

September 2009

RECOVERY ACT

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



GAO

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Appendix XV: Ohio

Overview

The following summarizes GAO's work on the third of its bimonthly reviews of American Recovery and Reinvestment Act (Recovery Act)¹ spending in Ohio. 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/>.

GAO's work in Ohio focused on the implementation of two programs: (1) the Weatherization Assistance Program and (2) the Workforce Investment Act (WIA) Youth Program. We selected these programs for different reasons. The Weatherization Assistance Program in Ohio began on July 1, 2009, which provided an opportunity to compare local agencies' implementation—including financial controls and oversight of contracts. The Recovery Act funded WIA Youth Program in Ohio is largely directed toward a summer employment program and was also in full operation. With these programs, we focused on how funds were being used; how safeguards were being implemented, including those related to procurement of goods and services; and how results were being assessed and reported. In addition, GAO is providing an update on the status of expenditures of funds from the U.S. Department of Transportation's Highway Infrastructure Investment Program; three programs from the U.S. Department of Education: the Title I, Part A program, the IDEA Part B program, and the State Fiscal Stabilization Fund (SFSF); and the Public Housing Capital Fund. These programs, which were included in our July 2009 Recovery Act report, were selected to continue our ongoing longitudinal analysis of the use of Recovery Act funds.

Recovery Act Funds Helped Stabilize the State Budget, but Budgetary Uncertainty Remains

On July 17, 2009, the Governor of Ohio signed the biennial budget for state fiscal years 2010 and 2011. According to a senior state budget official, the main operating budget and the transportation operating budget, signed April 1, 2009 and effective July 1, 2009, appropriate approximately \$63.9 billion in state fiscal year 2010 and about \$60.2 billion in fiscal year 2011, including about \$7.6 billion from Recovery Act funds over the biennium. Of the Recovery Act resources, approximately \$2.4 billion is increased federal reimbursement for Medicaid. In addition, the state used its state rainy-day fund to close a \$1 billion shortfall in the fiscal year 2009 budget.

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

According to a senior state budget official, the recession brought considerable uncertainty to the budget process in the state. In the last year, the state realized double-digit revenue losses compared with the previous year and, as a result, had to make adjustments to the budget when revenues did not come in as expected. In developing the enacted budget for this biennium, a senior state budget official said Ohio had to aggressively revise revenue estimates downward; revenue estimates are nearly 6.5 percent lower than the level originally proposed in February 2009 when the budget was first submitted. The budget office produces a monthly report that tracks actual revenues and expenditures to ensure they meet the targets set in the budget. The state met its revenue targets in the first month of the biennium (July 2009). The state budget director monitors budget performance closely and has the authority to make adjustments to the spending targets throughout the biennium if revenues do not meet the targets in the budget.

According to a senior budget official, the enacted budget relies on a new revenue source—proceeds from new video lottery terminals. The budget assumes these terminals will be in place by November 2009 and will bring in approximately \$851 million in new revenues over the biennium. These revenue estimates were vetted through a variety of state economists and have been compared to the revenue generated in other states with similar terminals. If the lottery revenues do not meet these targets, then the budget director, within the scope of her authority, could consider recommendations for further reductions in other expenditures.

As noted in our July 2009 Recovery Act report, Ohio plans to collect centralized administrative costs through a series of charge backs to the state agencies that are administering the Recovery Act programs. State budget officials said the amounts each agency would be asked to pay for centralized administrative costs would be in proportion to the Recovery Act funds each agency received. Senior state officials expect to collect about \$3 million for centralized administrative costs—far less than the \$40 million the state estimates it is eligible to collect based on Office of Management and Budget (OMB) guidance.² State officials said they limited the amount of administrative costs each agency could charge in order to maximize the impact of Recovery Act resources in the state.

²OMB Memorandum M-09-18, *Payments to State Grantees for Administrative Costs of Recovery Activities* (May 11, 2009). This guidance allows states to collect no more than 0.5 percent of the total Recovery Act funds the state expects to receive.

Ohio Began Weatherizing Homes Soon after DOE Approved Its State Plan

The Recovery Act appropriated \$5 billion over a 3-year period for the Weatherization Assistance Program, which the U.S. Department of Energy (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 all but two of the weatherization plans 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.³ Because the Davis-Bacon Act had not previously applied to weatherization, the Department of Labor (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 established a higher local prevailing wage rate for weatherization activities. Labor then surveyed five types of “interested parties”⁴ about labor rates for weatherization work. The department completed establishing prevailing wage rates in all of the 50 states and the District of Columbia by September 3, 2009.

³The Weatherization Assistance Program funded through annual appropriations is not subject to the Davis-Bacon Act.

⁴The five types of “interested parties” are state weatherization agencies, local community action agencies, unions, contractors, and congressional offices.

Ohio Relies on Grantees to Implement the Weatherization Program

The Ohio Department of Development (ODOD) has obligated all of the approximately \$133.4 million that DOE provided to Ohio. Specifically, Ohio has obligated these funds to its provider network of 34 grantees.⁵ ODOD reserved 20 percent of these funds for contingencies but plans to use these funds to weatherize eligible homes. An ODOD official told us that as of September 15, 2009, 17 to 19 grantees reported that they had spent approximately \$5.4 million weatherizing 1,260 homes. According to the state weatherization plan—approved by DOE on June 18, 2009—ODOD is using its existing network of grantees located throughout the state to run its Home Weatherization Assistance Program. Grantees began weatherizing homes on July 1, 2009, with Recovery Act funds. Specifically, grantees have used Recovery Act funds to hire and train program staff and weatherization workers, certify contractors, perform energy audits on eligible homes, and weatherize qualified homes.

We visited two of Ohio's 34 grantees, the Community Action Partnership of the Greater Dayton Area (CAP-Dayton) in Dayton, Ohio and the Mid-Ohio Regional Planning Commission (MORPC) in Columbus, Ohio to gain information on program implementation as of August 31, 2009.

- CAP-Dayton had received about \$1.8 million or 10 percent, of its approximately \$18.1 million weatherization allocation from Ohio's total \$266.8 million allocation in Recovery Act funds for the Weatherization Assistance Program. CAP-Dayton expects to weatherize approximately 2,100 homes with its \$18.1 million using in-house crews and will contract out for more skilled work, such as plumbing and electrical work. To increase production from about 45 homes per month to about 100 homes per month, CAP-Dayton has hired six more crew leaders and 11 more technicians to augment its planned weatherization workforce of 82 in-house staff. During the 2-month period of July and August 2009, CAP-Dayton expended about \$801,100 of its allocation and weatherized 120 homes.
- MORPC has been allocated about \$4.5 million of Ohio's \$266.8 million allocation in Recovery Act funds for the Weatherization Assistance Program and plans to weatherize 538 homes with its portion of these funds. MORPC expects to add 14 staff to augment its inspectors, case managers, and quality assurance positions and has hired one additional outside contractor. Until August 2009, MORPC used four contractors.

⁵Three of these grantees use 24 local agencies—called delegates—to provide weatherization services.

To meet its new production goals, MORPC solicited applications for additional contractors. MORPC officials stated that while eight weatherization contractors submitted proposals, only one met the selection criteria — the contractor had to be appropriately licensed, provide satisfactory references, and have experience or skills in weatherization work. MORPC awarded the contract on August 1, 2009. MORPC now uses five contractors to provide weatherization services in the mid-Ohio region. During the two month period of July and August 2009, MORPC expended about \$251,240 of its allocation and weatherized 36 housing units.

Davis-Bacon Act Is Not a Factor Limiting the Use of Recovery Act Funds

Ohio began weatherizing homes before Labor had issued its guidance on Davis-Bacon wage rates for weatherization work. ODOD officials directed grantees to choose a wage rate of at least as much as an existing prevailing wage for a similar position and begin weatherizing homes. ODOD officials said that if these rates were lower than Labor's new prevailing wage rate for weatherization work, the wages would be retroactively adjusted. ODOD officials said that most of the 34 grantees that perform weatherization services already paid wages above then existing prevailing wage categories.

On September 3, 2009, Labor published a county-by-county weatherization wage determination for Ohio. The determination includes weatherization work performed by a weatherization worker, such as minor repairs, batt and blown insulation, window and door repair, and weather stripping, solar film installation, air sealing, caulking, and other minor or incidental structural repairs. The determination also identified specialty weatherization work including replacement of doors and windows, installation and repair of furnace and cooling systems, and work associated with furnace and cooling systems such as electrical, pipe, and duct work. A senior ODOD weatherization official told us, however, that this determination was incomplete. Specifically, wage determinations for six of Ohio's counties were not included and some wage determinations for specific classifications of two counties seem very high. ODOD has scheduled for Labor to provide prevailing wage training in early October 2009.

Although the Davis-Bacon wage rates themselves were not a concern for ODOD, officials said they will have to overcome some administrative challenges concerning payroll processing required under the Davis-Bacon Act. The act requires that employees are paid weekly; however, grantees in Ohio have biweekly payrolls and will have to change their payroll systems to implement the program with Recovery Act funds. An ODOD official

stated he was concerned that contractors may not participate in the program due to these paperwork requirements. At the two grantees we visited CAP-Dayton had advertised to hire a Davis-Bacon compliance officer and MORPC officials told us they were considering hiring a Davis-Bacon compliance officer.

Implementation of Weatherization Program Varies throughout Ohio

Since ODOD relies on a network of grantees to implement the program, there are variations in the way the program is implemented across the state. While some grantees may need to hire more staff and inspectors to weatherize homes in their area, others may rely on local contractors to do the work. Another difference between grantees' program implementation is how they acquire weatherization supplies. For example, CAP-Dayton contracts with material suppliers for bulk purchases of weatherization supplies. Whereas, MORPC does not purchase weatherization materials; instead, it requires its contractors to purchase the supplies they use. ODOD said it has developed a list of suppliers of weatherization materials that emphasizes the use of Ohio businesses, but it does not require its grantees to use suppliers from the list. The grantees can purchase their own materials in bulk or allow its contractors to purchase supplies, as long as the supplies meet state established standards.⁶ In instances where a grantee contracts out its weatherization services, the responsibility of purchasing supplies and materials is often given to the contractor.

We reviewed MORPC's solicitation for a new contractor to gain a better understanding of how it provides weatherization services and discussed it with local officials, who told us that the contract was not competitively bid. They explained that MORPC uses a set price list for supplies and materials and establishes the wages for the contractor's staff. The contractor has to agree to MORPC's price and wage conditions. Further, an official stated that the contract does not set total value; rather, its effective dates run from August 1, 2009, through March 31, 2011, and MORPC will allocate production among all its contractors until it meets its production goals.

⁶Ohio requires weatherization materials installed conform to the State of Ohio Weatherization Program Standards and Appendix A of 10 CFR Part 440.

Ohio Plans to Enhance Existing Monitoring to Accommodate Program Growth

Given the large increase in funding from the Recovery Act, ODOD plans to enhance its monitoring activities. Currently, to ensure that grantees are meeting program requirements, ODOD visits each grantee at least once every 2 years to conduct administrative monitoring during which files of at least 10 percent of total production are reviewed. In addition, technical program monitoring occurs at least once a year during which 5 percent of completed, weatherized units are inspected. Going forward, ODOD intends to conduct both administrative and technical monitoring on an annual basis. To further enhance its monitoring under the Recovery Act, ODOD plans to assess each grantee provider's performance and use of Recovery Act funds on a quarterly basis. If deficiencies are noted, ODOD indicated it will work with the grantee to meet program requirements. If ODOD finds that a particular grantee cannot resolve its deficiencies, ODOD will look for another grantee to provide services in that part of the state.

ODOD conducts on-site monitoring of a selected number of completed units to help ensure that weatherization program standards are met. DOE requires on-site inspections of at least 5 percent of production. The enhanced funding level will require many more inspections; ODOD officials said they plan to increase their staff from six to eight staff in order to meet the requirements. ODOD officials said that if its inspectors identify deficiencies, the contractors are required to return to the home to complete the work. ODOD also plans to conduct telephone satisfaction surveys to recipient households to monitor whether local programs are effective and customer friendly.

Grantees also monitor production. For example, CAP-Dayton officials told us that field supervisors oversee 100 percent of the housing units weatherized as work is being done. A final inspector reviews work crew's work before the project is closed. This inspection is done on every project. CAP-Dayton weatherization directors randomly inspect work sites. Finally, CAP-Dayton contacts every customer to obtain their satisfaction with the work done and follow up on 25 percent of the weatherized units to measure energy consumption. CAP-Dayton officials noted they will continue with these monitoring procedures for the Recovery Act projects. Similarly, an official at MORPC told us the weatherization program manager reviews and signs off on every application for weatherization service, quality assurance inspectors verify that weatherization work was properly done on 100 percent of the projects, and the program manager also checks completed units on a random basis. MORPC staff conduct a telephone survey of at least 25 percent of weatherization customers. MORPC officials also said they plan to continue these monitoring procedures on projects funded by the Recovery Act.

Because the weatherization program has been small in recent years, ODOD's monitoring activities have not been tested by an independent audit in more than 10 years. However, monitoring procedures and activities are subject to periodic review by the DOE. The lack of an independent review through the Single Audit process heightens the risks associated with the program. When considering risk during the Single Audit process, auditors consider such items as the recipient's current and prior audit experience with federal programs; the results of recent oversight visits by federal, state, or local agencies; and the inherent risk of the program. Ohio's Office of Internal Audit (OIA) recently conducted a risk assessment of ODOD in order to help optimize use of its audit resources. OIA plans to perform an interim review of the adequacy of the internal controls at ODOD and will conduct assurance testing of key controls as funds are disbursed to ODOD. Additionally, the Auditor of State anticipates auditing Ohio's Weatherization Assistance Program in 2010.

Ohio Will Use DOE Performance Measures to Assess Impact of Recovery Act Funds and Help Meet Section 1512 Reporting Requirements

ODOD officials plan to use DOE performance measures to determine the impact of Recovery Act weatherization funds and are reporting several metrics to DOE on a quarterly basis, including: financial data, units weatherized, jobs created, monitoring activities, training provided, and equipment purchased. Grantees are required to report production and financial information monthly. ODOD, on a monthly basis, plans to monitor grantees' productivity in relation to established production goals and the quality standards and to adjust program funding and identify grantee providers that may need additional guidance or oversight.

To help meet Section 1512⁷ reporting requirements, ODOD said it plans to report actual jobs created. ODOD will collect the data through surveys of its grantees, aggregate the data, and report the information to DOE and OMB. To allow adequate time to review the subrecipient data before ODOD has to submit the data to Ohio's Office of Budget and Management (OBM), ODOD plans to establish a reporting deadline for its grantees that is 10 days in advance of the reporting date. ODOD will check the data once

⁷Section 1512 of the Recovery Act requires direct recipients of Recovery Act funds to report not later than 10 days after the end of each calendar quarter beginning with the quarter ending September 30, 2009, including use of funds received from federal agencies, detailed project or activity information, and an estimate of the number of jobs created and the number of jobs retained for projects and activities. Pub. L. No. 111-5, 123 Stat. 115, 287 (Feb. 17, 2009)

they are received. If data appear questionable, officials will compare the electronically submitted information against hard-copy files. Although ODOD cannot verify the data before it submits it to OBM, ODOD plans to verify the data during its quarterly on-site visits.

In Ohio, all state agencies that receive Recovery Act funds are responsible for reporting Recovery Act Section 1512 data—including the number of jobs created and retained—to OMB. Ohio's OBM has issued guidance on estimating jobs created and retained. Additionally, guidance was provided to grantees at weatherization assistance program meetings hosted by ODOD on March 3 and 4, 2009. However, grantee officials told us that they had not received guidance on how to report on jobs created. CAP-Dayton, which primarily uses in-house crews to perform weatherization work, estimated that it will create 30 new jobs under Recovery Act funding. MORPC officials plan to measure full-time equivalent jobs and estimated that 14 jobs will be created within the agency. MORPC contracts out the majority of its weatherization services; MORPC surveyed its contractors and estimates that its contractors will create 8 new jobs. ODOD officials said they expect to issue additional Section 1512 reporting guidance in the near future. Because of the centralized reporting requirements issued by OBM, ODOD officials said they already possess most of the required identifying data. As a result, relatively few additional reporting requirements for subrecipients are anticipated.

Another challenge of measuring job creation will be separating job creation by funding source. Ohio's Recovery Act weatherization program receives funding from three different sources: DOE's Weatherization Assistance Program, Health and Human Service's (HHS) Low-Income Heat Assistance Program (LIHEAP), and Ohio's Electric Partnership Program (EPP). Officials at both CAP-Dayton and MORPC told us they will use DOE Recovery Act funds for in-house labor costs and will only report job creation under DOE Recovery Act weatherization funds. However, MORPC officials explained that contractors are able to use some LIHEAP funds to pay salaries. ODOD officials stated they do not yet have a method to report job creation by separate funding stream, but will seek guidance from DOE.

Ohio Expanded Summer Youth Employment Activities but Faced Challenges Reaching Intended Enrollments for Older Youth

The Recovery Act provides an additional \$1.2 billion in funds for the Workforce Investment Act (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,⁸ the conferees stated they were particularly interested 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.⁹ 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.¹⁰ Labor’s guidance requires that each state and local area conduct regular oversight and monitoring of the program to determine compliance with programmatic,

⁸H.R. Rep. No. 111-16, at 448 (2009).

⁹Department of Labor, Training and Employment Guidance Letter No. 14-08 (Mar. 18, 2009).

¹⁰Current 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.

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

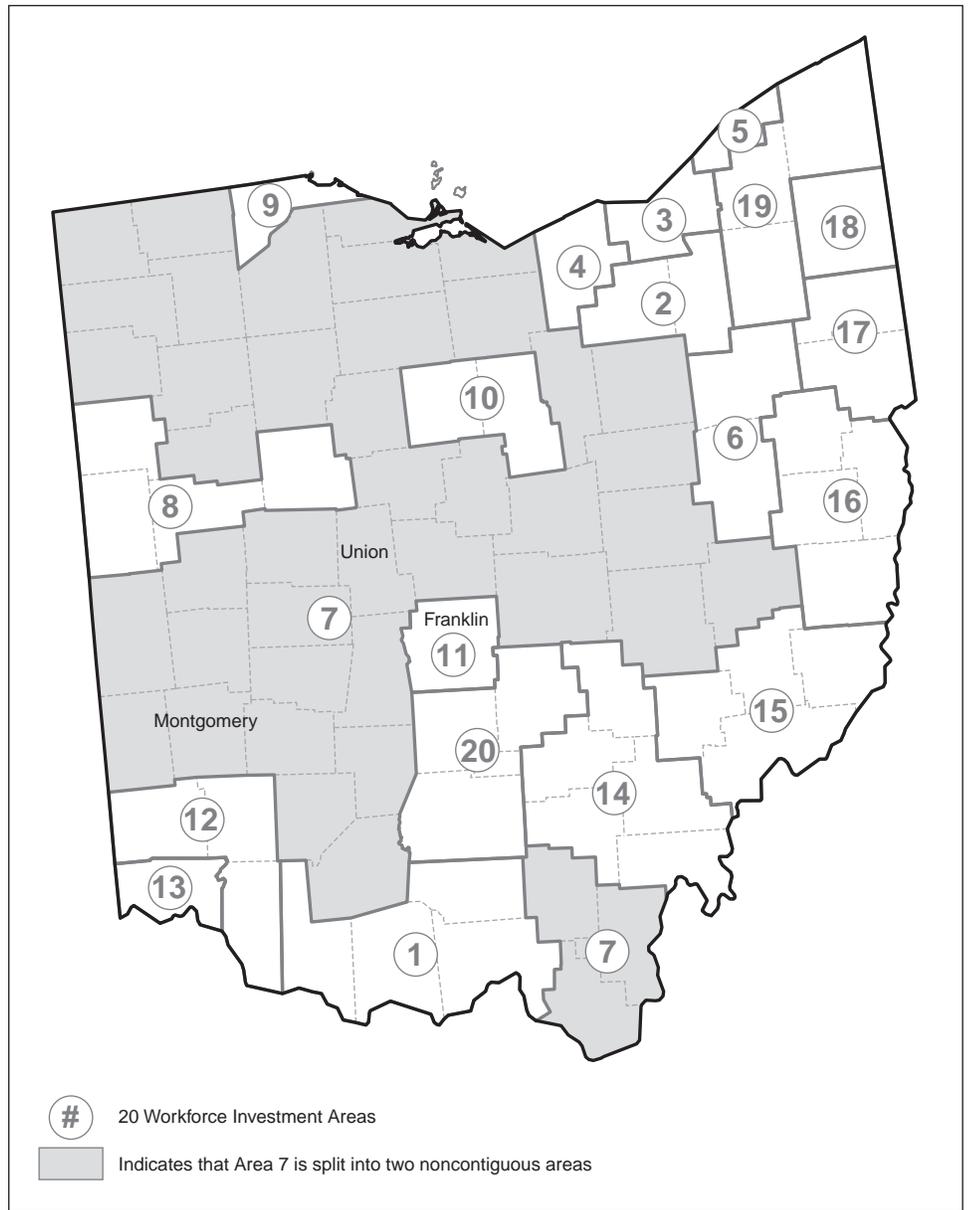
Ohio's Counties, in
Conjunction with Local
Workforce Investment
Boards, Design WIA
Summer Youth
Employment Activities

The Ohio Department of Job and Family Services (JFS) administers the state's workforce development system, including the WIA Youth Program, in addition to administering other federally funded social service programs. Ohio has 20 local Workforce Investment Boards (WIB), each including a varying number of counties. County commissioners are actively involved in decision making for the workforce system, and the design of summer youth employment activities differs from county to county, according to a senior JFS official. For our review of summer youth employment activities, we visited three counties: Franklin, Montgomery and Union, all of which we visited for our July 8, 2009, report.¹¹ We selected these counties to give us (1) a mix of population sizes and (2) a mix of experience operating summer youth programs. The counties are in two of Ohio's local area WIBs: Area 11, the Central Ohio Workforce Investment Corporation (COWIC),¹² which covers Franklin County and the city of Columbus; and Area 7, which covers 43 counties, including Union and Montgomery. (See fig.1.)

¹¹GAO, *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses*, [GAO-09-830SP](#) (Washington, D.C.: July 8, 2009). In the July report, we also visited Licking County, which is not covered in this report.

¹²COWIC is a nonprofit entity that is eligible to receive and administer funds granted under the Workforce Investment Act of 1998. Also known as the Local Workforce Board for Area 11 within the state of Ohio, it represents the city of Columbus and Franklin County, Ohio.

Figure 1: Map of Ohio's Workforce Investment Boards



Sources: GAO presentation of Ohio Department of Job and Family Services data; Map Resources (map).

Local Areas' Ability to Meet Ohio's Expenditure Rate Target Is Unclear

Ohio received \$56.2 million in Recovery Act funds for the WIA Youth Program and reserved 15 percent for statewide activities. As of August 15, 2009, JFS estimated it had expended \$13.5 million of its allotment. Though not required by the Recovery Act, JFS set an overall expenditure rate target for the Recovery Act youth funds, requiring local areas to expend at least 70 percent of the funds by October 31, 2009, and 90 percent by January 31, 2010. Local areas in Ohio that do not meet this target risk having those funds recaptured by the state, according to JFS. JFS reported that given current expenditures, it is unsure whether the local areas would meet its October expenditure target.

As Localities Implemented WIA Summer Youth Employment Activities, Meeting Enrollment Projections Proved Challenging

As we reported in July 2009, counties reported facing some challenges implementing their summer youth activities. For this report, we returned to three counties we visited in July. Local officials said they were able to overcome many of their initial concerns, but other concerns—such as recruiting and serving older youth, and increased workloads—remained.

The localities we visited each initially set a projected number of youth they could serve and had varying success reaching those projections. For our July 2009 report, JFS officials told us they expected 14,205 youth participants this summer. As of July 31, 2009, there were 12,530 youth participants statewide, with participation expected to increase as some local areas continued enrolling.¹³ Similarly, at the three counties we visited, the number of participants in the program at the time of our visit was below the counties' projected numbers. Table 1 summarizes the projected, eligible, and actual number of youth participants for the localities we visited.

¹³Data provided by Labor based on information reported by Ohio.

Table 1: Projected, Eligible, and Actual Numbers of Participants in Three WIA Summer Youth Employment Programs

	Projected number of youth participants from our last visit	Actual number of youth determined eligible who could begin activities ^a	Actual number of participants at the time of our latest visit
COWIC	2,500 ^b	Total: 2,121 Older ^c : 782	Total: 1,492 Older: 493 (as of Aug. 21, 2009)
Montgomery County	750	Total: 774 Older: 774	Total: 607 Older: 607 (as of Aug. 18, 2009)
Union County	30	Total: 24 Older: 6	Total: 18 Older: 5 (as of Aug. 14, 2009)

Sources: COWIC, Montgomery County JFS, and Union County JFS officials.

^aRepresents the final number of youth found eligible after intake periods ended.

^bCOWIC later revised the number of participants they could fund to 2,338 due to an increase in hourly wage for out-of-school youth.

^cOlder youth are ages 18 to 24.

Local officials said that older and out-of-school youth, including the newly eligible 22- to 24-year-olds, were especially challenging to recruit, enroll, and serve. Specifically, many 18- to 24-year-olds did not follow through with program requirements, such as providing eligibility documents. To help accommodate older youth, Montgomery County and COWIC had rolling admission.¹⁴ For older youth in COWIC’s area, wages were an issue. Officials at COWIC originally planned to serve about 1,250 out-of-school youth but only served 782. COWIC told us that older youth said they could find jobs on their own for minimum wage, so COWIC increased its hourly wage from \$7.30 to \$9 per hour, which helped increase participation. Once activities began, older youth did not always show up for work readiness or orientation sessions or to their job at the work sites, according to the local officials we visited. For some youth, this was due to competing responsibilities, such as child care. In Union County, the number of eligible applicants was low for all ages of youth. This, combined with

¹⁴Labor specifies the dates for WIA summer youth employment to be between May 1 and September 30, 2009. However, Ohio has a waiver from Labor that allows work experience to continue for youth 18 to 24 years old until March 30, 2010.

initial concerns about meeting the state expenditure rate target, allowed officials to offer 40 hours per week of work for most youth.¹⁵

In managing the program, local officials indicated it was a challenge to quickly screen the large number of applicants or to collect the documentation required for WIA eligibility. Compared with past summer programs, the counties we visited experienced increased workloads processing applications and documenting eligibility. To address the volume, COWIC had youth use an online portal to input application information with vendor staff. Montgomery County used an online form to prescreen potential applicants, and both counties hired additional staff to process applications and review eligibility documentation. COWIC used five staff members, including one hired for Recovery Act work, to review more than 2,300 applications processed by vendors. Montgomery County hired seven staff to review more than 1,000 applications. Union County processed only 43 applications; while its small staff did not have experience calculating WIA eligibility and the process was slow, the relatively small number of applications allowed them to process the applications themselves.

In the three counties we visited, local officials we spoke with put varying levels of effort into identifying and defining green opportunities. Despite Labor's encouragement for local areas to develop opportunities to introduce youth to green careers, Union County officials said finding green job placements was not a focus in their county. A Montgomery County official expressed frustration at the lack of definition for green jobs and said he was unsure how to define or identify green jobs. On the other hand, COWIC officials said they are working with industry leaders in the sector to identify green opportunities. In COWIC's request for proposals, it describes green initiatives as those that will help the conservation, recycling, or preservation of our environment. Along those lines, four COWIC youth were assigned to an internship in urban gardening, where they were to participate in the development of soil, compost, and planning, as well as learn about food business and soil conservation. However, some youth working in jobs classified under a "green initiative" were not necessarily working toward "green" educational or career paths. For example, two youth were assigned to the Ohio State University Center for Automotive Research, whose projects include alternative fuel vehicles.

¹⁵Hourly wages for youth in Union County ranged from \$7.30 to \$10 per hour and were based on wages that employers pay non-WIA-funded employees.

While they were exposed to green technology, their actual task was clearing brush and painting a fence at the center.

In implementing WIA summer youth employment activities, the local areas we visited did not have a problem recruiting employers to the program. In our visits, we found that the “work experience” component varied in the counties we visited, with some work sites having more educational elements than others. For example, 205 youth 14 to 17 years old in COWIC’s Camp IT are expected to strengthen computer skills; explore careers; engage in soft skill development, team building, and personal development; and access college and financial aid information. However other in-school youth placed in jobs by COWIC assisted in children’s summer camps, did clerical work or customer service. In Montgomery and Union Counties, work readiness sessions—lasting 1 hour in Montgomery County and 1 week in Union County—were the only classroom time for youth. The majority of youth in those counties did clerical or custodial work at employers in a variety of fields.

Work readiness measures were developed by individual counties in Ohio. In our July 2009 report, we noted that for officials in Montgomery County, developing work readiness measures was one of their greatest challenges. Montgomery County used work readiness measures developed by a vendor for their in-school youth program.¹⁶ Similarly, COWIC used different measures for in-school youth and out-of-school youth, as developed by vendors who have worked on previous COWIC programs.¹⁷ Union County used elements from a couple of sources, including a pre-employment test given by a local business.¹⁸

¹⁶Montgomery County’s work readiness test is a true/false test covering topics such as: money management, workplace communication, conflict management, coping skills, and time management.

¹⁷In addition to completing work readiness tests, all COWIC participants complete work readiness portfolios to document their learning during their internship.

¹⁸Union County’s work readiness test has questions on employment requirements, math computation, past employment experiences, and how to respond to workplace scenarios.

Ohio Is Enhancing Its Existing Monitoring Approach for the WIA Programs

As the prime recipient of WIA funds, JFS is responsible for monitoring the local area WIBs. JFS told us it plans on using its existing monitoring approach for the WIA Youth Program, with some enhancements. In April 2009, JFS issued guidance to local area WIB directors communicating its monitoring approach for WIA Recovery Act funding. According to this guidance, JFS will conduct multiple on-site visits, desk reviews, and teleconferences with the local area WIBs to assess the local area WIBs' readiness to implement services and activities using Recovery Act funds, as well as the sufficiency of its oversight procedures. JFS plans to provide the local area WIB with a written summary of the results of each visit or teleconference and will share these summaries with JFS staff so that they can address technical assistance needs, as appropriate. To enhance its monitoring capability, JFS plans on hiring additional staff to provide technical assistance, perform reviews of the fiscal data, and coordinate reviews of program data, as needed. To monitor activities provided with Recovery Act funds, JFS has also created supplemental questions specific to Recovery Act requirements.

In addition to reviewing the monitoring approach at the state level, we also assessed the monitoring approach of the counties and local WIBs we visited and noted both similarities and variations in their oversight practices. Similar practices local officials told us about were as follows:

- verifying eligibility by reviewing and signing off on each individual application;
- verifying the accuracy of a sample of manually entered application data (which was entered into the JFS reporting system, as electronic applications are not linked into the state reporting system);
- having supervisors sign youth timesheets and by reviewing them for accuracy;
- having employers file work-site agreements that detail the safety and supervision requirements for the programs; and
- using staff to make frequent on-site visits to monitor whether youth work sites were complying with program rules.

An example of a varying practice between the WIBs we visited is that COWIC officials told us it has an audit committee and had conducted recent risk assessments of its summer youth service providers. It used the results of these risk assessments to develop its fiscal monitoring schedule for conducting desk reviews. Area 7 told us it does not have an audit committee, and although it provided its monitoring schedule indicating site visits had begun, it had not conducted a recent risk assessment because it plans to visit every county.

In our July 2009 report, we noted that the Auditor of State had declared one of the local area WIBs to be “unauditable.” The Auditor of State declares an entity “unauditable” when the condition of the financial records is inadequate to complete the audit. The Area 7 WIB was the local area WIB declared “unauditable” by the Auditor of State. A senior JFS official responsible for overseeing the resolution of the audit issues told us that Area 7’s audit issues have been resolved, and on September 10, 2009, the Auditor of State released Area 7’s fiscal year 2008 single audit report.

JFS is responsible for the accuracy and completeness of all subrecipient reported information and plans to use a spreadsheet to collect subrecipient information. As subrecipients, local areas are responsible for reporting financial information to the state system through reporting mechanisms and processes determined by the state. JFS has issued initial guidance to its local area WIBs regarding its subrecipient reporting responsibilities. According to a JFS official, one of the challenges in meeting the October 10, 2009, reporting deadline is the requirement to include Recovery Act funding information through September 30, 2009. This is challenging because although local WIBs provide information to JFS by the end of the month, JFS has to review the information submitted, and this process normally takes about 10 days.

A WIA Summer Youth Contract Case Study

We selected one contract to review and discuss in greater depth with COWIC contracting officials. COWIC awarded this contract to a local vendor to provide services in support of its WIA summer work program for out-of-school youth. The contract was awarded on May 1, 2009, at a total value of \$160,068 with a project start date of May 1 and a projected completion date of September 30, 2009. The contract provides for the provision of services to 375 WIA eligible youth for their development as working professionals, which includes providing case management of individual participants, job readiness training, and internship job opportunities related to each participant’s career interests.

According to a senior contracting COWIC official, the contract awarded was one of six made by COWIC to public and private organizations to serve a total of approximately 970 out-of-school youth 18 to 24 years old during the summer of 2009. The official stated the contract was awarded competitively using procedures that included a request for proposal (RFP) open to any public or private organization capable of performing the work described. According to the senior official, 11 vendors submitted letters of intent (LOI) to bid, and from a review of those 11, it was determined that 9 vendors met the criteria established to submit a full proposal in response

to the RFP. The official stated these LOI reviews were used to ensure the capability of each contractor to perform the required services before actual contract award.

Officials told us that under COWIC Procurement Policy and Procedure, the agency's policy specifies that all procurement transactions shall be conducted in a manner to provide open and free competition in order to ensure objective contractor performance and eliminate unfair competitive advantage. This policy also states that contracts will be awarded to the offeror whose bid is responsive to the solicitation and is most advantageous to COWIC, price, quality, service, and other factors considered.

According to the senior contracting official, the work was awarded using a cost-reimbursable contract with a not-to-exceed amount. Payments to the vendor are based on actual expenditures, with all vendor invoices supported with detailed receipts. The official stated that COWIC has used this type of contract with service providers in the past and has achieved excellent outcomes. According to the contracting official, the agency has standard procedures for monitoring contractor performance with ongoing monitoring provided by COWIC compliance staff to assure quality and performance is being met. These procedures include conducting desk reviews of service provider information on program performance and compliance, service provider site visits to review records and interview contractor staff, and surveys to participating employers and youth to determine program compliance and assess service quality. A sample of work-site visits are also conducted by COWIC staff, and program reports are completed to document key quality and performance information. Other oversight activities include clarifying the performance outcomes with the vendor during contract negotiations and providing training for all selected vendors and their partners after contract award.

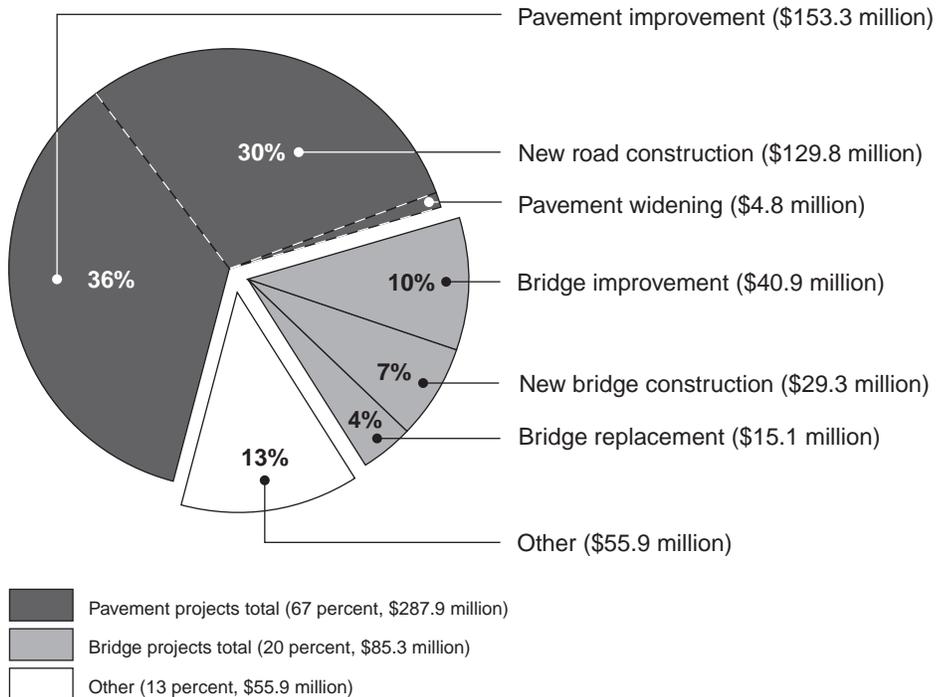
FHWA Is Obligating Highway Funds for Ohio for More Complex Projects and Has Increased Obligation Rates to Metropolitan Planning

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 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 the states through federal-aid highway program mechanisms, and states must follow the requirements of the existing program, 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 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.

The U.S. Department of Transportation's Federal Highway Administration (FHWA) apportioned about \$936 million in Recovery Act funds to Ohio. As of September 1, 2009, the federal government had obligated about \$429 million for 193 projects. This is about 46 percent of the \$936 million apportioned to Ohio in March 2009.¹⁹ Almost \$290 million or 70 percent of Recovery Act highway obligations for Ohio have been for highway pavement projects. More than \$190 million of these obligated funds are going for larger and more complex projects, such as the \$18 million Greater Cleveland and Greater Akron Regional Intelligent Transportation Systems for installing traffic cameras, dynamic message boards, vehicle detectors, and advisory radios along highways across seven Ohio counties. Figure 2 shows obligations by the types of road and bridge improvements being made.

¹⁹ All states have met the Recovery Act requirement that 50 percent of apportioned funds be obligated within 120 days of apportionment (before June 30, 2009). However, this requirement 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 or to funds transferred to FTA. The number reported above reflects the percentage of all apportioned funds that have been obligated, including the suballocated amounts.

Figure 2: Highway Obligations for Ohio by Project 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.

We selected two highway contracts²⁰ awarded by the Ohio Department of Transportation (ODOT) contracting officials to gain a better understanding of how projects were to be implemented. We reviewed the contracts and discussed them with ODOT officials, who told us that both projects were competitively bid and were awarded for a fixed price. Officials also stated that one contract was for 7.7 percent less than the state's estimated cost, and the other contract was for 15.1 percent more than the estimated cost. Also, in both cases, these officials indicated that ODOT had incorporated FHWA Recovery Act requirements into the contracts. As a result, the contractors are required to provide information necessary for ODOT to meet its Recovery Act reporting requirement.

²⁰The two contracts we reviewed included a project in Hancock County to pave deteriorated sections along Interstate 75 and a project in Cuyahoga County to repave the shoulders and widen the ramp between two major interstates.

Ohio Department of
Transportation Monitors
the Obligations and
Expending Rates of
Recovery Act
Transportation Funds for
Metropolitan Planning
Organizations

As of September 1, 2009, the federal government obligated \$49.6 million, or 31 percent, of the \$161.5 million of Recovery Act funds suballocated to Metropolitan Planning Organizations (MPO)²¹ throughout the state. These obligated funds went to 57 of the 153 approved MPO Recovery Act projects. ODOT officials said they were monitoring the MPOs' obligation rates closely and have procedures in place designed to ensure that all of the funds allocated for MPOs are promptly expended. For example, according to ODOT officials, ODOT requires the MPOs to submit contingency plans in case the actual contract amount is lower than the amount obligated for a project. MPO and ODOT district office officials meet regularly to discuss whether follow-up action is needed with local political entities that are sponsoring individual projects. In addition, ODOT central office convenes monthly video conferences with MPO and local ODOT district office officials to ensure that project phases are completed on schedule.

We visited the four largest of Ohio's eight MPOs;²² officials at all four MPOs expect there will be projects where contracts will be awarded at less than the original Recovery Act estimate. As of September 1, 2009, officials at one MPO identified four contracts that will be awarded about \$400,000 less than originally estimated. According to an MPO official, the contingency plan calls for removal of the unused funds from the original contract and obligating those funds for use on other road surfacing projects.

ODOT officials told us they expect all Recovery Act funds to be obligated on MPO approved projects by March 2, 2010. However, officials at the MPOs we visited were unsure of the process that should be followed to deobligate funds from projects and obligate those funds to other projects. In addition, they were unaware of the time frame available for completing the action. ODOT central office officials told us that all deobligated funds

²¹Metropolitan planning organizations 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 TIP and the approved State Transportation Improvement Program (STIP).

²²MPOs visited were the Ohio-Kentucky-Indiana Regional Council of Governments, Northeast Ohio Areawide Coordinating Agency, Mid-Ohio Regional Planning Commission, and the Miami Valley Regional Planning Commission. These four MPOs were allocated the largest amount of Recovery Act funds in the state.

from contracts that were awarded at less than the original estimate need to be obligated on new projects by September 30, 2010. ODOT officials said they plan to revisit the procedures for obligating the unused Recovery Act funds with the MPOs to make sure they understand the process; ODOT officials also stated they may provide written guidance on the process.

Ohio Has Obligated Its Recovery Act Funds for State Fiscal Stabilization Fund and Education, but Few Funds Have Been Expended

State Fiscal Stabilization Fund

The Recovery Act created the State Fiscal Stabilization Fund (SFSF) in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services, such as public safety. Stabilization funds for education distributed under the Recovery Act must be used to alleviate shortfalls in state support for education to school districts and public institutions of higher education (IHE). The initial award of SFSF funding required each state to submit an application to Education that provided several assurances, including that the state will meet maintenance-of-effort requirements (or will be able to comply with waiver provisions) and that it will implement strategies to meet certain educational requirements, such as increasing teacher effectiveness, addressing inequities in the distribution of highly qualified teachers, and improving the quality of state academic standards and assessments. In addition, states were required to make assurances concerning accountability, transparency, reporting, and compliance with certain federal laws and regulations. States must allocate 81.8 percent of their SFSF funds to support education (these funds are referred to as education stabilization funds) and must use the remaining 18.2 percent for public safety and other government services, which may include education (these funds are referred to as government services funds). After maintaining state support for education at fiscal year 2006 levels, states must use education stabilization funds to restore state funding to the greater of fiscal year 2008 or fiscal year 2009 levels for state support to school districts or public IHEs. When distributing these funds

to school districts, states must use their primary education funding formula, but they can determine how to allocate funds to public IHEs. In general, school districts maintain broad discretion in how they can use education stabilization funds, but states have some ability to direct IHEs in how to use these funds.

ESEA Title I

The Recovery Act provides \$10 billion to help local educational agencies (LEA) 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 formulas, 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 the funds by September 30, 2010.²³ Education is advising LEAs to use the funds in ways that will build the agencies' long-term capacity to serve disadvantaged youth, such as through providing professional development to teachers.

IDEA

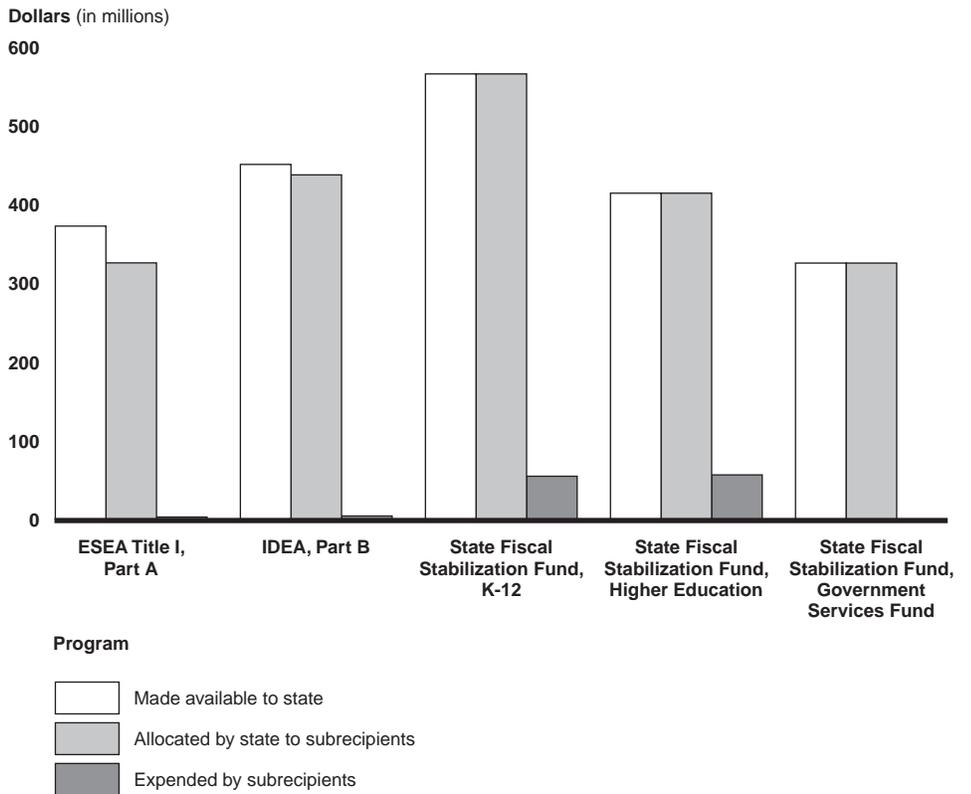
The Recovery Act provided supplemental funding for programs authorized by Parts B and C of the Individuals with Disabilities Education Act (IDEA), the major federal statute that supports the provisions of early intervention and special education and related services for infants, toddlers, children, and youth with disabilities. Part B funds programs that ensure preschool and school-aged children with disabilities access to a free and appropriate public education and is divided into two separate grants—Part B grants to states (for school-age children) and Part B preschool grants (section 619). Part C funds programs that provide early intervention and related services for infants and toddlers with disabilities—or at risk of developing a disability—and their families. Education made the first half of states' Recovery Act IDEA funding available to state agencies on April 1, 2009.

Ohio has allocated almost all Recovery Act funds made available for ESEA Title I, IDEA, and SFSF, but limited funds have been expended. The Ohio Department of Education (ODE) administers all Recovery Act funds for

²³LEAs 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 must obligate all of their funds by September 30, 2011. This will be referred to as a carryover limitation.

education, including SFSF money, and will distribute those funds to recipients as those entities request drawdowns. (See fig. 3.)

Figure 3: Expenditures of Recovery Act Funding for Selected Education-Related Programs as of September 15, 2009



Source: GAO analysis of data from the U.S. Department of Education and the Ohio Department of Education.

Note: The U.S. Department of Education does not separately allocate SFSF funds to states for K-12 and higher education, but this graph reflects the division of funds appropriated by the Ohio legislature.

While the final third of education stabilization funds have not yet been made available to the state, the state’s biennial budget appropriates all the funds to be provided by the Recovery Act. In addition, the budget allocated all of the state’s government services funds—a portion of the SFSF—to the Department of Rehabilitation and Corrections (ODRC). Specifically, the budget allocated the following over fiscal years 2010 and 2011:

- about \$845 million in SFSF to LEAs as a portion of the state’s foundation funding that the state sends in grants to LEAs each year by

formula. This year, the state changed the formula it will use to distribute this funding, known as foundation funding.²⁴

- nearly \$619 million in SFSF for higher education. These funds are being distributed to all 37 of Ohio's public institutions of higher education as part of the state's share of instruction (SSI). A state official said that, like the K-12 formula, the formulas used to determine SSI distributions also changed this year: They will include factors related to course completion and degree attainment, which are expected to be phased into the formulas over the next two biennia. Overall, the total SSI provided to IHEs increased by about 6 percent from fiscal year 2009 to fiscal year 2010. Based on preliminary calculations of SSI distributions, all main campuses of 4-year universities received more funding through the SSI than in the previous year except Youngstown State University and Central State University (CSU), whose total allocation for SSI was projected to be reduced compared with the previous year. Officials from CSU said the new formula factors presented challenges for the school.
- nearly \$326 million in SFSF over 2 years to the ODRC for operating costs such as salaries and other expenses.

Ohio's Use of Public Housing Capital Fund Grants Is Increasing

The Public Housing Capital Fund provides formula-based grant funds directly to public housing agencies to improve the physical condition of their properties; to develop, finance, and modernize public housing developments; and to improve management.²⁵ The Recovery Act requires the U.S. 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 on which they are

²⁴The budget adopted an "evidence-based model" for school funding in Ohio. The new model, which includes funding for universal all-day kindergarten, will be phased in over 10 years. The total amount of funding calculated under the model is termed the adequacy amount. The adequacy amount includes eight major components: (1) instructional services, (2) additional support, (3) administrative services, (4) operations and maintenance, (5) gifted instruction and enrichment, (6) technology resources, (7) professional development, and (8) instructional materials. Certain components of the model are adjusted to account for differences in the school district's educational attainment, wealth, and concentration of economically disadvantaged students.

²⁵Public housing agencies receive money directly from the federal government. Funds awarded to the public housing agencies do not pass through the state budget.

made available to public housing agencies, expend at least 60 percent of funds within 2 years, and expend 100 percent of the funds within 3 years. Public housing agencies are expected to give priority to projects that can award contracts based on bids within 120 days from the date on which the funds are made available, as well as projects that rehabilitate vacant units, or those already under way or included in their current required 5-year capital fund plans.

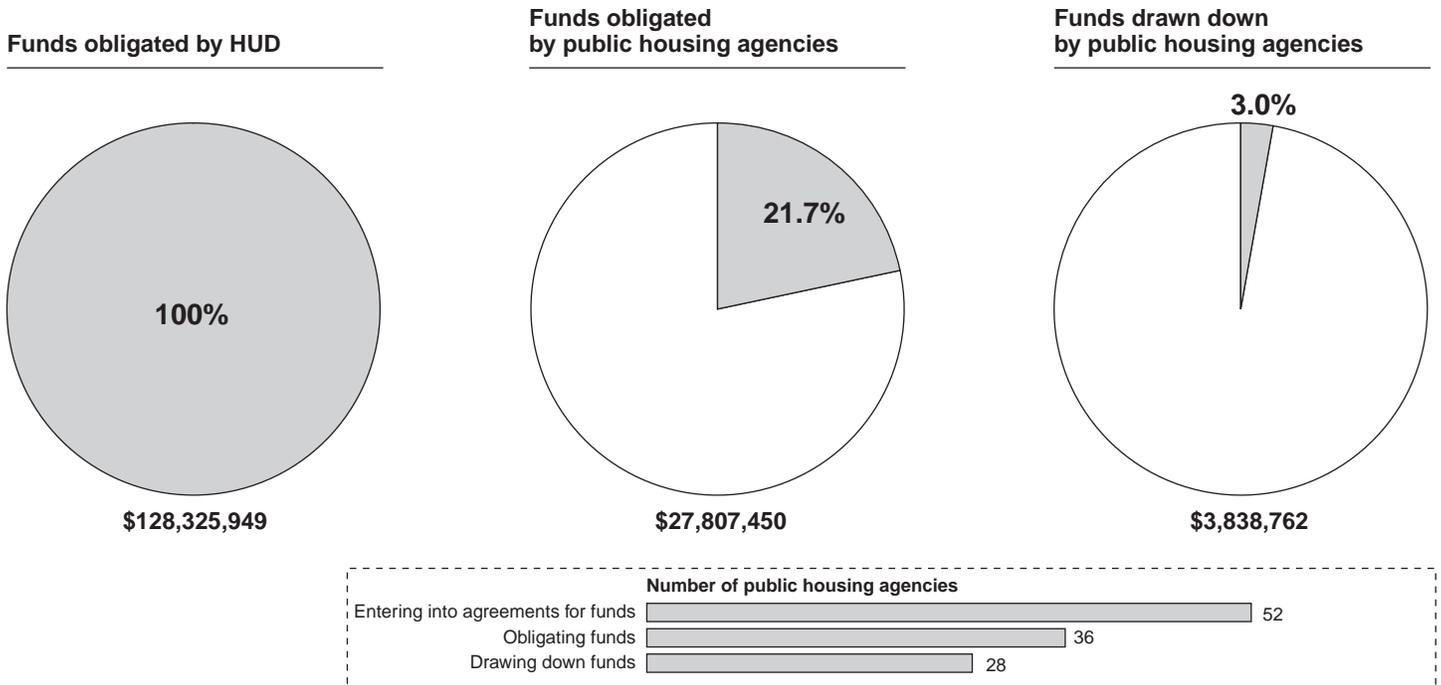
HUD is also required to award nearly \$1 billion to public housing agencies based on competition for priority investments, including investments that leverage private sector funding or financing for renovations and energy conservation retrofit investments. In a Notice of Funding Availability published May 7, 2009, and revised June 3, 2009, HUD outlined four categories of funding for which public housing agencies could apply:

- creation of energy-efficient communities (\$600 million),
- gap financing for projects that are stalled due to financing issues (\$200 million),
- public housing transformation (\$100 million), and
- improvements addressing the needs of the elderly or persons with disabilities (\$95 million).

For the creation of energy-efficient communities, applications (which were due July 21, 2009) were to be rated and ranked according to criteria outlined in the Notice of Funding Availability. The last three categories will be threshold-based, meaning applications that meet all the threshold requirements will be funded in order of receipt. If funds are available after all applications meeting the thresholds have been funded, HUD may begin removing thresholds after August 1, 2009, in order to fund additional applications in the order of receipt until all funds have been awarded. Applications in these three categories were accepted until August 18, 2009.

Ohio has 52 public housing agencies that have received Recovery Act formula grant funds. In total, these agencies received about \$128.3 million in Public Housing Capital Fund grant awards. We reported in July 2009 that Ohio's public housing agencies had obligated approximately \$8.1 million or about 6.3 percent of the total grant award allocation and had expended \$794,847 or about 0.6 percent. As of September 5, 2009, the Ohio public housing agencies have increased the pace at which they are obligating and expending Recovery Act funds. Figure 4 shows the funds allocated by HUD that have been obligated and drawn down by Ohio public housing agencies as of September 5, 2009.

Figure 4: Percentage of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Ohio, as of September 5, 2009



Source: GAO analysis of HUD data.

As of September 5, 2009, 36 of 52 agencies in Ohio had obligated funds—an increase of 9 since June 20, 2009—and 28 have drawn down funds—an increase of 18 agencies. During the same time period, obligations have increased to about \$27.8 million, or 21.7 percent of the grant allocations, and draw downs have increased to over \$3.8 million, or about 3.0 percent.

Ohio to Use a Centralized System for Recipient Reporting

In Ohio, OBM is responsible for completion and submission of the quarterly Section 1512 Recovery Act reports to the FederalReporting.gov Web site. As a direct or prime recipient, state agencies contract with subrecipients, monitor these subrecipients, and report Recovery Act 1512 data from subrecipients to OBM for processing and reporting. OBM will monitor and report on Recovery Act funding that is managed by state agencies or passed through to local government entities on a subrecipient basis. OBM will neither monitor nor report funding and programmatic information on Recovery Act dollars that local entities may receive as prime recipients directly from federal grant programs. Prime recipients are

responsible for reporting information required by Section 1512 directly to FederalReporting.gov.

To ensure the accuracy and completeness of Recovery Act reports to federal agencies, OBM has designed a new information system—called the Ohio American Recovery and Reinvestment Act Hub (Hub)—to centrally collect and report on both financial and program data. Revenue and expenditure data is directly input to the Hub through an interface with the Ohio Administrative Knowledge System (OAKS). Programmatic information, however, is being entered into the Hub by each of the state agencies. State agencies that administer Recovery Act-funded programs are also responsible for submitting subrecipient and vendor information to the Hub. Each state agency that is a Recovery Act funding recipient is working with the OBM’s Office of Internal Audit to complete detailed process maps and risk assessments. This process began in March 2009 and is expected to continue for the duration of the Recovery Act programs.

OBM Has Identified Risks and Controls within the Hub

OBM identified four risk areas and established controls designed to avoid two key data problems—material omissions and significant reporting errors. Material omissions are when required data are not reported or reported information is not responsive to the data requested. Significant reporting errors occur when data is not reported accurately.

OBM reviewed the process activities for Ohio’s centralized reporting system—the Hub—for the program initiation and quarterly reporting process and identified four risk areas:

- commingling of Recovery Act funds with non-Recovery Act funds;
- insufficient or lack of internal controls in place to comply with Recovery Act program requirements and goals or to minimize the fraud, waste, and abuse;
- incomplete and inaccurate data; and
- untimely submission of Recovery Act data to federal agencies.

OBM established six key controls designed to prevent or mitigate the risk areas. These controls include

- assigning a unique OAKS number to each program for both revenue and expenditures,
- providing independent review of the Recovery Act process diagrams for each agency,
- delivering and monitoring data and validation reports to determine which programs are validating data to ensure compliance,

-
- reviewing OAKS data at month and quarter ends to ensure accuracy and completeness,
 - performing completeness checks on data pulled from the Hub and data uploaded into FederalReporting.gov, and
 - evaluating the Recovery Act internal controls of each agency.

Because the Hub is a new application, implementation issues could result. Recognizing this, in early August 2009, OBM performed an initial test run of the Hub. This “dry run” had two purposes. First, it allowed state agencies to become accustomed to the reporting timelines and the internal work procedures needed to meet the timelines. Second, it provided OBM with an opportunity to test its information system and ensure it could pull together accurate central reports in a timely and effective manner.

Initial Tests of the Hub Are Promising, but Challenges Exist

In mid-August 2009, OBM completed initial Hub testing. According to OBM, the test was designed as a basic system test. Specifically, the test was designed to help ensure that state agencies report all data elements required by Section 1512, that data were added to the appropriate reports by program and in summary, and that financial data from OAKS were fed properly into the Hub and were associated with the appropriate program. Additionally, the test provided an impetus for agencies to provide their program data, establish proper security for their users, and use the validation function for an individual to attest to the accuracy of program data.

OBM reported that the test was successful. Specifically, an OBM official noted that (1) reports available to all Hub users contained the required data, (2) financial data from OAKS were associated with the proper Catalog of Federal Domestic Assistance number and appeared correctly in reports, and (3) the validation and attest feature worked. Further, the test prompted the agencies to become more familiar with the Hub and spurred them to load their programmatic data. OBM plans another Hub test in early September 2009. This second test is to include available vendor and subrecipient data elements and will again test a reporting period conclusion.

While initial tests of the Hub were successful, OBM faces additional challenges before the system is fully operational and fully tested. First, the “dry run” tested data of only 14 of the more than 20 Recovery Act programs. Second, all controls and validation procedures may not be complete by the first quarterly reporting date of October 10, 2009. Third, notwithstanding the controls put into place and OBM’s “dry run” test, the

Hub could still contain erroneous data because each state agency has its own validation policy and is responsible for validating the accuracy and completeness of subrecipient data, as well as its own data. OBM officials told us they plan to review state agencies' controls and make sure that agencies' data have been independently reviewed.

State Comments on This Summary

We provided the Governor of Ohio with a draft of this appendix on September 4, 2009, and representatives of the Governor's office responded on September 09, 2009.

In general, they agreed with our draft and provided some clarifying information, which we incorporated. The officials also provided technical suggestions that were incorporated, as appropriate.

GAO Contacts

Cynthia M. Fagnoni, (202) 512-7202 or fagnonic@gao.gov

David C. Trimble, (202) 512-9338 or trimbled@gao.gov

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