

May 2010

# RECOVERY ACT

## States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Florida)



GAO

Accountability \* Integrity \* Reliability

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# Appendix V: Florida

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## Overview

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

Florida has been deeply affected by the national economic recession, exceeding the national unemployment and home foreclosure rates as well as facing budget gaps. The state has taken steps to reduce expenditures and increase revenues and has used Recovery Act funds to address its short-term economic hardship. Florida officials expect state agencies, cities, counties, non-profits, and other organizations to receive about \$20 billion in Recovery Act funds over multiple years through formula and competitive grants. Additional funding goes directly to individuals through unemployment compensation, increased food stamp assistance, and other programs.

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## What We Did

Our work in Florida focused on specific programs funded under the Recovery Act. From January to May 2010, we collected relevant data to understand how they were using funds (see table 1). Our review focused exclusively on these entities and our results cannot be generalized to Florida or nationwide. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-605SP](http://www.gao.gov/recovery).

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

**Table 1: Sites Selected for the Sixth Round, Rationale, and Work Done**

Program	Entities and sites selected	Methodology and information collected
Workforce Investment Act of 1998 (WIA) Dislocated Worker Program	<ul style="list-style-type: none"> <li>Florida Agency for Workforce Innovation (FAWI)</li> <li>Eight local workforce boards based on increases in unemployment rates as compared to all Florida counties. The eight boards collectively received 45 percent of the total Recovery Act WIA allotment to state.</li> </ul>	<ul style="list-style-type: none"> <li>FAWI: Conducted interviews on state and workforce boards' implementation of program and reporting of obligations to the U.S. Department of Labor (Labor).</li> <li>Gathered data from each of the eight local boards and visited two: Region 20, Workforce Solutions; and Region 23, South Florida Workforce Investment Board.</li> </ul>
Weatherization Assistance Program	<ul style="list-style-type: none"> <li>Florida Department of Community Affairs (DCA)</li> <li>Three subgrantees: Suwannee River Economic Council, Inc., Pinellas County Urban League, and Indiantown Non-Profit Housing, Inc. Selected subgrantees based on the size of the respective programs and geographic dispersion</li> </ul>	<ul style="list-style-type: none"> <li>DCA: Discussed management controls in place.</li> <li>Subgrantees: Selected 36 weatherization cases either randomly or judgmentally based on geographic dispersion within the subgrantees' service areas to review for documentation supporting compliance with DCA requirements, such as income eligibility; however, we did not independently verify clients' income.</li> <li>Weatherized homes: Visited 29 homes to determine that the work paid for was completed and of acceptable quality. A licensed engineer on our staff participated in inspections of these homes to assess work quality, and we received technical assistance from a consulting engineering firm on issues involving heating, ventilation, and air conditioning equipment.</li> <li>Visited University of Central Florida, Solar Energy Center, which is training local weatherization inspectors, and interviewed center officials.</li> </ul>
Public Housing Capital Fund Program (formula grant)	<ul style="list-style-type: none"> <li>Jacksonville and Miami Department of Housing and Urban Development (HUD) field offices</li> <li>Four public housing agencies, two of which obligated less than 50 percent of their Recovery Act Capital Fund formula grants as of mid-February 2010 (Pasco County and city of Lakeland) and two of which had obligated more than 50 percent as of the same date (cities of Orlando and Sarasota)</li> </ul>	<ul style="list-style-type: none"> <li>HUD field offices: Interviewed officials about pace of obligations and HUD's oversight and technical assistance.</li> <li>Public housing agencies: Inquired about challenges in obligating funds, reporting, and HUD's oversight and technical assistance at four selected agencies. Interviewed officials at agencies about internal controls and collected relevant documents; at Orlando Housing Authority, performed limited testing of internal controls over certain financial transactions and their compliance with requirements of the Recovery Act Capital Fund formula grant. We did not independently determine whether the goods/services paid for were received and met various requirements, such as Buy American.</li> </ul>
Clean Water and Drinking Water State Revolving Funds	<ul style="list-style-type: none"> <li>One Drinking Water project in city of North Miami Beach and one Clean Water project in city of Stuart.</li> </ul>	<ul style="list-style-type: none"> <li>Reviewed Florida's method of awarding these Recovery Act funds and its approach to ensure accountability. We did no testing of controls, such as Buy American, or whether goods/services paid for were received.</li> </ul>

Program	Entities and sites selected	Methodology and information collected
State and local budgets	<ul style="list-style-type: none"> <li>State budget officials</li> <li>One city, Orlando (population 230,519), and its county, Orange County (population 1,086,480), because both have high unemployment rates—11.5 percent and 12 percent for Orlando and Orange County, respectively, as of March 2010—and are among the areas experiencing the highest foreclosure rates relative to the state average</li> </ul>	<ul style="list-style-type: none"> <li>Interviewed state officials on state’s use of Recovery Act funds and reviewed budget documentation.</li> <li>Interviewed city of Orlando and Orange County officials on use and amount of Recovery Act funds received, and strategies for addressing challenges when Recovery Act funds are no longer available, and reviewed localities’ budget documents.</li> </ul>
Transparency and accountability (recipient reporting and Single Audit Project)	<ul style="list-style-type: none"> <li>Florida Auditor General</li> <li>Florida Department of Education</li> <li>Florida Agency for Workforce Innovation</li> <li>A Florida public housing agency</li> <li>Florida Recovery Czar and inspectors generals</li> </ul>	<ul style="list-style-type: none"> <li>Assessed the involvement of Florida officials participating in the federal Office of Management and Budget’s (OMB) Single Audit Pilot Project by reviewing audit findings, recommendations, and corrective actions taken as a result of the project.</li> <li>Discussed recipient reporting as well as audit work planned or completed.</li> <li>Interviewed officials and reviewed documentation at a local educational agency, an institution of higher education, and a public housing agency in Florida regarding job calculations for the second and third rounds of recipient job reporting. These entities were selected because they are among the largest recipients of education and public housing Recovery Act funds in Florida.</li> </ul>

Source: GAO.

## What We Found

We reviewed the implementation of several Recovery Act programs in Florida and found that state agencies and other grant recipients are generally meeting statutory deadlines or goals for obligating Recovery Act funds, meaning that recipients have contracts in place to begin work or provide services. However, several recipients we visited said they faced implementation challenges, such as understanding new requirements under tight time frames for obligating funds. Moreover, in a few of the programs reviewed, we identified several compliance challenges and control gaps that state officials committed to address.

- Dislocated Worker Recovery Act Funds.** The state agency administering the WIA program has data on local workforce boards’ expenditures of their entire WIA allocation (Youth, Adult, and Dislocated Worker), but state officials reported not having data on local boards’ obligation of funds. Half of the eight local boards we contacted regarding their dislocated worker allocation—to be used for employment and training activities to assist workers dislocated by

layoffs or terminations—reported obligating or spending their entire allocation of funds by January 31, 2010. All eight boards reported using Dislocated Worker funds to place additional people in employment-related training; taking steps to address demand for services; having data-collection and reporting procedures that accounted for Recovery Act funds; and using site visits to monitor performance of those receiving funds. In doing our work, we learned that the state agency overseeing Florida’s workforce system has been reporting obligations data to the U.S. Department of Labor (Labor) that do not satisfy Labor’s definition for obligations. The state agreed to change the way data are reported.

- **Weatherization.** Florida has established a variety of management controls for weatherizing residences using Recovery Act funds and has significantly increased the pace of home weatherizations between September 2009 and March 2010 to a total of 1,987 single family homes as of March 31, 2010, according to data received from the state. We found several gaps in the controls, resulting in problems undetected by program personnel or noncompliance. At the three subgrantees we reviewed, we found some instances of work done that was of unacceptable quality or inconsistent with planned work, or work charged but not done, and potential health or safety issues that were not addressed. In addition, we raised with state officials that stronger guidance and oversight by the state Department of Community Affairs (DCA), which administers the program, could help to ensure that subgrantees use local market rate information to obtain fair and reasonable prices for goods and services, as required for spending Recovery Act funds. DCA and subgrantees agreed to act on our suggestions to address the problems we identified.
- **Public Housing Recovery Act Capital Fund Formula grants.** According to HUD, public housing agencies in Florida receiving Recovery Act Capital Fund formula grants met the March 17, 2010 deadline for obligating these funds. In our review of internal control documentation at four selected public housing agencies, we found each had internal control policies for procurement and for Recovery Act-required information.
- **Drinking Water and Clean Water and State Revolving Funds.** Florida officials told us all Recovery Act-funded projects were under contract by the February 17, 2010 deadline. However, state officials said they faced challenges in processing the high volume of drinking water and clean water project requests while some local subrecipients

had to take additional steps to meet state contracting requirements and Recovery Act requirements for U.S.-made construction materials.

- **State and Local Budgets.** Florida officials project a slight improvement in the state's fiscal condition; however, they expect the economy may take a long time to recover fully. Officials said that Recovery Act funds have not eliminated, but have limited, the need to use reserves to balance the state's general fund budget. Officials in Orlando and Orange County said Recovery Act funds have been used mainly for short-term strategies to provide services to communities, with funds contributing a small amount to their budgets.
- **Transparency and accountability.** Florida's Recovery Czar expressed concern that the total Florida award amounts posted on the federal Recovery Act Web site are overstated due in part to double-counting of submitted recipient reports caused by agencies assigning different award identifiers from one round to the next. Also, at one of the recipients we visited we identified errors in data collection and reporting of jobs created and retained for the second and third rounds of reporting. In addition, Florida was one of 16 states participating in a federal project to communicate audit findings earlier. Most of the Florida officials we spoke with expressed concerns about the project's usefulness, especially given the increased work load. In addition to participating in the project, various state agencies continue to provide oversight of Florida's spending of Recovery Act funds.

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## Most Workforce Boards Appear on Track to Meet Recovery Act Spending Deadlines, but State Needs to Report Correct Obligations Information

Most Florida workforce boards appear on track to spend their Workforce Investment Act (WIA) Recovery Act allocations. WIA Recovery Act funds must be spent by June 30, 2011 to provide employment and training services to job seekers. As of January 31, 2010, 19 of the state's 24 local area boards have spent half or more of their combined WIA Adult, Dislocated, and Youth allocation, according to data collected by the state. Because the state reported that it did not collect data on local boards' obligations, we queried boards about a subset of their total allocations—those for dislocated workers. Half of the eight boards we contacted reported obligating or spending their entire allocation of these funds (see fig. 1). All eight also reported placing additional people in training using these funds. For example, the workforce board for the local area that includes Orlando, reported placing over 1,200 people in training using these funds.<sup>2</sup> According to workforce officials, various factors may explain boards' obligations, spending, and number of people trained using Recovery Act funds. These include local demand for training, training providers' class schedules, and decisions boards made given the flexibility afforded them. Officials at all eight boards told us they used various strategies to address increased demand for services, including hiring additional staff, increasing service hours and locations, and utilizing on-line resources and linked their ability to provide services to the availability of Recovery Act funds. They also said they had reporting and data-collection procedures that accounted for Recovery Act funds and that they used site visits as part of monitoring performance.

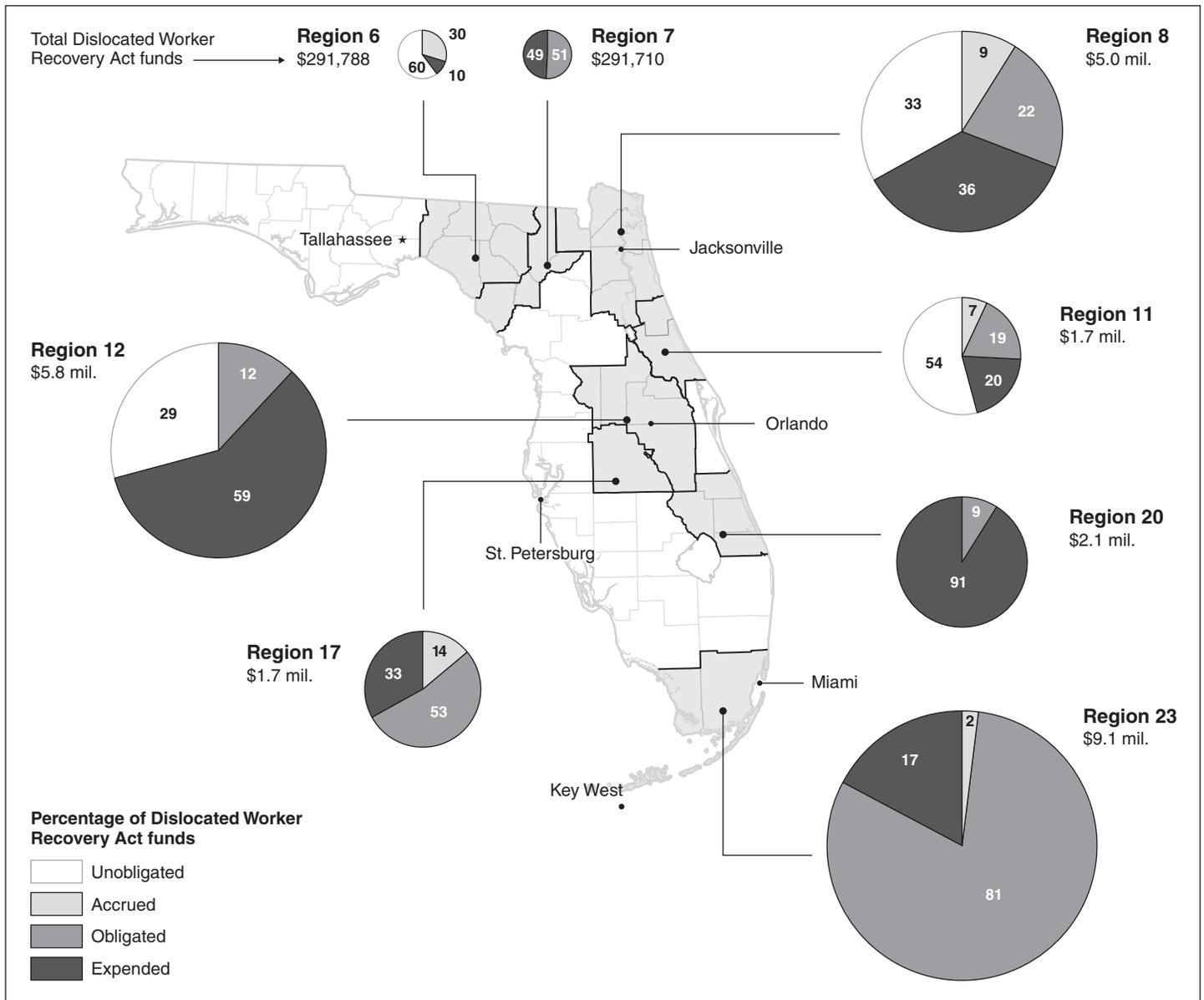
In collecting information on boards' obligations and expenditures, we learned that, when filing its quarterly financial reports to Labor, the state agency overseeing Florida's workforce system was not following the definition of obligations Labor specifies in its guidance.<sup>3</sup> According to state workforce officials, the state reported its obligations, not those of local workforce boards as required. Under the Workforce Investment Act of 1998 the local boards' obligations are the basis for reallocating funds. Florida officials said they would change how they report obligations.

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<sup>2</sup>Because job seekers can use self services (e.g., on-line and computer-based job search resources) remotely or at the career centers the boards oversee, the number of people served using such funds, in all likelihood, surpasses the number placed in training.

<sup>3</sup>Any effect this error had was potentially mitigated by a waiver Labor granted Florida. This waiver allowed Florida to recapture funds from local workforce boards based on their expenditures. The waiver was not renewed for the remainder of program year 2009.

**Figure 1: Commitment of Dislocated Worker Recovery Act Funds by Eight Workforce Boards, as of January 31, 2010**



Sources: GAO analysis of data submitted by eight Florida local area boards; National Atlas of the United States of America (base map)

Note: To select sites, we first examined Bureau of Labor Statistics data on the net change in unemployment in Florida counties from December 2008 to December 2009. We selected those counties with the greatest net gain and identified their local workforce board. Region 15, Tampa Bay WorkForce Alliance, Inc., was captured in our original selection but we excluded it because of ongoing work related to a report by the Florida Office of Inspector General. The eight workforce boards we selected collectively received 45 percent of the total WIA Recovery Act allotment to the state of Florida.

Accruals are amounts owed for goods and services that have been received but for which cash has not yet been disbursed. Expenditures are cash disbursements or outlays. Obligations are legally binding commitments to expend funds.

According to Labor, states received their funding allocations in March 2009. Some boards moved a portion of their Dislocated Worker allocation to their WIA Adult Program. The allocations in the graphic above reflect these transfers.

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## Florida Weatherization Assistance Program Has Controls in Place, but We Identified Some Compliance Issues and Control Gaps

The Recovery Act Weatherization Assistance Program is intended to weatherize homes, save energy, improve health and safety and create jobs. To accomplish these goals, DCA funded 27 subgrantees, which include local governments and nonprofit organizations, most of which had managed prior DCA weatherization projects. Other subgrantees were selected through a competitive process. In addition to weatherizing homes (e.g., insulating walls and attics, caulking), subgrantees are required by DCA to address, within limits, health and safety issues related to weatherization work (e.g., lead-based paint).<sup>4</sup> The program also has recipient eligibility requirements.<sup>5</sup> Table 2 shows the amount of Recovery Act funds allocated to Florida as well as the funds obligated and expended as of March 31, 2010. Florida plans to spend about \$145.2 million on weatherization of 19,090 private and multifamily units and about \$31 million has been set aside for training and technical assistance. However, if DCA determines that any training and technical assistance funds will not be utilized at the state level, it said that it will allocate the remaining funds to subgrantees meeting or surpassing their production goals to weatherize additional dwellings.

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<sup>4</sup>Florida's 10 authorized weatherization measures, in descending order of energy savings importance are: air sealing, attic and floor insulation, dense-pack sidewall insulation, solar window screens, smart thermostat, compact fluorescent lamps, seal/insulate ducts, refrigerator replacement, heating and cooling systems, and water heater repair or replacement. DCA allows subgrantees to spend an average of \$6,500 per home for weatherization and related services, and up to \$600 per home for correction of related health and safety issues.

<sup>5</sup>Recipients of these services may not have total household income exceeding 200 percent of the national poverty level, with preference given to homeowners, the elderly (60 and over), residents with disabilities, families with children under 12, and households with high utility bills.

**Table 2: Florida’s Weatherization Assistance Program Allocation, Funds Obligated and Expended as of March 31, 2010**

Dollars in millions

<b>Recovery Act Weatherization Assistance Program grant total allocation 2009-2012</b>	<b>Allocation received</b>	<b>Obligated funds</b>	<b>Expended funds</b>
\$176.0	\$88.0 (50 percent of total allocation)	\$58.1	\$22.3

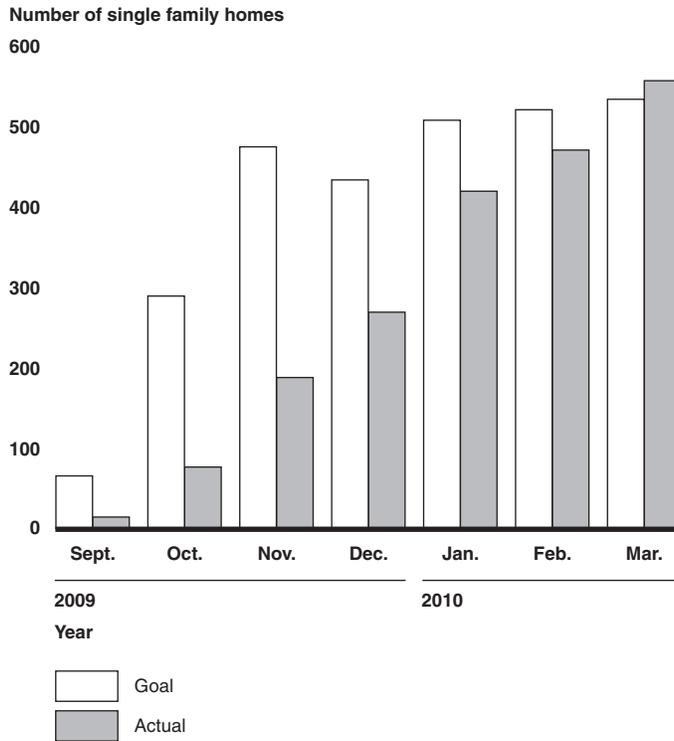
Source: Data from the Florida Department of Community Affairs.

### Florida Has Significantly Increased Weatherization Pace

Despite a slow start to weatherizing homes in 2009, Florida reports increasing home weatherizations in 2010. However, the slow start means that DCA is working to close a gap between homes weatherized and DCA’s overall goal to date. Subgrantees did not begin Recovery Act weatherizations until September 2009. Several factors affected startup: receipt of funds from the U.S. Department of Energy, hiring and training subgrantee staff, identifying and orienting new contractors, and implementing Davis-Bacon wage requirements after delays in receiving updated wage rates from Labor. Notwithstanding these factors, as figure 2 shows, Florida reported continuously increasing its home weatherizations since September 2009, weatherizing a total of 1,987 single-family homes as of March 31, 2010.<sup>6</sup> Because Florida reported achieving only about 43 percent of its home weatherization goal for the last 4 months of 2009, DCA is about 30 percent below its overall goal as of March 31, 2010. Nonetheless, Florida officials reported achieving about 93 percent of their goal for the first 3 months of 2010, and exceeding their goal for March 2010 by 23 homes.

<sup>6</sup>We assessed the reliability of these data by comparing the number of completed homes reported by DCA to the number of homes reported completed by DCA’s contract field monitors for two subgrantees we reviewed for selected time periods, interviewing DCA officials, and reviewing the results of a similar test done by DCA’s Inspector General. We determined that the data were sufficiently reliable for our purposes.

**Figure 2: Actual Homes Weatherized Compared to Monthly Goals for Florida Weatherization Assistance Program**



Source: DCA.

In addition, as of March 26, 2010, Florida reported about 870 homes in progress and over 8,000 clients on subgrantees’ waiting lists or qualified to receive benefits. DCA’s 3-year goal is to weatherize at least 19,090 dwellings by March 31, 2012, including 13,812 single-family and 5,278 multifamily residences. Florida is also preparing to initiate its multifamily residence weatherizations: A DCA official said two contracts for 320 units in Escambia County are at the final stages. DCA officials said that through continued high production on single family homes and launching of its multifamily initiative, they should meet their target of weatherizing at least 5,700 homes statewide by the end of September 2010. Although Florida has not established a goal, DCA plans to measure energy savings. Thus far the data it collects to measure program results show that home heating and air conditioning systems should operate less frequently and more efficiently

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based on weatherization improvements.<sup>7</sup> As of March 31, 2010, DCA reports that its weatherization program has saved or created 339 jobs.

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### DCA Has Established and Implemented a Variety of Management Controls

As we previously reported, and recently found, DCA has instituted a variety of management controls, such as policies for determining and documenting (1) client eligibility and priority for services, (2) completion of home energy audits before work is performed, (3) work priorities and maximum allowable costs, and (4) accuracy of data entered into the state's data system and proper reimbursement.<sup>8</sup> In addition, DCA requires training for certain subgrantee staff and their construction contractors and that both clients and subgrantees approve completed work. DCA also reviews subgrantees' operations, their requests for reimbursements, clients' files, and corrective actions. It also plans to visit at least 10 percent of the homes weatherized. As of March 31, 2010, DCA had completed operations reviews of eight subgrantees and inspected 49 homes for completed weatherization work, according to DCA officials. DCA has also addressed some performance issues among subgrantees, replacing 3 of a total of 27 subgrantees for previous poor performance. Since November 2009, DCA has contracted with field monitors to verify subgrantees' data entries, review 100 percent of client files, and inspect 50 percent of homes completed. As of the end of March 2010, DCA reports that contract monitors reviewed 1,899 of 1,987 client files in which subgrantees sought payment<sup>9</sup> and inspected 983 completed homes.<sup>10</sup> DCA's Inspector General and Florida's Auditor General have reviewed or plan to review the weatherization program. In addition, the U.S. Department of Energy reviewed DCA's weatherization assistance program in February 2010.

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<sup>7</sup>According to DCA, weatherization work to date has resulted in a reduction of about 28 percent in air infiltration.

<sup>8</sup>[GAO-09-1017SP](#).

<sup>9</sup>Prior to the contract-monitoring program, 88 cases were reviewed by DCA staff.

<sup>10</sup>In addition, DCA recently awarded a contract to provide fiscal monitoring and technical assistance to 14 subgrantees on implementing program procedures, developing internal controls and accounting protocols, and is in the process of modifying the contract to include all 27 subgrantees, according to a DCA official. Furthermore, DCA plans to award a contract for oversight, training, and technical assistance to subgrantees on the Davis-Bacon wage and reporting requirements.

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## Subgrantees We Visited Generally Met Program Requirements, but We Identified Some Compliance Issues and Control Gaps

DCA and its subgrantees have made good progress in implementing the Weatherization Assistance Program, which has involved navigating multiple new requirements and quick time frames for Recovery Act-funded programs. However, our review identified issues in the following areas:

### Client Eligibility

The 36 client files we reviewed typically contained the eligibility information required by DCA. However, there were exceptions. For example, 23 files were missing some of the required documentation, including proof of a disability (required by DCA for priority services) or a copy of a Social Security card. These problems were not noted by DCA's contract field monitors in client files we reviewed.<sup>11</sup>

### Home Energy Audits

Subgrantees typically followed DCA requirements for home energy audits—used to determine appropriate weatherization as well as health and safety improvements needed—in the 36 client files we reviewed and at three home sites where we observed audits. However, while weatherization work was generally consistent with the priorities established in the audit, in 22 of the 36 client files, we found one or more instances in which work listed as completed was not consistent with audit recommendations. For example, installation of a new hot water heater, refrigerator, or smart thermostat was either recommended in the audit but not done, or done without recommendation. The reasons for these actions were not recorded, as required by DCA policy. When we spoke with subgrantees, they offered reasonable explanations such as changes occurring after an audit, but acknowledged there were inconsistencies and agreed to be more diligent. These inconsistencies also were not noted in the contract field monitors' reports we reviewed. An explanation for some discrepancies, for example, was that two items listed on the audit form—faucet aerators and smart thermostats—were not listed on DCA's form to record completed work. We raised this matter with DCA officials and they agreed to correct this problem.

### Weatherization Work

We found that all work charged to the program was authorized, performed, and appeared to be of acceptable quality in 22 of the 29 homes

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<sup>11</sup>We did not independently verify client income. DCA's income-verification procedures are broad, and DCA officials agreed to reexamine them to address related potential vulnerabilities that may exist.

we visited. For the other 7, work was authorized, but some of the listed improvements were either not completed or lacked quality. For example, at one home recorded as completed in December 2009, the program was charged for a smart thermostat that had not been installed and for solar window screens, some of which were being installed as we were inspecting the home 2 months later in February 2010. The subgrantee said the screens were replacements for those installed improperly.<sup>12</sup> At this same home, the door on a shed built to house a new hot-water heater did not function properly. Yet the homeowner and the subgrantee's inspector had signed the completed inspection form and noted no problems. At another home, the program was charged for three window air conditioning units, but only two had been installed, and for air filters that had not been delivered. One of the window units was not installed tightly enough to prevent air leakage. The seven homes with issues had been inspected by DCA's contract field monitors, who did not note the problems in their reports. The subgrantees agreed to correct the problems we noted.

## Health and Safety

As required by DCA policy, home energy audits performed by the three subgrantees we reviewed covered health and safety issues. However, we found three potential health or safety issues that had not been addressed and that reflected a breakdown in a subgrantee or DCA management control, or both. We alerted the subgrantees and DCA about these issues and they agreed to take appropriate action.

### Air quality

Of 36 inspection files we reviewed, 14 were at one subgrantee, and in 10 of those we found that at the subgrantee's inspection, air flow through the homes was insufficient, possibly affecting indoor air quality.<sup>13</sup> We also found the issue had not been identified in the monitoring reports prepared by DCA's field monitor or by DCA's staff, who had recently completed a review of the subgrantee. The principal research engineer at Florida Solar Energy Center, which provides weatherization training to subgrantee staff throughout Florida, said that in general, when an air flow / ventilation rate

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<sup>12</sup>Based on DCA's policy requirements, this home should not have been reported as a closed case or charged to the program because all work had not been completed and found acceptable.

<sup>13</sup>The extent to which the final air flow readings were below the minimums calculated by the subgrantee varied, ranging from less than 1 percent difference to almost 40 percent. DCA's energy audit form states that the final air flow measurement must be higher than the minimum rate calculated, or work to improve air flow / ventilation must be done.

for a home is found to be below the minimum threshold, a case-by-case assessment should be made on how to address the problem. DCA officials said they would clarify DCA's guidance and explore refresher training or technical assistance on ventilation rates. In addition, DCA officials agreed to require subgrantees to add the minimum ventilation rate for each residence to the work completion report filed with DCA so this requirement can more easily be checked.

### **Electrical hazards and removal of hazardous equipment**

In three of the homes we inspected, we found potential safety hazards. In two of the homes the owners told us their circuit breakers "tripped" when they ran the heat cycle of the window heating and air conditioning units installed by the subgrantees. In one case our inspection identified a window unit that exceeded the limit recommended for shared circuits, at least when turned to heating.<sup>14</sup> Although DCA's energy audit form calls for an assessment of a residence's electrical panel, it does not specifically require a load assessment for planned weatherization work. DCA officials said they would expect subgrantees to do one and would clarify guidelines. The third safety issue involved the subgrantee not removing noncompliant heating units prior to work. The subgrantee installed a window heating and air conditioning unit but had not removed two unvented kerosene heaters from the home.<sup>15</sup> The home's energy audit report noted the unvented kerosene heaters, with the qualification that there was no fuel. When we visited the home, one of the heaters was being used and kerosene storage cans were inside the home. When we noted the violation, the subgrantee agreed to correct the problem. In each of these cases, DCA's contract field monitors had inspected weatherization work in the homes but did not note these problems in their reports. At one of the homes where circuit breakers "tripped", the owner addressed the problem prior to our inspection; at the other, the subgrantee reported taking corrective action in April 2010.

### **Fair and Reasonable Prices**

After our review of three subgrantees, state officials agreed that procurement practices at two of the three subgrantees were not fully

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<sup>14</sup>According to the National Electrical Code, fixed equipment, such as heating/air conditioning units, on a shared circuit should not exceed 50 percent of the circuit's current-carrying rating.

<sup>15</sup>DCA policy prohibits the use of un-vented gas heating units as a primary heating source in a weatherized home, and their use as a secondary heating source unless they meet certain requirements.

consistent with DCA's requirements and raised questions about whether subgrantees always paid prices that were fair and reasonable.<sup>16</sup> These practices also revealed possible gaps in DCA's manual. One of the three subgrantees advertised for competitive, fixed-price bids for labor and materials for weatherization work, but often received only one or two bids and did not have documentation showing a comparison of bid prices to local-market rates to ensure price "reasonableness." Bid packages were not consistently included in client files. Another subgrantee told us they initially advertised for bids for labor and materials, but found the process too cumbersome and negotiated prices with a contractor, rotating work among five firms. We found that the subgrantee also had no documentation showing comparison of prices negotiated to local-market rates, and in some client files we reviewed, the contractor's "bid" price was dated on or after the invoice date. After we brought these problems to their attention, the two subgrantees said they would focus more attention on these contracting issues. DCA's contract field-monitor reports did not note the issue we found in their case file reviews.<sup>17</sup> Regarding competition, the two subgrantees said they were skeptical of being able to get additional bidders due to such reasons as the nature and profit potential of weatherization work compared to other work, the condition or locations of many of the homes to be served, or program requirements such as Davis-Bacon wage provisions. The third subgrantee, which performed weatherization work with in-house staff, told us they used an open, competitive process to get unit-price bids for most of its needed materials, and contracted for an analysis of local labor and materials costs for weatherization work in its service area as well as several other areas in Florida. DCA officials agreed that the comparative approach and information this subgrantee used could be helpful to other subgrantees.

Although we recognize that a variety of factors can affect subgrantees' ability to get competitive bids, the competition and pricing issues do not appear to be sufficiently covered under DCA's current monitoring

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<sup>16</sup>DCA's May 2009 Weatherization Assistance Programs Procedures and Guidelines states that subgrantees are responsible for (1) ensuring that all bids for goods and services contracted are made in a manner to provide, to the maximum extent possible, open and free competition, and (2) determining that costs charged to the program for material and labor are indicative of local rates.

<sup>17</sup>Although the contract field monitor for the first subgrantee said he did not review pricing in his file review, he did note a case during a home inspection in which a weatherization measure had been overpriced. He said the subgrantee recovered the overcharge from the contractor.

program, and its Weatherization Assistance Programs Procedures and Guidelines manual does not call for review and approval of subgrantees' acquisition policies and procedures. We believe that the manual does not explain DCA's expectations in situations with no or limited competition or how subgrantees should document their determination that the prices obtained are indicative of local rates. DCA officials agreed to address the concerns we noted.

In commenting on the overall results of our review, DCA said that many of the concerns or areas of non-compliance we noted have been addressed by issuance of a program notice to subgrantees or by a state monitor. In addition, when we raised our concern that contract field monitors had apparently missed a number of the weatherization issues we identified, DCA said that they planned to take various other actions, such as revising to its program and field monitoring procedures and guidelines, to address several of the issues we had raised, and that these issues would be discussed at its annual statewide meeting of subgrantees in May 2010.

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## Florida Public Housing Agencies Obligated Recovery Act Funds by Deadline, and Those We Visited Had Internal Control Policies

According to U.S. Department of Housing and Urban Development (HUD) officials, all Florida public housing agencies met the March 17, 2010 Capital Fund formula grants deadline for Recovery Act funds by either obligating all of their funds or rejecting or returning a portion of their grant funds by March 17, 2010. Grant funds are intended to improve the physical condition of public housing properties. Of 110 public housing agencies in Florida, 82 eligible agencies collectively received about \$86 million in Recovery Act Capital Fund formula grants. Prior to this deadline, 2 of the 82 eligible agencies returned some or all of their funds—totaling about \$194,000—to HUD.<sup>18</sup> As of March 17, 2010, the recipient agencies had drawn down a cumulative total of \$29.7 million from the obligated funds. HUD reports that recipient agencies are using Recovery Act funds to make improvements to almost 2,900 public housing units in Florida.

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<sup>18</sup>According to HUD officials, the two public housing agencies returning funds received Recovery Act Capital Fund formula grants based on having qualified housing units. However, one public housing agency demolished its units and was not able to initiate work on developing new units by the obligation deadline; the other used part of its funds to demolish its existing units and returned the remaining funds.

The four agencies we selected received approximately 8 percent of total Recovery Act Capital Fund formula grants to Florida. Table 3 shows the obligations, expenditures, and types of projects undertaken.

**Table 3: Recovery Act Capital Fund Recipient Obligations and Expenditures as of March 17, 2010**

Public housing agencies	Recovery Act Capital Fund grants	Funds obligated by the agencies by March 17 deadline	Funds drawn down by agencies by March 17 <sup>a</sup>	Recovery Act-funded projects at selected housing agencies
All eligible Florida public housing agencies	\$85,505,627	\$85,311,543	\$29,687,265	
Orlando Housing Authority	3,582,587	3,582,587	2,442,183	Soil abatement, demolition of a building, and various smaller projects including removing clothesline poles and rehabilitating a children’s spray pool.
Sarasota Housing Authority	1,132,916	1,132,916	111,744	Redevelopment, including kitchen renovation in 100 units; painting; installing energy efficient, hurricane-resistant windows; and, energy-efficient mini-split air conditioning units.
The Housing Authority of the City of Lakeland	1,457,334	1,457,334	59,137	Total rehabilitation of 20-unit building with “green” standards.
Pasco County Housing Authority	383,805	383,805	21,053	Various management improvements and deferred maintenance, such as kitchen renovations, resurfacing of roads, erosion control, irrigation, installing water heaters and rear screen doors, and making one vacant unit handicap accessible.

Source: HUD and public housing agencies.

<sup>a</sup>Funds must be completely expended by March 17, 2012.

Officials at three of the four public housing agencies we visited said Recovery Act funds allowed them to complete planned projects sooner than planned, broaden the work’s scope or complexity, or avoid staff layoffs. For example, Lakeland officials said Recovery Act housing funds will allow them to complete rehabilitation of housing units this year rather

than over several years, including improvements to receive gold certification as an energy-efficient or “green” building.<sup>19</sup>

Officials we visited also identified various challenges to quickly obligating Recovery Act funds, including difficulties in combining funds from multiple federal sources, identifying projects with appropriate timelines for Recovery Act spending, creating policies required by the Recovery Act,<sup>20</sup> and identifying additional projects when contract bids on some planned projects came in under the agency’s cost estimates. Officials also identified reporting challenges, including accessing systems and establishing passwords in three required reporting databases. Agency and HUD officials said that efforts to quickly obligate Recovery Act Capital funds did not interfere with their administration of regular Capital Fund grants. Officials at the agencies credited the staff at Miami and Jacksonville HUD field offices with providing timely and helpful technical assistance and outreach.

Our review of internal controls documentation of the four public housing agencies we visited found each had written internal control policies for procurement and various financial policies detailing separation of duties and approvals required for specific expenditure levels. In addition, limited testing of Orlando’s internal control over certain financial transactions and the agency’s compliance with certain Recovery Act requirements found no material issues.<sup>21</sup> However, the Orlando agency’s financial policy states that contractors must accompany payment requests with certain HUD and agency forms even though officials said the forms are actually required only for contracts lasting over 30 days and valued at more than \$100,000. We suggested officials clarify the procedure in its financial policy, and they agreed to this revision.

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<sup>19</sup>The Leadership in Energy and Environmental Design (LEED) Green Building Rating System certifies that a building was designed and built for sustainability and energy efficiency. It has 4 levels: certified, silver, gold, and platinum.

<sup>20</sup>The Recovery Act required public housing agencies to comply with provisions not required for the regular Capital Fund grant, such as the “Buy American” provision.

<sup>21</sup>We selected 12 of 23 transactions (non-salary/non-benefit) related to the Recovery Act Capital Fund formula grant, which represented about 93 percent of the total dollar value of transactions, available as of March 8, 2010. We reviewed whether the transactions were allowable and adequately supported by documentation, such as approved invoices and whether payments were made to approved vendors.

In addition to our work, in September 2009 HUD's Office of Inspector General issued an audit that identified several internal control weaknesses and provided recommendations to strengthen the Miami-Dade Housing Authority's controls over administering Recovery Act funds to carry out capital and management activities.<sup>22</sup> For example, the Inspector General found the agency's procurement procedures had weaknesses, such as not maintaining sufficient records detailing the history of the process followed for each contract, and had not properly prioritized its Recovery Act-funded activities. According to HUD officials, recommendations contained in the report were addressed by March 9, 2010, and the Miami-Dade Housing Authority obligated all of its Recovery Act funds by the March 17, 2010 deadline.

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## Florida Successfully Met Contracting Deadline for Drinking Water and Clean Water Projects

Florida officials told us they successfully met the Recovery Act's February 17, 2010 deadline for having Drinking Water and Clean Water projects under contract.<sup>23</sup> Florida's Department of Environmental Protection (DEP) received more than \$88 million in Recovery Act funds for its Drinking Water State Revolving Fund (SRF) projects and more than \$132 million for its Clean Water SRF projects in federal fiscal year 2009.<sup>24</sup> These additional Recovery Act funds were three times larger than the state's 2009 federal base grants for Drinking Water and five times its Clean Water federal base grants. A DEP official in charge of the SRF program funding said Recovery Act funds helped pay for 40 Drinking Water and 28 Clean Water projects. (See figure 3.)

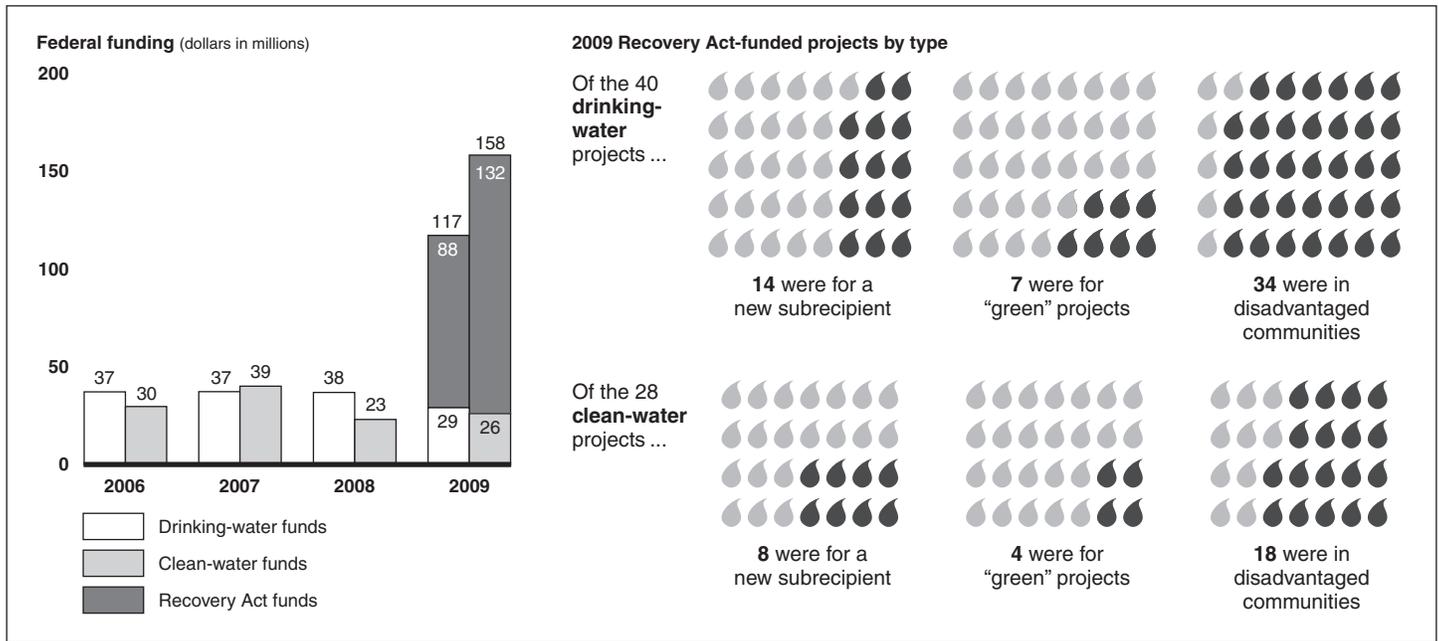
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<sup>22</sup>HUD, Miami-Dade Public Housing Agency Needs to Strengthen Controls over Its American Recovery and Reinvestment Act Funds, Audit Memorandum No.: 2009-AT-1801 (Atlanta, GA, Sept. 25, 2009).

<sup>23</sup>Drinking Water funds are used for drinking-water infrastructure projects and Clean Water funds are used for wastewater, storm water, and non-point source infrastructure projects.

<sup>24</sup>Florida did not use all of the Recovery Act funds for its Drinking Water SRF to fund projects. As allowed under amendments to the Safe Drinking Water Act (SDWA), the state used a part of its funds to support various non-infrastructure activities which have public health benefits and assist in compliance with SDWA, such as technical assistance to small systems.

**Figure 3: Total Florida State Revolving Fund (SRF) Levels for Fiscal Years 2006-2009 and Number and Types of Projects Funded by Recovery Act Money in Fiscal Year 2009**



Source: GAO analysis of data from EPA and state, and information from state DEP officials.

Note: Subrecipients are generally counties and cities. A new subrecipient is an entity that had not previously received SRF funds. Under the Recovery Act, green projects include those that promote green infrastructure and energy or water efficiency, as well as projects that demonstrate new or innovative ways to manage water resources in a sustainable way.

State officials told us they used existing systems for ranking projects for projects to be funded with Recovery Act funds.<sup>25</sup> However, they said they were sometimes overwhelmed by the number of documents to review and prioritize. A DEP official said department employees had to review \$950 million in Drinking Water project applications and \$1.5 billion in Clean Water project applications from localities to award \$88 million and \$132 million, respectively.

<sup>25</sup>Priority is given to those Drinking Water projects that address the most serious risks to human health, ensure compliance with federal and state drinking-water regulations, and assist systems most in need on a per household basis (affordability). Clean water projects are given priority according to the extent each project is intended to remove, mitigate, or prevent adverse effects on surface or ground water quality and public health.

Subrecipients we spoke with reported taking additional steps to meet state and Recovery Act requirements. In North Miami Beach, officials said they took additional steps to meet state contracting requirements when they only received one bid.<sup>26</sup> To ensure the procurement process yielded a reasonable price for its Drinking Water SRF contract to remove vinyl chloride from city wells, the city used its consultants to compare prices in the bid to market prices. DEP reviewed the city's required cost analysis to determine whether prices were fair and reasonable and approved the project. City water officials said that without Recovery Act funds they would not have proceeded because the project's costs had the potential to increase user rates to pay for the new debt needed for the project.<sup>27</sup> The city of Stuart also took additional steps to ensure its Clean Water SRF project met Recovery Act requirements. Stuart is using SRF funds to reclaim wastewater to irrigate athletic fields, which helps preserve its drinking water. A city official expressed concern about the required Buy American certification of one project contractor, but after numerous conversations, the city official concluded that because the filter components were incorporated during the fabrication of the filter in Dayton, Ohio, it met this Recovery Act provision.

State officials also told us about a Buy American issue in Vero Beach. The city installed 600 feet of foreign-made steel casing based upon early Environmental Protection Agency (EPA) Buy American guidance that officials said was unclear. The city's consulting engineer told us she received conflicting guidance, with DEP initially telling the engineer that the city could forgo the use of U.S.-made steel if the cost exceeded the cost of foreign-made steel by more than 25 percent. The engineer said EPA guidance later clarified that foreign-made components could only be used in Recovery Act projects if American products, such as steel, increased the total cost of a project by more than 25 percent. DEP replaced the project's Recovery Act funding with base SRF funding not subject to the Buy American provisions to cover the cost of the project.

Florida officials told us they added new Recovery Act requirements and procedures for its SRF to ensure they met the Davis-Bacon, Buy American, and Recovery Act reporting provisions. According to officials in North

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<sup>26</sup>In cases with only one bid, officials said the state requires subrecipients to evaluate the specific elements of proposed costs and profits.

<sup>27</sup>An estimated \$2.5 million of the \$3.0 million Recovery Act loan is in the form of principal forgiveness, meaning the city does not have to pay back these funds.

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Miami Beach and Stuart, they also established procedures for project oversight and monitoring per Recovery Act requirements. For example, North Miami Beach checks Davis-Bacon wage rates when the contractor submits weekly certified payrolls.

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## Florida Uses Recovery Act Funds to Address Budget Gaps While Localities Mainly Use Funds for Nonrecurring Expenses

Florida officials project a slight improvement in the state's fiscal condition based on revenue projections for the current fiscal year (2009-2010), but they expect the state's economy may take a long time to recover fully. State officials said revenue trends have stabilized due to a moderate increase in the general revenue fund resulting from increases to driver's license, motor vehicle, and court fees approved by the state legislature in 2009. Officials are not anticipating a budget shortfall this fiscal year and expect about a \$1.1 million surplus in general revenue to carry forward to the next fiscal year, which begins July 1, 2010. As we have reported, Florida's efforts to reduce expenditures and increase revenues are expected to offset the substantial decrease in Recovery Act funds beginning in 2011.<sup>28</sup> However, Florida's unemployment rate is 12 percent. And population growth—a driver of Florida's economic growth—is projected to remain relatively flat over the next few years, while revenue collections are still billions of dollars less than before the recession.

For the state's fiscal year 2010-2011, Florida budget officials said the Governor proposed using \$2.5 billion in Recovery Act funds for education, health and human services, transportation, and general government operations. The legislature passed the budget in late April 2010, but according to state officials the final budget, pending the Governor's review and approval, has not been signed as of early May 2010. Officials said Recovery Act funds have not eliminated, but have limited, the need to use reserves to balance the state's general fund budget. Florida may need to reduce expenditures further when Recovery Act funds substantially decrease beginning in fiscal year 2011; however, officials said shortfalls might be offset by a state-projected increase in revenues.

To examine the use and effect of Recovery Act funds on local budgets, we selected two localities: one city, Orlando, and its county, Orange County. Officials in both localities said Recovery Act funds have been used mainly

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<sup>28</sup>GAO, *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Appendixes)*, [GAO-09-1017SP](#) (Washington, D.C.: Sept. 2009).

for short-term strategies to provide services to communities.<sup>29</sup> Overall, Recovery Act funding contributed a small percentage of the city’s and county’s budgets: Orlando’s \$9.6 million and Orange County’s \$22.1 million in Recovery Act funds—which will be received over multiple years—account for a small fraction of the 2009-2010 operating budgets of about \$360 million and \$748 million for Orlando and Orange County, respectively. The program area receiving the largest amount of funding in Orlando is public safety at \$5.4 million and in Orange County is energy efficiency at \$8.7 million. (See table 4.)

**Table 4: Recovery Act Grants and Contracts to Orlando and Orange County, Fiscal Years 2009-2012**

Program area	Orlando project or federal award	Orange County project or federal award
Energy efficiency	Energy Efficiency and Conservation Block Grant used for a city facility and privately-owned residences. \$2.7 million over 3 years	Energy Efficiency and Conservation Block Grant and Weatherization Assistance Program to reduce fossil fuel emissions and energy use. \$8.7 million over 3 years
Housing	Homeless Prevention and Rapid Re housing Program for housing expense assistance and Community Development Block Grant for installation of under-drains. \$1.5 million over 3 years	Homeless Prevention and Rapid Re-housing Program for housing expense assistance and Community Development Block Grant for energy-efficiency initiatives. \$4.2 million over 3 years
Human services	Not applicable	Head Start for teacher training and Community Services Block Grant to provide employment-related services to low-income communities. \$2.1 million over 1 year
Public safety	COPS Hiring Recovery Program (CHRP)(salaries of officers) <sup>a</sup> ; Edward Byrne Memorial Justice Assistance Grant for activities such as purchasing portable radios and tasers; and STOP Violence Against Women to address domestic violence. \$5.4 million over 1 to 4 years	Edward Byrne Memorial Justice Assistance Grant for substance abuse treatment and equipment purchases including laptop computers and digital radios. \$7.1 million over 1 to 4 years
<b>Total Recovery Act funding</b>	<b>\$9.6 million over multiple years</b>	<b>\$22.1 million over multiple years</b>

Source: GAO analysis of federal and state data.

<sup>29</sup>City and county Recovery Act funds referred to in this section include only funds administered by city and county governments and not the full scope of Recovery Act funds—including unemployment insurance, Medicaid, and highways—that benefit city and county residents. For example, Recovery Act highway funds are being used in Orlando and Orange County that total \$3.8 million and \$12.9 million, respectively.

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<sup>a</sup>Although the city and county are generally using funds for nonrecurring expenses, Orlando is using about \$3.1 million in CHRP funds over the 3 years in which funds are available to restore 15 of 29 sworn police officer positions eliminated from the current year budget, 2009-2010. CHRP requires grantees to fund the positions with state or local funds, or both, for a fourth year. City officials said that they are currently formulating strategies to retain the positions after CHRP funding is no longer available.

Given that local officials said Recovery Act funds have generally not been used to balance localities' budgets, city and county officials explained they have taken several actions to address continuing budget gaps, including eliminating vacant positions, freezing hiring, cutting department budgets, and using reserves. Officials in Orlando said that although they have used general fund reserves to balance the budget for fiscal years 2008-2009 and 2009-2010, reserve balances are currently at maximum required levels.<sup>30</sup>

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## Florida Officials Expressed Concerns about Recipient Reporting and Single Audit Project While State Continues to Provide Oversight

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### Florida Recovery Czar Voiced Concerns about Double Counting of Recipient Reports

The state Recovery Czar said the second and third rounds of recipient reporting appeared to go more smoothly than the first round. He did express concern that funding awarded to Florida posted on Recovery.gov, the federal government's Web site to track Recovery Act spending nationwide, overstated awards by about \$463 million for the first- and second-round of recipient reports covering the period February 17, 2009 through December 31, 2009. For example, his analysis of second-round

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<sup>30</sup>City and county officials explained that Central Florida has been affected by the economic downturn, including high numbers of foreclosures, decreased home values, and a related drop in property-tax revenues. This revenue accounts for about 30 percent and 50 percent of the general fund in Orlando and Orange County, respectively. In Orlando, the 2009 median home value was \$130,000 compared with \$220,000 in 2008, and foreclosures have risen to about 31,000 in 2009 compared to an average of 3,000 to 4,000 prior to 2008, officials stated. In addition, a decline in tourism decreased sales-tax revenues because hotel occupancy rates dropped, officials said.

data found that some first- and second- round reports were treated as separate projects but should have been linked, resulting in double counting of awards and overstating total Recovery Act funds awarded to Florida.<sup>31</sup> According to the Recovery Accountability and Transparency Board (the Board), which manages Recovery.gov, federal agencies could assign different award identifiers from one round to the next, and the Recovery Czar said when dollar amounts were summed for Recovery.gov, it resulted in double counting of some amounts reported. In our March 2010 report, we raised similar concerns about the quality of the data reported.<sup>32</sup> OMB, the Board, and federal program agencies are working to resolve this issue and have taken steps to minimize this issue for round three.<sup>33</sup>

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### Recipients We Visited Generally Met Reporting Requirements, but We Identified Job Calculation Gaps

We found that the full-time equivalent (FTE) calculations done by the local educational agency (LEA) and a public institution of higher education (IHE) we visited were adequately supported by documentation and were computed in accordance with federal guidance during the third round of Recovery Act reporting.<sup>34</sup> However, we identified issues at a public housing agency, which reports on its funds directly, not through Florida's centralized system.<sup>35</sup> At the LEA and IHE we found that the number of jobs reported for the third round was calculated in accordance with OMB guidance and consistent with the FTE calculation method used in the previous round. Documentation maintained by these entities also

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<sup>31</sup>Florida has a centralized system into which all 17 state agencies report, then the information is uploaded to the federal system, FederalReporting.gov.

<sup>32</sup>GAO, *Recovery Act: One Year Later, States' and Localities' Uses of Funds and Opportunities to Strengthen Accountability*, [GAO-10-437](#) (Washington, D.C.: Mar. 3, 2010).

<sup>33</sup>In the third reporting period ending March 31, 2010, the Recovery Czar said he has identified a total of 188 potentially erroneous Recovery Act fund awards—awarded to Florida through federal and state agencies—listed with mismatched identifiers that were double counted and with other types of errors.

<sup>34</sup>At the LEA, there was enough documentation to support the reported numbers for the specific grant we reviewed, with the exception of an immaterial variance of .90 of an FTE for Title I grant funds, which the LEA identified and plans to adjust in the next quarterly report, ending June 30th.

<sup>35</sup>Public housing agencies, as prime recipients do not report to the Florida system because they receive Recovery Act funding directly from a federal agency and not through a state agency.

supported the number of jobs reported for the third round.<sup>36</sup> In contrast, at the public housing agency we identified errors in data collection and reporting of jobs created and retained for the second and third rounds. A housing agency official said a change in executive management in November 2009 resulted in confusion about how to meet recipient reporting requirements. OMB and HUD guidance requires that an agency collect hours worked from the contractors and calculate jobs created and retained based on an FTE formula. However, officials at the public housing agency said they did not collect hours worked from their two contractors in the second round and instead repeated the numbers from the first round. In addition, we found that for the third round of reporting, the two contractors counted each part-time worker as a full-time worker instead of reporting hours worked as required for FTE computation. Although the housing agency is responsible for ensuring that jobs are reported based on FTEs, an official said they reported the job numbers provided by the contractors and did not follow up with the contractors to confirm their job calculations. Furthermore, although the agency also maintains hourly payroll data submitted by the contractors, the official said they did not verify that the payroll data matched the number of FTEs reported by the contractor. We discussed these issues with the public housing agency official and he said that he agreed with our finding and planned to revise the recipient report for round three.

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**Florida Officials Involved  
in Single Audit Project  
Expressed Concerns about  
Its Usefulness**

OMB implemented a Single Audit Internal Control Project (project) in October 2009. One of the goals of the project is to help achieve more timely communication of internal control deficiencies for higher-risk Recovery Act programs so that corrective action can be taken. The project is a collaborative effort between the states receiving Recovery Act funds that volunteered to participate, their auditors, and the federal government. Under the project's guidelines, significant internal control deficiencies were to be reported to management and federal officials 3 months sooner than the 9-month time frame required by the Single Audit Act and OMB Circular No. A-133 for Single Audits. Sixteen states volunteered for the project including Florida, whose auditors issued their interim reports on

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<sup>36</sup>OMB now defines FTEs to be reported under section 1512 of the Recovery Act as the total number of hours worked and funded by Recovery Act dollars within the reporting quarter divided by the quarterly hours in a full-time schedule.

internal control for selected major Recovery Act programs by December 31, 2009.<sup>37</sup>

Most of the Florida officials we spoke with expressed concerns about the project's usefulness. According to the Auditor General's office, the project added additional reports to the typical audit cycle and may have delayed completion of audits for some programs. The additional reporting resulted in some duplication, such as duplicated exit discussions of findings with program managers. The Auditor General also indicated that absent an interim report, an audited entity would still be aware of any issues due to ongoing discussions with Auditor General staff. His view was echoed by one state program manager. A state manager from another program noted that the short time frames associated with interim reporting resulted in the need to revise an audit finding, which took additional time. The Auditor General's office said interim reporting may be more helpful for federal agencies than it is to state agencies given that ongoing discussions between the state auditor and program management occur at the state level. One state program manager said receiving interim audit recommendations did allow for earlier implementation of agency financial improvements.

Improvements to the Single Audit process suggested by the Auditor General's office included providing more timely guidance, for example, in February of the year to be audited, to facilitate planning, and allowing auditors more flexibility in identifying major programs and reporting findings of significance.

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<sup>37</sup>The following 16 states volunteered to participate in the project: Alaska, California, Colorado, Florida, Georgia, Louisiana, Maine, Missouri, Nevada, North Carolina, Ohio, Oklahoma, South Dakota, Tennessee, Texas, and Virginia.

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## State Oversight Agencies Continue to Play Oversight Role for Recovery Act Funds

Various Florida state agencies provide oversight of Florida's spending of Recovery Act funds, as we have previously reported.<sup>38</sup> The Auditor General's work related to the Recovery Act is primarily being conducted under the Single Audit Act. For the fiscal year ended June 30, 2009, the Auditor General conducted Single Audits of state governments and numerous school district boards that included Recovery Act funds. For example, in the Single Audit of state government, the Auditor General found that the Florida Department of Education (FDOE) had not implemented certain information-technology controls governing cash-management practices, which FDOE agreed to address. In addition to focusing on training, technical assistance, and risk assessments, Florida's Chief Inspector General said the inspector general (IG) community is at different stages in its review of Recovery Act programs, depending on factors such as workload and timing of when Recovery Act funds are used by recipients and subrecipients. For example, the Inspector General of the Florida Department of Community Affairs (DCA) is in the process of reviewing the weatherization program, but her work has been delayed due to staffing issues. However, according to the Inspector General for the Florida Department of Law Enforcement, it reviewed supporting documentation for selected subrecipients and found some discrepancies in the number of jobs and or hours reported.<sup>39</sup>

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<sup>38</sup>GAO has previously reported that Florida has various agencies responsible for monitoring, tracking, and overseeing financial expenditures, assessing internal controls and ensuring compliance with state and federal laws and regulations that include the Office of the Chief Inspector General, Auditor General, and the Department of Financial Services. Also, each state agency has an Office of Inspector General responsible for conducting audits and investigations and providing technical assistance. The Auditor General has broad audit authority in Florida and routinely conducts Single Audits. The Florida Department of Financial Services is responsible for settling the state's expenditures and reporting financial information. Independent certified public accountants also conduct annual financial audits of local government entities. GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Appendixes)*, [GAO-10-232SP](#) (Washington, D.C.: December 2009); [GAO-09-1017SP](#); *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses (Appendixes)*, [GAO-09-830SP](#) (Washington, D.C.: July 2009); and, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, [GAO-09-580](#) (Washington, D.C.: Apr. 23, 2009).

<sup>39</sup>The Inspector General plans to select subrecipients of various grants for review each quarter.

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## State Comments on This Summary

We provided the Special Advisor to the Governor of Florida, Office of Economic Recovery (who is referred to in this appendix as the Czar), with a draft of this appendix on May 7, 2010. In general, the Florida state official agreed with our draft and provided some clarifying information, which we incorporated, as appropriate.

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