the methodology for counting and reporting the number of indirect jobs created as a result of Recovery Act funding.

Florida is in the process of developing an automated Web-based system to report on Recovery Act requirements for funds that flow through state agencies. According to the recovery czar, they have taken the OMB reporting elements from the April 3, 2009, guidance, added some of their own reporting requirements, and developed the first draft of the architecture for the state's reporting database. As of June, they have populated the database with information from three programs and completed the pilot test of the system. Currently the database has 11 data sets that would allow them to analyze data in various ways, including for example, by congressional district, geographic area, and zip code.

Although Florida is only required to collect data on jobs created and retained with Recovery Act funds for which Florida is the recipient, Florida officials plan to include data on the state Recovery Act Web site on all jobs retained and created with Recovery Act funds in Florida. The state has requested that OMB allow it to obtain data relevant to Florida collected by the national reporting system on all jobs retained and created with Recovery Act funds. According to Florida officials, this will reduce duplication and increase the efficiency of their reporting.

Some state agencies have estimated the number of jobs that will be created or retained as a result of Recovery Act funds. For example, one university stated that the Recovery Act stabilization funds would be used exclusively to retain about 400 of their 1,100 adjunct instructors. Two local school districts estimated that the education stabilization funds will fund over 3,000 teacher positions. While the state has not estimated the number of jobs that would be created as the result of the Recovery Act weatherization funds, the state estimates that it would be able to weatherize at least 19,000 low-income homes and could save as much as $5.7 million annually in energy costs.

State Comments on This Summary

We provided the Governor of Florida with a draft of this appendix on June 18, 2009. The Special Advisor to Governor Charlie Christ, Florida Office of Economic Recovery, responded for the Governor on June 22, 2009. In general, the Florida official concurred with the information in the appendix. The official also provided technical suggestions that were incorporated, as appropriate.

GAO Contacts

Andrew Sherrill, (202) 512-7252 or sherrilla@gao.gov

Zina Merritt, (202) 512-5257 or merrittz@gao.gov

Staff Acknowledgments

In addition to the contacts named above, Fannie Bivins, Patrick di Battista, Dervla Carmen Harris, Kevin Kumanga, Frank Minore, Cherié Starck, and Robyn Trotter made major contributions to this report. Anna Kelley, Jennifer McDonald, and Vernette Shaw assisted with quality assurance, and Susannah Compton assisted with writing.