

September 2009

RECOVERY ACT

Funds Continue to
Provide Fiscal Relief
to States and
Localities, While
Accountability and
Reporting Challenges
Need to Be Fully
Addressed (Georgia)



GAO

Accountability * Integrity * Reliability

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Appendix VI: Georgia

Overview

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

We reviewed three programs in Georgia funded under the Recovery Act—the Transit Capital Assistance Program, the Weatherization Assistance Program, and the Workforce Investment Act (WIA) Youth Program. We selected these programs for different reasons. The Transit Capital Assistance Program had a September 1, 2009, deadline for obligating a portion of the funds and provided an opportunity to review nonstate entities that received Recovery Act funds. Georgia received a substantial increase in Weatherization Assistance Program funds, and work got under way in late August 2009. The focus of the WIA Youth Program in Georgia was a summer employment program that was well under way. For these programs, we focused on how funds were being used; how safeguards were being implemented, including those related to the procurement of goods and services; and how results were being assessed. In addition to these three programs, we also updated information on Highway Infrastructure Investment funds because significant Recovery Act funds had been obligated. We reviewed five contracts financed with Recovery Act Highway Infrastructure Investment funds and four contracts under the WIA Youth Program. Consistent with the purposes of the Recovery Act, funds from the programs we reviewed are being directed to help Georgia and local entities stabilize their budgets and to stimulate infrastructure development and expand existing programs—thereby providing needed services and potential jobs. The following provides highlights of our review of these funds:

Transit Capital Assistance Program

- The U.S. Department of Transportation's Federal Transit Administration (FTA) apportioned \$141 million in Recovery Act funds to Georgia and urbanized areas located in the state. As of September 1, 2009, FTA had obligated \$120 million.

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

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- As of September 1, 2009, FTA concluded that the 50 percent obligation requirement had been met for Georgia and urbanized areas located in the state.
 - The Metropolitan Atlanta Rapid Transit Authority (MARTA), the largest transit agency in Georgia, will use the majority of its \$55.4 million to fund a fire protection system upgrade and preventive maintenance.

Weatherization Assistance Program

- The U.S. Department of Energy (DOE) allocated about \$125 million in Recovery Act weatherization funding to Georgia for a 3-year period. As of September 1, 2009, DOE had provided \$62.4 million to Georgia, and the state had obligated \$22.9 million of these funds.
- Georgia has awarded contracts to all 22 service providers that it plans to use to weatherize homes, and weatherization activities got under way in late August 2009. With the Recovery Act funds, the state expects to weatherize at least 13,000 homes.

WIA Youth Program

- The U.S. Department of Labor (Labor) allotted about \$31.4 million in WIA youth Recovery Act funds to Georgia. According to Labor, \$16 million had been expended in the state as of August 31, 2009.
- As of September 15, 2009, the local workforce boards had received more than 30,000 applications, and 10,717 youth had been enrolled in summer youth programs statewide. Georgia exceeded its target of serving 10,253 youth.
- The three workforce boards we interviewed focused on offering youth summer work experience. Work sites included government agencies, a private company that packages supplies for health-care providers, and a nonprofit organization that recycles computers.

Highway Infrastructure Investment

- The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned \$932 million in Recovery Act funds to Georgia for highway infrastructure and other eligible projects. As of September 1, 2009, \$546 million had been obligated, and \$10 million had been reimbursed by FHWA.
- Almost 70 percent of Recovery Act highway obligations for Georgia have been for pavement projects. Specifically, \$376 million of the \$546 million obligated as of September 1, 2009, is being used for pavement

improvement, pavement widening, and new road construction projects.

- The Georgia Department of Transportation (GDOT) is completing its second, and final, phase of Recovery Act planning. As of September 1, 2009, the state had awarded 108 contracts with a total value of \$391 million.

Georgia Made Budget Cuts in Face of Continuing Fiscal Challenges and Plans More Cuts

Georgia's fiscal condition continues to decline, as evidenced by the following:

- The state's net revenue collections for June 2009 were 15.7 percent less than they were in June 2008, representing a decrease of approximately \$255 million in total taxes and other revenue. Because the state did not meet its revenue projections for fiscal year 2009 (which ended June 30, 2009), the Governor's Office of Planning and Budget started fiscal year 2010 by withholding 5 percent of agencies' state general fund allotments and requiring employees to take 3 furlough days during the first half of the fiscal year.²
- Unemployment in Georgia continues to increase, with the state reporting a 10.3 percent unemployment rate in July 2009 compared with 6.2 percent in July 2008. The unemployment insurance benefits paid out in June 2009 were \$167 million, about \$100 million more than benefits paid in June 2008. The increase in unemployment claims has started to deplete the state's unemployment trust fund. As of November 2008, the trust fund contained \$1 billion; by August 2009, the balance had decreased to \$431 million, a 59 percent reduction.

Georgia is preparing for the cessation of Recovery Act funding by continuing to reduce state spending levels. The Governor's Office of Planning and Budget has asked each state agency to provide budget reduction plans of 4 percent, 6 percent, and 8 percent for the amended fiscal year 2010 and fiscal year 2011 budgets. The office has instructed state agencies to consider the fiscal year 2010 funding reductions as

²According to state budget officials, the only exceptions to the 5 percent budget cut were the Medicaid, PeachCare (the state's health program for children), and Education programs—which were cut by 3 percent—and the Georgia Department of Behavioral Health & Developmental Disabilities (the department that provides mental health services), which was not cut at all. Medicaid Federal Medical Assistance Percentage grant awards under the Recovery Act are discussed in detail in [GAO-09-1016](#).

permanent reductions for future years and stated that any need for additional funding should be accomplished with a redistribution of existing funds within an agency's budget. For the fiscal year 2011 budget, the state has implemented a new process requiring agencies to rate each of their programs in the following areas using a scale of one to five: whether it is a core state service, whether it is of strategic importance, the numbers of Georgians served, the relationship between funding and level of service (that is, the impact of a 10 percent cut in state funding on services), its performance relative to recognized industry standards, and the proportion of funding from state sources. The Governor's Office of Planning and Budget will use the score for each state program to help prioritize decisions.

Given its fiscal challenges, Georgia is seeking to recover administrative costs associated with overseeing Recovery Act funds. States may recoup costs for central administrative services such as oversight and reporting, as provided in the May 11, 2009, U. S. Office of Management and Budget (OMB) guidance.³ The guidance discusses two ways that states might recoup central administrative costs through State-wide Cost Allocation Plans (SWCAP), which states submit to the U.S. Department of Health and Human Services (HHS) annually. States may estimate costs for centralized services or describe their methodology for billing services. The guidance states that any estimated cost amount should not exceed 0.5 percent of the total Recovery Act funds received by the state. On July 22, 2009, Georgia officials submitted a number of questions about this guidance; for example, they asked if the allowed 0.5 percent was an aggregate cap or a limitation on individual awards and if the 0.5 percent could be captured after funds were obligated, but not expensed. On August 3, 2009, HHS provided answers to some questions and referred Georgia to OMB for responses to the rest. Georgia officials are also working through the National Association of State Auditors, Comptrollers and Treasurers to get additional guidance on recouping administrative costs.

While awaiting further guidance, Georgia has begun developing an addendum to its SWCAP for Recovery Act oversight costs.⁴ The state plans

³See OMB Memorandum, M-09-18, *Payments to State Grantees for Administrative Costs of Recovery Act Activities* (May 11, 2009).

⁴Georgia is behind on its SWCAP plans. It is currently working from its 2004 plan. The State Auditor cited the state's failure to prepare and submit a SWCAP plan as a finding in its 2008 Single Audit report.

to submit the addendum to HHS for approval at the end of September 2009. The state plans to use both alternatives for cost reimbursement by billing for certain services and estimating the costs of centralized services. The Georgia Recovery Act Accountability Officer has informed state agencies that they are to set aside 0.5 percent of their Recovery Act funds for the state's administrative costs. The state took this step prior to the approval of its SWCAP addendum to provide agencies the opportunity to plan for the possibility of such expenses. With the 0.5 percent, the state hopes to cover costs associated with additional Recovery Act audits to be conducted by the State Auditor and Inspector General; the State Accounting Office's oversight of Recovery Act reporting; maintaining Georgia's Recovery Act Web site to promote transparency; and general oversight of Recovery Act funds by the office of the Recovery Czar.⁵

More Than Half of Georgia's Transit Capital Assistance Program Funds Have Been Obligated for a Variety of Projects

The Recovery Act appropriated \$8.4 billion to fund public transit throughout the country through three existing FTA grant programs, including the Transit Capital Assistance Program.⁶ The majority of the public transit funds—\$6.9 billion (82 percent)—was apportioned for the Transit Capital Assistance Program, with \$6.0 billion designated for the urbanized area formula grant program and \$766 million designated for the nonurbanized area formula grant program.⁷ Under the urbanized area formula grant program, Recovery Act funds were apportioned to urbanized areas—which in some cases include a metropolitan area that spans multiple states—throughout the country according to existing

⁵For the fiscal year 2009 Single Audit report, the State Auditor estimates its workload will increase by about 3,500 audit hours because of new internal control and program requirements associated with the Recovery Act. For this Single Audit report, the State Auditor plans to audit Recovery Act funds expended at four state agencies, including the Georgia Departments of Labor and Transportation.

⁶The other two public transit programs receiving Recovery Act funds are the Fixed Guideway Infrastructure Investment program and the Capital Investment Grant program, each of which was apportioned \$750 million. The Transit Capital Assistance Program and the Fixed Guideway Infrastructure Investment program are formula grant programs, which allocate funds to states or their subdivisions by law. Grant recipients may then be reimbursed for expenditures for specific projects based on program eligibility guidelines. The Capital Investment Grant program is a discretionary grant program, which provides funds to recipients for projects based on eligibility and selection criteria.

⁷Urbanized areas are areas encompassing a population of not less than 50,000 people that have been defined and designated in the most recent decennial census as an "urbanized area" by the Secretary of Commerce. Nonurbanized areas are areas encompassing a population of fewer than 50,000 people.

program formulas. Recovery Act funds were also apportioned to states under the nonurbanized area formula grant program using the program's existing formula. Transit Capital Assistance Program funds may be used for such activities as vehicle replacements, facilities renovation or construction, preventive maintenance, and paratransit services. Up to 10 percent of apportioned Recovery Act funds may also be used for operating expenses.⁸ Under the Recovery Act, the maximum federal fund share for projects under the Transit Capital Assistance Program is 100 percent.⁹

As they work through the state and regional transportation planning process, designated recipients of the apportioned funds—typically public transit agencies and metropolitan planning organizations (MPO)—develop a list of transit projects that project sponsors (typically transit agencies) submit to FTA for Recovery Act funding.¹⁰ FTA reviews the project sponsors' grant applications to ensure that projects meet eligibility requirements and then obligates Recovery Act funds by approving the grant application. Project sponsors must follow the requirements of the existing programs, which include ensuring the projects funded meet all regulations and guidance pertaining to the Americans with Disabilities Act (ADA), pay a prevailing wage in accordance with federal Davis-Bacon Act requirements, and comply with goals to ensure disadvantaged businesses are not discriminated against in the awarding of contracts.

Fifty percent of Recovery Act funds apportioned to urbanized areas or states are to be obligated within 180 days of apportionment (before Sept.

⁸The 2009 Supplemental Appropriations Act authorizes the use of up to 10 percent of each apportionment for operating expenses. Pub. L. No. 111-32, §1202, 123 Stat. 1859, 1908 (June 24, 2009). In contrast, under the existing program, operating assistance is generally not an eligible expense for transit agencies within urbanized areas with populations of 200,000 or more.

⁹The federal share under the existing formula grant program is generally 80 percent.

¹⁰Designated recipients are entities designated by the chief executive officer of a state, responsible local officials, and publicly owned operators of public transportation to receive and apportion amounts that are attributable to transportation management areas. Transportation management areas are areas designated by the Secretary of Transportation as having an urbanized area population of more than 200,000, or upon request from the governor and MPOs designated for the area. MPOs are federally mandated regional organizations, representing local governments and working in coordination with state departments of transportation that are responsible for comprehensive transportation planning and programming in urbanized areas. MPOs facilitate decision making on regional transportation issues including major capital investment projects and priorities. To be eligible for Recovery Act funding, projects must be included in the region's transportation improvement plan and the approved State Transportation Improvement Program (STIP).

1, 2009) and the remaining apportioned funds are to be obligated within 1 year. The Secretary of Transportation is to withdraw and redistribute to other urbanized areas or states any amount that is not obligated within these time frames.¹¹ In March 2009, \$141 million in Recovery Act Transit Capital Assistance Program funds were apportioned to Georgia and urbanized areas located in the state for transit projects.¹² As of September 1, 2009, FTA concluded that the 50 percent obligation requirement had been met for Georgia and urbanized areas located in the state. For the Transit Capital Assistance Program, the U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s commitment to pay for the federal share of the project. This commitment occurs at the time the federal government signs a grant agreement. As of September 1, 2009, FTA had obligated \$120 million.

Transit Providers in Georgia Are Funding Vehicle Replacements and Preventive Maintenance

Recipients of funds from the Transit Capital Assistance Program include both GDOT and transit providers. More specifically, GDOT is the recipient of \$37.9 million for the small urban areas under 200,000 and rural areas in Georgia. It oversees seven small urban transit agencies and 90 rural transit providers. In March 2009, GDOT issued a call for projects to the small urban and rural transit providers in the state. They were asked to submit a list of projects that were (1) eligible for Recovery Act funds, (2) ready for implementation (“shovel ready”) with all planning and environmental program requirements completed, and (3) included in their region’s transportation improvement plans. In June 2009, the state selected a number of projects, including construction of a transportation facility in Albany, Georgia. To ensure that all of the Recovery Act funds are obligated, GDOT announced another call for projects on September 15, 2009.

We visited two transit providers that are Recovery Act recipients, MARTA and Gwinnett County, to discuss how they planned to use and safeguard the funds. MARTA received a \$55.4 million Transit Capital Assistance grant, while Gwinnett County received about \$9.4 million. The urbanized area intends to use the maximum 10 percent of Transit Capital Assistance Program funding apportioned to the urbanized area for operating expenses

¹¹Pub. L. No. 111-5, 123 Stat. 115, 209 (Feb. 17, 2009).

¹²The jurisdiction of some urbanized areas within this state crosses into at least one other state. Therefore, some urbanized areas are included in multiple state totals.

and the remaining grant money to fund capital projects. Table 1 describes the various capital projects that MARTA and Gwinnett County selected. MARTA officials told us they focused on projects that were a high priority and that enabled them to address safety concerns identified in a recent facility audit. According to Gwinnett County officials, they focused on existing priorities for safety and operations and projects most likely to provide local economic benefits.

Table 1: Recovery Act Projects Selected by MARTA and Gwinnett County

Project	Project description	Estimated project cost
MARTA		
Fire protection system upgrade	Comprehensive upgrade or replacement of the fire protection system at MARTA transit facilities systemwide	\$27.3 million
Preventive maintenance	Ongoing maintenance of transit vehicles, facilities, and equipment to keep them in good operating order	20 million
Bus purchase	Acquisition of 18 clean fuel-powered buses	7.6 million
Security enhancements	Upgrade and renovation of lighting in rail passenger stations to increase security, safety, and energy efficiency	555,000
Gwinnett County		
Bus overhaul	Mid-lifecycle overhaul of 28 transit buses, including complete engine overhaul and body work	3.7 million
Installation of audio-video and surveillance equipment	Technology will help to more effectively manage the fleet, increase system security and safety, and provide customers with real-time transit service information	3.3 million
Pedestrian access and walkways	Will provide safe access and enhanced ADA access by improving bus stop access; includes installing or upgrading walkway connections, shelters, and signs	1.5 million
Bus shelters	Install bus shelters at high-activity bus stops	800,000
Paratransit buses	Replacing two obsolete paratransit buses currently operating beyond the typical useful service life	161,000

Sources: MARTA and Gwinnett County Transit.

GDOT Plans to Modify Current Oversight Processes for Recovery Act Grant Funding in Response to an FTA Review; the Transit Providers We Interviewed Will Use Existing Processes

Due to a recent review that had multiple findings, GDOT's administration of Recovery Act transit grants will be closely scrutinized by FTA.¹³ FTA's final report, dated June 29, 2009, noted nine material weaknesses and four significant deficiencies, including that GDOT did not adequately monitor its subgrantees and did not have adequate entity-level controls for grants management.¹⁴ FTA delayed the obligation of Recovery Act funds to GDOT until it submitted an acceptable corrective action plan, which it did on July 29, 2009. Among other corrective actions, GDOT hired a consultant to review and revise its transit oversight process and has been seeking a transportation consultant to help improve its oversight of the state's small urban, intercity, and rural transit programs and assist with management and execution of projects, programs, and grants related to the Recovery Act. FTA accepted GDOT's corrective action plan on August 7, 2009, subject to implementation progress. FTA will continue to monitor GDOT through monthly status meetings and on-site reviews every 2 months. In addition, FTA has developed an oversight strategy to monitor how GDOT is implementing the plan through an FTA triennial review scheduled for the week of September 7, 2009, and during its follow-up financial management oversight review scheduled for 2010.¹⁵

Both MARTA and Gwinnett County intend to administer their Recovery Act funds using existing internal control procedures. FTA most recently reviewed MARTA's internal control procedures for federally funded transit projects in March 2009 as part of a financial management oversight review. As a result of advisory comments from that review, MARTA has been updating its accounting policies and procedures manual. According to Gwinnett County officials, the county will use its current, standard internal control procedures for all transit projects. According to the officials, FTA vets these internal controls through the triennial review

¹³The financial management oversight review examined the effectiveness of GDOT's internal controls as they related to compliance with FTA requirements for financial management systems.

¹⁴A material weakness is a deficiency or deficiencies in internal control that raises a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected on a timely basis. Significant deficiencies are less severe than material weaknesses, yet important enough to merit attention by those charged with governance.

¹⁵FTA's triennial review program evaluates grantee adherence to federal requirements at least once every 3 years. See GAO, *Public Transportation: FTA's Triennial Review Program Has Improved, But Assessments of Grantees' Performance Could Be Enhanced*, [GAO-09-603](#) (Washington, D.C.: June 30, 2009).

process, which was most recently completed in May 2008. The final report for the 2008 review identified deficiencies in 9 of 23 areas, including financial and technical. Gwinnett County agreed to correct all deficiencies by September 2008. All corrective actions were officially closed in October 2008.

Project Sponsors Must Meet FTA Reporting Requirements

Project sponsors must submit periodic reports, as required under the maintenance-of-effort for transportation projects section (§1201(c) of the Recovery Act) on the amount of federal funds appropriated, allocated, obligated, and outlayed; the number of projects put out to bid, awarded, or on which work has begun or been completed; project status; and the number of jobs created or retained. In addition, grantees must report detailed information on any subcontractors or subgrants awarded by the grantee. Because FTA had obligated money for Gwinnett County projects before July 31, 2009, the transit provider was required to submit its report in August 2009, which it did. The report contained information on the total amount of funds awarded, the number of contract solicitations issued related to funds under the grant, and the estimated amount of funds associated with the contract solicitations. GDOT and MARTA are not required to submit their first 1201(c) reports until February 2010.

Georgia Is Taking Steps to Get Its Weatherization Assistance Program Under Way and Safeguard Funds

The Recovery Act appropriated \$5 billion over a 3-year period for the Weatherization Assistance Program, which DOE administers through each of the states, the District of Columbia, and seven territories and Indian tribes. The program enables low-income families to reduce their utility bills by making long-term energy efficiency improvements to their homes by, for example, installing insulation, sealing leaks, and modernizing heating equipment, air circulation fans, or air conditioning equipment. Over the past 32 years, the Weatherization Assistance Program has assisted more than 6.2 million low-income families. By reducing the energy bills of low-income families, the program allows these households to spend their money on other needs, according to DOE. The Recovery Act appropriation represents a significant increase for a program that has received about \$225 million per year in recent years.

As of September 14, 2009, DOE had approved the weatherization plans of all but two of the states, the District of Columbia, the territories, and Indian tribes—including all 16 states and the District of Columbia in our review. DOE had provided to the states almost \$2.3 billion of the \$5 billion in weatherization funding under the Recovery Act. Use of the Recovery Act weatherization funds is subject to Section 1606 of the act, which

requires all laborers and mechanics employed by contractors and subcontractors on Recovery Act projects to be paid at least the prevailing wage, including fringe benefits, as determined under the Davis-Bacon Act.¹⁶ Because the Davis-Bacon Act had not previously applied to weatherization, Labor had not established a prevailing wage rate for weatherization work. In July 2009, DOE and Labor issued a joint memorandum to Weatherization Assistance Program grantees authorizing them to begin weatherizing homes using Recovery Act funds, provided they pay construction workers at least Labor's wage rates for residential construction, or an appropriate alternative category, and compensate workers for any differences if Labor establishes a higher local prevailing wage for weatherization activities. Labor then surveyed five types of "interested parties" about labor rates for weatherization work.¹⁷ The department completed establishing prevailing wage rates in all of the 50 states and the District of Columbia by September 3, 2009.

Under the Recovery Act, the Georgia Environmental Facilities Authority (GEFA), the state agency that administers the Weatherization Assistance Program, will receive approximately \$125 million. With the funding, GEFA expects to weatherize at least an additional 13,000 units over the next 2 to 3 years. DOE approved Georgia's weatherization plan on June 26, 2009, for a project period of April 1, 2009, through March 31, 2012. As of September 1, 2009, the state had received \$62.4 million (50 percent of its weatherization allocation), obligated \$22.9 million, and spent about \$9,000.

GEFA Has Awarded Contracts for Recovery Act Weatherization Projects, and Work Began in August

GEFA has awarded contracts to service providers, and weatherization work is under way. GEFA is using the same 22 service providers—comprising a combination of community action agencies, nonprofit agencies, and local governments—that currently provide weatherization services under the state's non-Recovery Act weatherization program. GEFA gave each service provider 10 percent of the service provider's total allocation to help with implementation costs such as hiring staff, renting additional space, training employees, and procuring vehicles, field equipment, and services. As of September 10, 2009, all 22 service providers had been awarded contracts. According to GEFA officials, each service

¹⁶The Weatherization Assistance Program funded through annual appropriations is not subject to the Davis-Bacon Act.

¹⁷The five types of "interested parties" are state weatherization agencies, local community action agencies, unions, contractors, and congressional offices.

provider received an advance of 25 percent of its total allocation upon contract award. Each of the providers will be responsible for hiring subcontractors to conduct weatherization work, which began in late August 2009.

As part of its implementation strategy, GEFA plans to contract with a vendor to provide training to its service providers. The training will include a combination of field training and training at the vendor's facilities in Atlanta. The vendor will provide classes, a circuit rider (a trainer that will spend 1 to 2 days in the field answering questions and providing on-site assistance), a Web site, and technical assistance. These classes began in early September 2009. The vendor is hoping to train all new crew members 30 to 120 days after they begin working for a service provider.

Despite Uncertainty about Davis-Bacon Act Requirements, Weatherization Work Will Proceed as Planned

Although weatherization work is under way, service providers expressed concerns about wage rate determinations and other Davis-Bacon Act requirements. Officials at weatherization agencies across the state received a survey from Labor in July 2009, which was used to determine the Davis-Bacon Act prevailing wage for weatherization workers. Labor set the wage rates in Georgia on August 29, 2009. Consistent with guidance from DOE and Labor, GEFA did not withhold funding to the service providers while the prevailing wage was being set.

However, at the preaward kick-off meeting that GEFA held on August 5 and 6, 2009 (which we attended), the service providers expressed confusion about the Davis-Bacon Act requirements and how they would apply to the weatherization program. Specifically, the service providers were concerned about the requirements for a weekly payroll and were confused as to which employees would fall under the act's guidelines. Some of the service providers discussed signing contracts for each individual house to limit the contract amount to below the Davis-Bacon Act threshold of \$2,000.

As part of its monitoring efforts, GEFA is requiring each service provider to submit reports on compliance with Davis-Bacon Act requirements (as discussed below in more detail). GEFA is hiring a fiscal monitor who will be responsible for gauging the subrecipients' and vendors' compliance with the Davis-Bacon Act, along with other provisions of the Recovery Act.

State Officials Established Risk-Assessment, Fiscal, and Performance Monitoring Processes for Service Providers Receiving Weatherization Funds

GEFA has taken a number of steps to monitor the use of Recovery Act weatherization funds. First, the agency completed a risk assessment of its service providers that involved assessing the level of performance at each provider and rating their performance as high, standard, or at risk. In addition, GEFA examined the providers' internal controls, audited financial statements, and previous history with federal awards. Second, GEFA has established financial reporting requirements. Each of the service providers must submit a monthly financial report that includes all reimbursable expenses for production completed during the previous month, such as administrative costs, labor, and materials. Each of the providers also must provide a regular invoice that tracks expenses to date and the contract balance. GEFA is planning to implement an online tool to collect these invoices by the first quarter of 2010. According to GEFA officials, the online system will make it easier for them to identify potential "red flags" and track the progress of the providers. As noted above, GEFA will hire a fiscal monitor to review the financial records of the subrecipients and vendors for accuracy.

Third, GEFA plans to contract with a vendor to monitor whether the service providers are in compliance with all applicable DOE regulations and other requirements, including the policies and procedures in the Georgia Weatherization Assistance Program's operations manual. For purposes of monitoring, the state is being divided into 12 territories. Each territory will house a weatherization educator and a weatherization inspector. The weatherization educator will review file documentation, report problems, and work with the service provider to prevent errors in future reporting by providing educational opportunities to the service provider's staff and contractors. The educator also will provide information to the homeowner about the need for weatherization, its benefits, and the procedures that will occur during the process. This homeowner education component is new for Georgia's Recovery Act weatherization program. Monthly, the weatherization inspector will randomly select at least 10 percent of the homes in each county to evaluate the service providers' work.

Fourth, GEFA has developed a process intended to replace ineffective weatherization providers. GEFA plans to replace any service provider that does not meet its contractual obligations—for example, by failing to maintain adequate fiscal controls and accounting procedures, filing late or inaccurate financial and programmatic reports, misusing program funds, failing to adhere to the schedule for goals and objectives, or not providing quality weatherization. GEFA's service provider contract included language describing the terms for terminating the contract. GEFA plans to

issue a request for information to identify potential replacement providers and has developed a policy for selecting replacements. The policy states that GEFA will consider the potential provider's (1) experience and performance in weatherization or housing renovation activities; (2) experience in assisting low-income persons in the area to be served; and (3) capacity to undertake a timely and effective weatherization program.

State Has Plans to Assess the Impact of Recovery Act Weatherization Funds

GEFA plans to use a number of performance measures to determine the impact of Recovery Act weatherization funds. In addition to measuring home energy savings after weatherization based on DOE's methodology, it plans to track the number of units weatherized, the number of people assisted, and the number of jobs created and retained. The service providers are responsible for reporting this data to GEFA in monthly reports. Specifically, the service providers will provide information including the types of housing units served, information on the clients, and the estimated energy savings. Additionally, the service providers have to provide regular reports separate from the monthly financial and production reports to GEFA that are intended to track the impact of the funds. The reports must include jobs created and retained by state and local contractors, hours trained, and equipment purchases exceeding \$5,000.

Georgia Used Recovery Act Funds to Expand Summer Youth Services, but Implementation Methods Varied across the State

The Recovery Act provides an additional \$1.2 billion in funds for the WIA Youth Program, including summer employment. Administered by Labor, the WIA Youth Program is designed to provide low-income in-school and out-of-school youth 14 to 21 years old, who have additional barriers to success, with services that lead to educational achievement and successful employment, among other goals. Funds for the program are distributed to states based on a statutory formula; states, in turn, distribute at least 85 percent of the funds to local areas, reserving as much as 15 percent for statewide activities. The local areas, through their local workforce investment boards, have the flexibility to decide how they will use the funds to provide required services.

While the Recovery Act does not require all funds to be used for summer employment, in the conference report accompanying the bill that became the Recovery Act,¹⁸ the conferees stated they were particularly interested

¹⁸H.R. Rep. No. 111-16, at 448 (2009).

in states using these funds to create summer employment opportunities for youth. While the WIA Youth Program requires a summer employment component to be included in its year-round program, Labor has issued guidance indicating that local areas have the flexibility to implement stand-alone summer youth employment activities with Recovery Act funds.¹⁹ Local areas may design summer employment opportunities to 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. A key goal of a summer employment program, according to Labor’s guidance, is to provide participants with the opportunity to (1) experience the rigors, demands, rewards, and sanctions associated with holding a job; (2) learn work readiness skills on the job; and (3) acquire measurable communication, interpersonal, decision-making, and learning skills. Labor has also encouraged states and local areas to develop work experiences that introduce youth to opportunities in “green” educational and career pathways. Work experience may be provided at public sector, private sector, or nonprofit work sites. The work sites must meet safety guidelines, as well as federal and state wage laws.²⁰ Labor’s guidance requires that each state and local area conduct regular oversight and monitoring of the program to determine compliance with programmatic, accountability, and transparency provisions of the Recovery Act and Labor’s guidance. Each state’s plan must discuss specific provisions for conducting its monitoring and oversight requirements.

The Recovery Act made several changes to the WIA Youth Program when youth are served using these funds. It extended eligibility through age 24 for youth receiving services funded by the act, and it made changes to the performance measures, requiring that only the measurement of work readiness gains will be required to assess the effectiveness of summer-only employment for youth served with Recovery Act funds. Labor’s guidance allows states and local areas to determine the methodology for measuring work readiness gains within certain parameters. States are required to report to Labor monthly on the number of youth participating and on the services provided, including the work readiness attainment rate and the

¹⁹U.S. Department of Labor, Training and Employment Guidance Letter No. 14-08 (Mar. 18, 2009).

²⁰Current federal wage law specifies a minimum wage of \$7.25 per hour. Where federal and state laws have different minimum wage rates, the higher rate applies.

summer employment completion rate. States must also meet quarterly performance and financial reporting requirements.

Labor allotted about \$31.4 million to Georgia in WIA Youth Recovery Act funds. The Georgia Department of Labor (GDOL), which is the state's administering agency, allocated \$26.7 million of these funds to local workforce boards. According to Labor, \$16 million had been expended in the state as of August 31, 2009. GDOL encouraged local areas to spend their funding quickly, but wisely and in accordance with the rules and regulations governing the funds. The local workforce boards we interviewed—the Atlanta Regional Workforce Board, Coastal Workforce Services, and the Richmond/Burke Job Training Authority—had a goal of spending the majority of their funds by September 30, 2009.²¹

Local Workforce Areas Largely Met the Georgia Department of Labor's Participant Targets

As of September 15, 2009, the state had served 10,717 youth through its Recovery Act funded summer youth program, exceeding its target of 10,253 youth. The state set enrollment targets for each of the state's 20 workforce boards. The state developed these targets by dividing the allocation amount for each workforce board by \$2,600, which was the amount that the state estimated would be required to serve one youth. As shown in table 2, 11 of the workforce boards have exceeded their targets, while 9 are still below their targeted levels of enrollment. For example, the Macon/Bibb workforce board adopted a policy that limited participants' work hours to 20 hours per week, which allowed it to increase the number of youth served. State officials explained that boards below their targets may be slow in entering data into the state's tracking system. However, in some cases, other circumstances have delayed enrollment. For example, the Southwest Georgia workforce board began the second phase of the program focusing on older youth in August 2009.

²¹We visited the Atlanta Regional Workforce Board and Coastal Workforce Services and interviewed officials at the Richmond/Burke Job Training Authority. We also interviewed five service providers and one contractor who provided payroll and workers' compensation services. In addition, we visited four work sites. We selected these local areas based on the amount of WIA youth funds they received and geographic distribution.

Table 2: Projected and Enrolled Youth by Workforce Area, as of September 15, 2009

Local area	Projected number of youth to be served	Number of applications received	Number of youth enrolled	Percentage of target enrolled
Macon/Bibb ^a	244	1,176	554	227
Atlanta Regional	1,184	1,784	1,637	138
Coastal	535	4,739	722	135
Lower Chattahoochee	355	1,800	464	131
Northeast Georgia	610	3,020	785	129
East Central Georgia	324	600	409	126
Fulton	252	400	289	115
South Georgia	331	512	368	111
Heart of Georgia	607	2,477	636	105
Atlanta	1,055	3,000	1,098	104
Cobb Works	445	1,484	447	100
DeKalb	895	1,200	836	93
Southeast Georgia	168	509	153	91
Northwest	820	1,301	741	90
Richmond/Burke	394	1,320	352	89
Middle Georgia	298	967	232	78
Georgia Mountains ^b	264	536	181	69
Southwest Georgia ^c	704	1,700	404	57
West Central Georgia ^p	578	1,458	316	55
Middle Flint ^b	190	339	93	49
Total	10,253	30,322	10,717	105

Source: Georgia Department of Labor.

^aThe Macon/Bibb workforce board adopted a policy that limited the participants' work hours to 20 hours per week, which allowed the board to serve more youth.

^bThis workforce board is taking advantage of a waiver from Labor to serve older youth through March 2010.

^cThe Southwest Georgia workforce board began a second phase of the program focusing on older youth in August 2009.

Implementation Approaches Varied across Georgia's Local Workforce Areas

The local workforce boards implemented their WIA summer youth programs in a variety of ways across the state. As shown in table 3, the local entities we interviewed differed in the length of their programs, wages paid, and whether they operated the program in-house or contracted with service providers.

Table 3: Overview of Selected Local Workforce Boards

	Atlanta Regional	Coastal	Richmond/Burke
Number of counties served	7	9	2
Program implementation	Contracted with service providers (Nine previous providers and one new provider for payroll)	Contracted with service providers (Three previous providers)	Managed in-house by the workforce board
Program design	Focused on work experience	Focused on work experience	Focused on work experience with academic portion for younger youth
Length of program	4 to 8 weeks, depending on service provider	120 hours per youth	30 hours per week for 7 weeks
Length of work readiness training and incentives paid	6 to 20 hours Unpaid to \$175	3 to 5 days \$75 to \$150	1 week Unpaid
Identifying youth and determining eligibility	Determined by service providers	Board centrally identified youth and provided a prescreened list to service providers, who were responsible for determining final eligibility	Conducted in-house by workforce board staff
Identifying work sites	Service providers and workforce board identified and recruited	Service providers identified and recruited	Workforce board identified and recruited
Wage range	Minimum wage to \$14	Minimum wage to \$7.55	Minimum wage

Source: GAO.

Recruiting Work Sites

Of the three workforce boards we interviewed, two stated they did not have trouble recruiting work sites. These two areas relied on their service providers to identify various work sites for the youth. For example, one of the service providers for the Atlanta Regional Workforce Board contacted local Chambers of Commerce, business associations, and faith-based agencies and advertised in local newspapers. One service provider for Coastal Workforce Services was affiliated with the city of Savannah and worked to develop work sites within other city departments, such as storm water management services and economic development. While neither board had problems recruiting work sites, their service providers reported some difficulty placing youth 14 to 15 years old. The other area, Richmond/Burke Job Training Authority, had challenges recruiting private companies as work sites. The board overcame the challenge of placing younger youth by adding an academic portion to the younger youth’s summer program. The board developed a classroom learning experience for youth 14 to 15 years old that focused on skills such as searching and applying for colleges and jobs. Youth enrolled in the program spent 12 hours a week in the classroom and 18 hours a week with an employer.

The boards we interviewed took a number of different steps to ensure that their work sites were safe. The Atlanta Regional Workforce Board contracted with a vendor to provide workers' compensation insurance. Prior to providing the insurance, the vendor assessed the safety of each work site. The other two workforce boards (or their service providers) used a risk-based approach to determine which work sites to visit. All three local workforce boards assessed the safety of the work sites either through monitoring visits or work site agreements validating the safety of the site.

All three boards we interviewed designed their summer youth programs to focus on work experience, rather than academic training. The service providers we interviewed used different processes to match youth with work sites. Some service providers held job fairs or had youth interview at the various sites, while other service providers placed youth at work sites based on their interests and only involved the work sites in the process upon request. The Richmond/Burke Job Training Authority determined the youth's interest and then had the youth contact the work site to schedule an interview.

The three boards we interviewed offered a variety of work opportunities. More specifically, we found the following examples:

- About 100 youth participated in a summer learning program offered by a service provider. Youth at this site received training and work experience in the areas of drama, video production, and other visual arts. These youth worked with industry professionals in these areas and were expected to complete a project related to their area of study. For example, the youth in the drama program were responsible for developing and producing a play that was held at the end of the summer program. They also attended occupational workshops and participated in basic life and career skills training.
- A private company in the health-care sector employed youth in its warehouse, where the youth learned to gather the supplies that would be packaged for health-care providers.
- Some youth worked at various county or city government agencies. For example, one site was a county library, at which the youth categorized materials, among other tasks.
- A youth center utilized youth participants as summer camp counselors and administrative clerks.

GDOL provided the local areas with some guidance on how to identify green jobs, including summarizing guidance provided by Labor and listing examples of green jobs. Despite this guidance, local officials expressed confusion about the definition of a green job. Some local workforce board officials suggested that while a site might be considered a green work site, the work experience opportunity for the youth might not be a green job. For example, an organic food company was considered a green employer; however, at least one of the youth was performing clerical duties. GDOL officials noted that it was correct to classify this work experience as a green job based on guidance from Labor. In addition, officials at one service provider told us they thought it was more important to find meaningful work experiences for the youth than it was to focus on identifying and developing green jobs.

All three workforce boards we interviewed identified some green work sites but estimated they were a small portion of the total number of job opportunities. For instance, the Atlanta Regional Workforce Board worked with a local technical college to develop a 4-week water management camp for youth. This camp combined work experience and classroom activities in bioscience and environmental science to help youth develop marketable skills applicable to the water quality management industry. Coastal Workforce Services recruited a nonprofit organization that developed a computer refurbishing and recycling program for at-risk youth to learn how to refurbish computers that would have ended up in land fills (see fig. 1). The program combined work experience and classroom activities. The Richmond/Burke Job Training Authority placed some youth at the Burke County Forestry Commission, where they performed clerical and office duties.

Figure 1: Computer Recycling Program at a Nonprofit Organization



Source: GAO.

Recruiting and Determining Eligibility of Youth

Georgia did not have challenges recruiting youth. Local workforce boards across the state received more than 30,000 applications for about 10,000 slots. According to the local workforce boards we interviewed, they recruited youth through the school systems, the state’s foster care agency, the juvenile justice system, one-stop career centers, and other sources. Each of the local workforce boards we interviewed developed a checklist to determine the youth’s eligibility to participate in the program. Each one outlined the income eligibility requirements and barriers to employment, such as the need for additional assistance to complete an educational program or secure employment.

Youth Wages and Length of Program

Consistent with the Fair Labor Standards Act, GDOL required that youth be paid the federal minimum wage.²² However, the wage range varied across the three workforce boards we interviewed. Two workforce boards consistently paid youth at or slightly above the federal minimum wage. The other workforce board paid wages that varied from the minimum wage to \$14 an hour. Local workforce board officials explained that wages were set at \$12 or higher to match the wages of other employees at the work site with the same job description but not in the summer youth program.

²²The federal minimum wage changed from \$6.55 to \$7.25, effective July 24, 2009.

The local workforce boards we visited also served youth for varying lengths of time. Two of the local workforce boards we interviewed set a standard for the number of hours a youth could work during the summer youth program, while one did not. For example, in the Coastal region, youth could work up to 120 hours, spread over 6 weeks. Similarly, in the Richmond/Burke area, youth were required to work for 30 hours per week for 7 weeks to complete the program. However, the Atlanta Regional Workforce Board did not set a time frame. In some instances, youth worked about 8 weeks, while others worked 4 to 5 weeks.

**State and Local Areas
Have Implemented
Multiple Monitoring Tools**

The summer youth programs were monitored at the state and local level. GDOL plans to conduct a three-phase monitoring approach for the summer youth programs.²³ The first phase consisted of a preprogram assessment to determine each local workforce board's readiness to implement a summer youth program. This phase concluded on June 1, 2009. GDOL conducted informal discussions with local area workforce boards to ensure the boards were acting in accordance with the Recovery Act. The second phase included monitoring work sites and reviewing program and financial records. More specifically, GDOL staff visited a sample of work sites and randomly tested participant eligibility. These reviews are scheduled to be completed by September 30, 2009. To guide its monitoring efforts, GDOL created a monitoring tool that addressed areas such as programmatic design and oversight, transparency, file reviews, work site evaluation, and contract monitoring activities. In December 2009, GDOL plans to complete the third phase, which will focus on reporting and closing out the program.

GDOL identified a number of findings during its phase-two monitoring visits and will include corrective actions plans for the local workforce boards in the final reports, which are scheduled to be completed by October 31, 2009. More specifically, at the local workforce boards we interviewed, GDOL identified issues related to contracting, overobligation of funds, and time sheet signatures. Due to the timing of the reviews, the department was able to work with some local workforce boards to correct some findings prior to the completion of their summer youth programs. Table 4 describes some of the findings that GDOL had at each local workforce board we interviewed.

²³These monitoring efforts were in addition to the normal monitoring process, in which each local workforce board is reviewed annually.

Table 4: Georgia Department of Labor’s Findings at Local Workforce Boards We Interviewed

Workforce board	Status of finding	GDOL finding	Local workforce board’s response
Atlanta Regional Workforce Board	Preliminary	Amendments to service provider contracts did not include some of the required Recovery Act language (for example, language requiring the provider to ensure that work sites adhere to applicable federal and state wage, labor, and workers’ compensation laws).	According to Atlanta Regional Workforce Board officials, they did not receive from GDOL the contract language GDOL told them they needed to include.
	Preliminary	The board overobligated its funding and went over its enrollment target by approximately 470 youth. The issue arose because the board did not turn away any eligible youth. GDOL is working with the board to identify weaknesses in its financial and management information systems.	According to Atlanta Regional Workforce Board officials, non-Recovery Act WIA funding will be used to meet its overobligation, which means that a large portion of youth served with non-Recovery Act WIA funding will be recruited from the Recovery Act summer youth program.
Coastal Workforce Services	Preliminary	GDOL raised concerns about the meaningfulness of the board’s work readiness measure.	GDOL and board officials worked to develop a more meaningful measure.
Richmond/Burke Job Training Authority	Final	Agreements with educational service providers did not include some of the required Recovery Act language (for example, language on Recovery Act wage rate requirements).	Workforce board has 90 days to respond to the final monitoring report.
	Final	Some time sheets did not have supervisor signatures.	Workforce board has 90 days to respond to the final monitoring report.

Sources: Georgia Department of Labor and workforce board officials.

Note: GDOL sent a final monitoring report to the Richmond/Burke Job Training Authority on August 31, 2009. The results of GDOL’s monitoring visits to the Atlanta Regional Workforce Board and Coastal Workforce Services are still preliminary.

The three local workforce boards we interviewed stated they had monitoring efforts in place for the service providers and work sites. For example, the Atlanta Regional Workforce Board developed a monitoring plan for its summer youth service providers. These service providers were visited at least twice over the course of the summer and in one case five times between June 11, 2009, and July 31, 2009. These reviews consisted of desk and contract reviews, reviews of participant and work site files, and interviews with youth participants, service provider staff, and work site supervisors, among others. Coastal Workforce Services planned to review 100 percent of its work sites over the course of the program and review eligibility of all participants before paying final invoices to service providers. The Richmond/Burke Job Training Authority stated that 25 percent of the work sites would be monitored.

Work Readiness Measures Varied among Local Workforce Boards

Consistent with federal program guidance, GDOL allowed the three local areas we interviewed to determine their own work readiness performance measure. GDOL issued guidance to help local workforce boards develop the measure. According to the GDOL training provided to the workforce boards, youth have attained work readiness if they demonstrate a measurable increase in skills, including world-of-work awareness, labor market knowledge, occupational information, values clarification and personal understanding, career planning and decision making, and job search techniques.²⁴ The local workforce boards were given flexibility in defining goals and choosing an assessment tool. They record the date and the outcome of the work readiness measure in the information system the state uses to manage the WIA programs (they enter “yes” or “no” under the category “Attained Recovery Act Work Readiness Increase”). The state plans to track other outcome measures in this system, such as youth hired into unsubsidized employment.

The Atlanta Regional Workforce Board allowed its service providers to choose from one of three different measures of work readiness. The first measure would require the youth to pass a postparticipation test one level above the preparticipation test benchmark using a series of assessments that measure applied math, reading, and other skills. The second measurement would require the youth to earn Georgia WorkReady Certification, which is an assessment of skills in math, reading, and work habits. The third measure makes use of the work site supervisor’s performance evaluation as the pre-, mid-, and post-test measure, with youth passing this measurement if they were rated higher at the end of the summer than they were at the beginning. The two service providers we visited used the third measure, relying on evaluations by the supervisor. The form they used asked the supervisor to rate the youth on work performance, work behavior, and critical thinking skills, among other things. For a youth to be deemed work ready, the providers were looking for a 50 percent increase in evaluated skills.

In response to a monitoring finding, Coastal Workforce Services worked with GDOL to develop an evaluation that supervisors were asked to complete at the end of each pay period. The survey rated the youth in 10 areas, including overall performance, quality of work, and ability to solve

²⁴Local areas’ work readiness measures should include, among other things, a preassessment to identify work readiness skills at the start of the experience and a postassessment to determine attainment of goals.

problems. The board decided to use the first survey as the “pretest” measure and the last survey as the “posttest” measure. Youth were deemed to have attained work readiness if there was an increase in their rating by the end of the summer. The workforce board did not set a specific goal for improvement.

The Richmond/Burke Job Training Authority used two methods to determine if youth had attained work readiness. The first was to have youth take the same test at the beginning and end of the summer. The test covered 15 competencies such as preparing a resume, job interviewing, completing tasks effectively, and demonstrating a positive attitude. The youth would attain work readiness if they passed one competency that they previously failed. If the youth failed this measure or did not take the tests, the youth’s work readiness would be determined using supervisor evaluations. For example, the form required supervisors to rate youth as “poor,” “average,” or “exceeds” in areas such as completing tasks effectively and being punctual.

Recovery Act Funds in Georgia Continue to Be Obligated for Federal-Aid Highway Projects

The Recovery Act provides funding to 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 Recovery Act requires that 30 percent of these funds be suballocated, primarily based on population, for metropolitan, regional, and local use. Highway funds are apportioned to states through federal-aid highway program mechanisms, and states must follow existing program requirements, which include ensuring the project meets all environmental requirements associated with the National Environmental Policy Act (NEPA), paying a prevailing wage in accordance with federal Davis-Bacon Act requirements, complying with goals to ensure disadvantaged businesses are not discriminated against in the awarding of construction contracts, and using American-made iron and steel in accordance with Buy America program requirements. While the maximum federal fund share of highway infrastructure investment projects under the existing federal-aid highway program is generally 80 percent, under the Recovery Act, it is 100 percent.

As we reported in July 2009, \$932 million was apportioned to Georgia in March 2009 for highway infrastructure and other eligible projects.²⁵ As of

²⁵GAO, *Recovery Act: States’ and Localities’ Current and Planned Uses of Funds While Facing Fiscal Stresses (Georgia)*, [GAO-09-830SP](#) (Washington, D.C.: July 8, 2009).

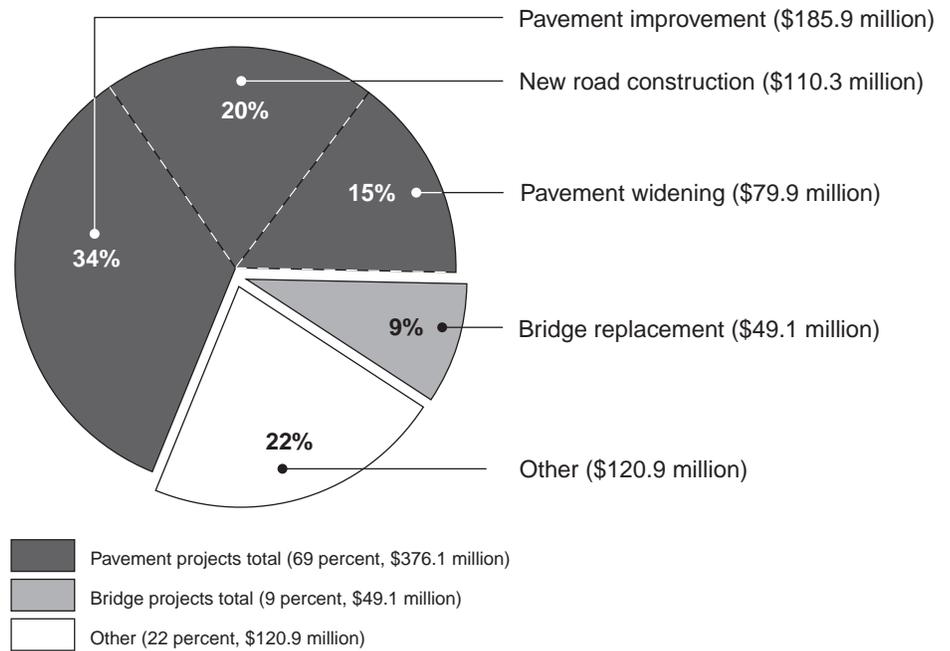
September 1, 2009, \$546 million had been obligated.²⁶ For the Highway Infrastructure Investment Program, the U.S. Department of Transportation has interpreted the term “obligation of funds” to mean the federal government’s contractual agreement to pay for the federal share of the project. This commitment occurs at the time the federal government signs a project agreement. As of September 1, 2009, \$10 million had been reimbursed by FHWA.²⁷

Almost 70 percent of Recovery Act highway obligations for Georgia have been for pavement projects. Specifically, \$376 million of the \$546 million obligated as of September 1, 2009, is being used for pavement improvement, pavement widening, and new road construction projects. Another \$49 million was obligated for bridge projects. State officials told us they selected projects based on various factors, including eligibility requirements, whether the project was shovel ready, and geographic dispersion across the state. Figure 2 shows obligations by the types of road and bridge improvements being made.

²⁶This does not include obligations associated with \$25 million of apportioned funds that were transferred from FHWA to FTA for transit projects. Generally, FHWA has authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA.

²⁷States request reimbursement from FHWA as the state makes payments to contractors working on approved projects.

Figure 2: Highway Obligations for Georgia by Project Improvement Type, as of September 1, 2009



Source: GAO analysis of FHWA data.

Note: "Other" includes safety projects, such as improving safety at railroad grade crossings, and transportation enhancement projects, such as pedestrian and bicycle facilities, engineering, and right-of-way purchases.

GDOT is completing its second, and final, phase of Recovery Act planning. The final list of projects was approved by the State Transportation Board in August 2009. Projects selected include safety improvements, bridge repair, and interstate rehabilitation. GDOT officials noted they might add more projects if, as we discuss later, bids continue to come in as low as they have in recent months. As of September 1, 2009, the department had awarded 108 contracts with a total value of \$391 million.²⁸

We selected five highway contracts to discuss in greater depth with the relevant contracting officials—three state-administered projects in Charlton, Fulton, and Greene Counties and two locally administered

²⁸This amount represents only those contracts awarded by the Georgia Department of Transportation. Some localities within Georgia also may have awarded contracts with Recovery Act funds.

projects in Gwinnett County.²⁹ We focused on how the contracts were awarded and how they will be monitored. The three contracts GDOT awarded were for pavement improvement projects (grading, repaving, and road marking) on state road sections in three counties. The department awarded the contracts on May 29, 2009, with a projected completion date of April 30, 2010, for all three contracts. According to department officials, the contracts were awarded competitively to contractors on the state's prequalified list.³⁰ The officials stated that the successful bids were from 12 percent to 26 percent lower than the department's estimate for the work, in part because of the reduced cost of materials. As we discussed in our July 2009 report, GDOT has established internal controls intended to safeguard Recovery Act projects.³¹ Contract engineers are to perform monthly construction audits on all Recovery Act projects, and on-site inspectors will review project progress daily. In addition, GDOT's internal audit department plans to perform compliance testing on selected contracts.

Gwinnett County's two projects are intended to manage traffic more effectively through the use of surveillance equipment and remote traffic signal controls. The contracts were awarded on July 21, 2009, with a projected completion date of October 28, 2011. According to county officials, the county awarded the contracts competitively to the lowest, responsive bidders. Only contractors that are on GDOT's prequalified list could bid on the projects. County officials stated that bids came in from 30 percent to 35 percent lower than the county's original estimates. According to county officials, the projects will be overseen by an engineering firm hired to monitor and validate completed work compared with contract requirements. More specifically, the firm will provide construction engineering supervision services such as interpretation of specifications, testing and material certification, contract changes, construction documentation, and intermediate and final inspections.

²⁹We selected the state-administered highway projects based on geographic distribution and total award amounts (more than \$2 million). We selected the two Gwinnett County projects because they were described in our July 2009 report.

³⁰As stated on GDOT's subcontractor application, in order to be added to the state's prequalified contractor's list, the contractor must receive a favorable review of its application, which includes disclosure of general company information, work history, company management structure, past job performance evaluations, fixed assets, claims of damage or violations, and reference letters.

³¹[GAO-09-830SP](#).

GDOT has created an electronic application to meet FHWA reporting requirements on the use of Recovery Act funds. The data collected from subrecipients include the number of employees working on a project for the month, the number of hours worked on the project for the month, and the total payroll for the project that month. In addition to the data reported to FHWA on jobs created, GDOT tracks performance measures such as the percentage of construction projects completed within the expected completion period and percentage of state highways with pavements that meet or exceed minimum standards for the Governor's Office of Planning and Budget.

Although Reporting Will Be Decentralized, Georgia Has Been Preparing State Agencies for Recovery Act Reporting

Since our last Recovery Act report, Georgia has decided to decentralize Recovery Act reporting. Although individual state agencies will be responsible for reporting, the State Accounting Office is taking a number of steps to prepare agencies.

Georgia Has Instituted a Decentralized Reporting Approach

Since the issuance of OMB's June 22, 2009, guidance, Georgia has modified its approach to Recovery Act reporting.³² We reported in July 2009 that the State Accounting Office planned to use a Web-based system to capture information from state agencies and then centrally report the data to OMB.³³ However, on August 7, 2009, the State Accounting Office issued a memorandum instituting a decentralized approach to Recovery Act reporting. The reasons for the change in approach included the following:

- OMB's guidance clarified that "prime recipients" (that is, the state agencies) were responsible for recipient and subrecipient data, not the state.

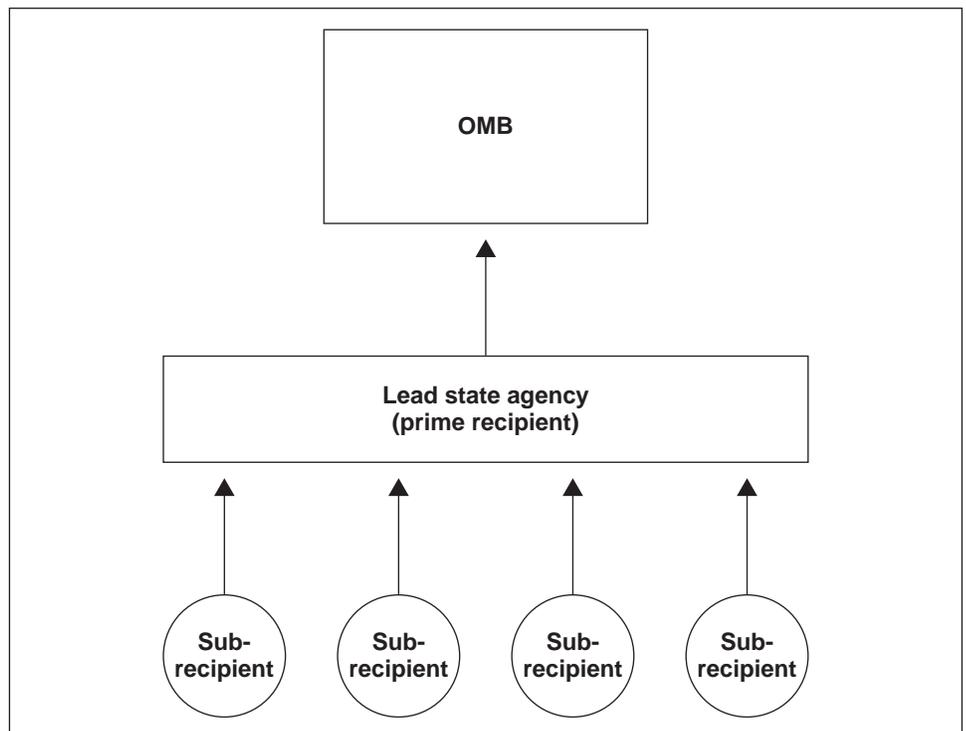
³²OMB Memorandum, M-09-21, *Implementing Guidance for the Reports on Use of Funds Pursuant to the American Recovery and Reinvestment Act of 2009* (June 22, 2009).

³³[GAO-09-830SP](#).

- Decentralized reporting would avoid duplication of effort because several state agencies were required to report additional information to federal agencies.
- Funds needed to adequately develop a long-term centralized data warehouse had not materialized as anticipated.
- Many state agencies had requested permission to pursue a decentralized reporting approach.

Figure 3 illustrates the decentralized Recovery Act reporting approach in Georgia.

Figure 3: Decentralized Recovery Act Reporting Structure in Georgia



Source: GAO.

The August 7, 2009, memorandum from the State Accounting Office further established the roles and responsibilities of state agencies and their subrecipients. Each state agency, institution, or authority that received the initial award of Recovery Act funds is responsible for

reporting required information into OMB's Web reporting system. Agencies generally will not be allowed to delegate the reporting responsibility to subrecipients, so that the state will have better control over the accuracy, timeliness, and completeness of the reported information. Agency heads and chief financial officers will be held accountable for the accuracy, completeness, and timeliness of reporting. As a standard internal control to ensure a proper level of review, the State Accounting Office will require a certification of the data from each agency head and chief financial officer prior to submission to OMB. By signing the certification, the agency head and chief financial officer confirm that (1) the report does not contain any misleading information or untrue statement of material fact, (2) the report does not omit any required information, and (3) the agency has designed and evaluated the effectiveness of its internal controls over reporting to provide reasonable assurance about the reliability and preparation of the report.

Although individual state agencies will be responsible for Recovery Act reporting to OMB, the state still will collect some information centrally. The State Accounting Office plans to develop a state summary report that will capture consolidated Recovery Act information for Georgia's Recovery Act Web site, the Governor, the legislature, and other stakeholders. The exact format of the report still has not been determined.

Georgia Plans to Provide Technical Assistance to State Agencies and Monitor Recovery Act Reporting

The state's Recovery Act implementation team and State Accounting Office plan to work with state agencies to help them prepare for Recovery Act reporting and monitor their submissions.³⁴ For the first report due on October 10, 2009, the implementation team plans to hold weekly "countdown" meetings from August 26, 2009, to November 15, 2009, to help prepare state agencies for the reporting deadline. At these countdown meetings, agency officials will have an opportunity to ask questions, propose different scenarios for discussion, and discuss lessons learned after their initial submission. In addition, the State Accounting Office plans to provide training to state agencies. The training will be targeted to Recovery Act reporting coordinators, chief financial officers, and other agency staff involved in Recovery Act reporting. It will focus on the

³⁴As noted in our April 2009 report, Georgia's Recovery Act implementation team includes a senior management team, officials from various state agencies, and a group to support accountability and transparency. GAO, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, [GAO-09-580](#) (Washington, D.C.: April 23, 2009).

reporting requirements and include a detailed example of how to complete OMB's data collection tool.

Officials from the State Accounting Office also plan to work individually with selected agency heads and chief financial officers to assess their agencies' reporting readiness. The State Accounting Office started conducting these readiness reviews in early September 2009. These reviews will be mandatory for seven agencies selected based on factors such as the amount of Recovery Act funds received. The State Accounting Office has developed a questionnaire to help agencies prepare for these reviews. The agency will have 60 minutes to present to a team of reviewers, including staff from the State Accounting Office, Governor's Office of Planning and Budget, and other agency heads. The presentations are to focus on the following:

- how the agency plans to collect the information for the reports,
- the controls in place to review and validate the prime recipient data and data from subrecipients,
- the certification and submission process, and
- postsubmission data quality reviews.

The State Accounting Office may ask other state agencies to present their process and procedures for Recovery Act reporting, as necessary.

The State Accounting Office plans to monitor state agencies' Recovery Act reporting using a risk-based approach; that is, it developed an audit risk tool to prioritize resources and identify high-risk agencies. The tool identifies high-risk agencies based on the following criteria: (1) award amount, (2) prior audit findings, (3) operational process or system complexity, (4) new program, (5) number of subrecipients or vendors, (6) lack of manpower or resources, and (7) analysis of the risk-management plans required by the Governor's Office of Planning and Budget.³⁵ Each of

³⁵As stated in our July 2009 report, the Governor's Office of Planning and Budget required state agencies receiving Recovery Act funds to complete risk management plans. The State Accounting Office plans to evaluate these plans to help it determine where to apply audit resources. Some of the risks identified by state agencies included risks associated with reporting requirements, subrecipient issues, information system issues, and insufficient staff. See [GAO-09-830SP](#).

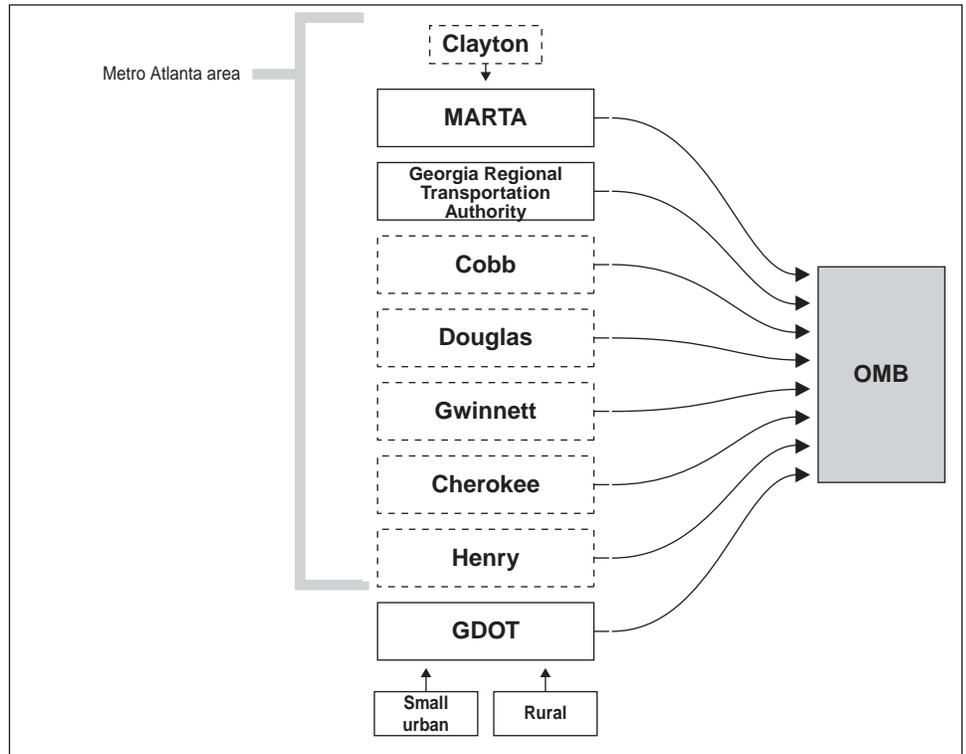
these criteria will be graded using a three-level scale (high, medium, and low risk). A composite score will be derived to determine the overall audit risk of the agency. The State Accounting Office plans to contract with an accounting firm to assist with Recovery Act monitoring. The plan is for the selected firm to perform reviews of agency internal controls and perform detailed testing based upon the risks and agencies identified in the ranking tool.

State Agencies or Other Direct Recipients Are Taking Steps to Prepare for Recovery Act Reporting

State agencies are taking a number of different steps to prepare for Recovery Act reporting. For the Federal-Aid highway program, GDOT has developed an electronic tool to capture data from subrecipients. Information on jobs created and retained is collected from subrecipients on a monthly basis and includes the number of employees working on the project each month, number of hours worked on the project, and the total payroll for the month. GDOT field personnel and headquarters staff in the construction division review the data. The internal audit department will perform spot checks of contractor employment records.

In contrast to the highway program, where GDOT is responsible for all of the Recovery Act reporting in the state, both GDOT and transit providers that are recipients of Transit Capital Assistance grants are responsible for Recovery Act reporting (see fig. 4). GDOT will report data supplied by the small urban and rural transit providers it oversees. To date, GDOT has not issued guidance on Recovery Act reporting to its subrecipients. To capture the data from its subrecipients, the department plans to use a system similar to the one it has developed for the highway program. GDOT's internal audit department plans to perform a review of the data submitted to OMB. Among other things, it will verify reported projects, subrecipients, and vendors; analyze the reasonableness of job impact numbers; and identify missing data that should be reported.

Figure 4: Transit Recovery Act Reporting Structure for GDOT and Transit Providers in Metropolitan Atlanta



 Counties

Source: GAO.

Both of the transit providers with which we spoke still were determining how to meet Recovery Act reporting requirements. For example, after reviewing guidance from FTA and OMB, Gwinnett County had not yet determined how it would account for job creation among its contractors. Officials cited their bus overhaul project as an example of how complicated it could be to estimate jobs. The bus overhaul work was awarded to a single contractor with subcontracts for engine overhaul, cooling system upgrades, and bus paint and body work. Gwinnett County plans to work with its contractors to come up with a methodology for estimating jobs created. MARTA had formed a working group to develop plans for Recovery Act reporting. For activities such as preventive maintenance, it plans to use the factors in the OMB guidance to convert staff hours to full-time equivalents. For its fire prevention system upgrade, it has issued an addendum to the proposed contract documents requiring

information on jobs created and retained. Officials noted that it was unclear if they should track jobs associated with their bus purchase. FTA's guidance on its reporting requirements indicated that transit providers did not need to report jobs associated with the vehicle manufacturing process because they were indirect jobs; however, OMB's guidance did not clearly indicate that jobs associated with vehicle procurements were indirect jobs.

For the weatherization program, GEFA will report data supplied by its service providers. According to GEFA officials, its contracts with service providers require them to provide GEFA with a report on the use of Recovery Act funding within 5 days of the end of each quarter. These reports are to include the total amount of funds received and spent; a list of the projects and activities funded, including a program description, completion status, and an estimate of the jobs created or retained; and details on subawards and other payments. GEFA officials are developing an electronic data collection tool to meet reporting requirements. This tool is projected to be implemented by September 30, 2009. All of the service providers must use the tool and certify that the information presented is correct. According to GEFA officials, the agency has not yet provided guidance to its service providers on Recovery Act reporting, but a webinar is planned for September 24, 2009.

For the WIA Youth Program, GDOL will be responsible for submitting information supplied by the local workforce boards. The local workforce boards will be required to submit data as of August 30, 2009. GDOL set this early cutoff date in order to have the data ready by October 10, 2009, as required. The department issued an OMB-developed spreadsheet for the local workforce boards to complete and guidance on August 28, 2009. The department plans to assess data quality during its regular monitoring visits, which include a financial component.

Georgia's Comments on This Summary

We provided the Governor of Georgia with a draft of this appendix on September 8, 2009, and a representative from the Governor's office responded on September 9, 2009. The official agreed with our draft, stating that it accurately reflects the current status of the Recovery Act program in Georgia.

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