

September 2010

RECOVERY ACT

Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds (District of Columbia)



GAO

Accountability * Integrity * Reliability

Appendix IV: District of Columbia

Overview

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

What We Did

We reviewed the following programs funded under the Recovery Act—the State Energy Program (SEP), the Energy Efficiency and Conservation Block Grant Program (EECBG), the Weatherization Assistance Program (WAP), and three education programs. We began work on SEP and EECBG because services and projects were just getting underway for these programs. We continued our work on WAP and three education programs to update the status of these programs. For descriptions and requirements of the programs covered in our review, see appendix XVIII of [GAO-10-1000SP](#). Our work focused on how the funds were being used and monitored, how safeguards were being implemented, and issues that were specific to each program. To gain an understanding of the District's efforts to oversee and monitor the use of Recovery Act funds, we talked to the District's Office of the Inspector General (DC OIG) about its oversight role and audits related to Recovery Act funds. In addition to our program-specific reviews, we also updated information on the District's fiscal situation and how Recovery Act funds are being used for budget stabilization, as well as the District's experience in meeting Recovery Act reporting requirements.²

What We Found

State Energy Program and Energy Efficiency and Conservation Block Grant Program. Under the Recovery Act, the U.S. Department of Energy (DOE) awarded the District over \$31 million in funding through SEP and EECBG. The District Department of the Environment (DDOE) administers both programs for the District. In April 2009, the District received the initial award notice for approximately \$22 million in Recovery Act SEP funding, although the full funding award was not available to

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

²Recipients of Recovery Act funds are required to report quarterly on a number of measures, including the use of funds and estimates of number of jobs created and retained. Recovery Act, div. A, § 1512. We refer to the reports required by section 1512 of the Recovery Act as recipient reports.

DDOE until September 2009. Although approximately 2 percent (\$366,513) of funds have been expended as of June 30, 2010, DDOE officials expect all non-personnel Recovery Act SEP funds to be obligated by September 30, 2010 and approximately 40 percent to be expended by that date. DDOE plans to use the majority of SEP funds for energy efficiency retrofits at various District government and public school buildings. The EECEBG program, funded for the first time by the Recovery Act, was created to assist state, local, and tribal governments in implementing strategies to reduce fossil fuel emissions, reduce total energy use, and improve energy efficiency in the transportation, building, and other appropriate sectors. In December 2009, the District was awarded almost \$9.6 million in Recovery Act funding for the EECEBG program. According to DDOE officials, the District has obligated nearly all of the \$9.6 million of EECEBG funds as of June 25, 2010. However, less than 0.5 percent has been expended, as of June 30, 2010—mainly for expenditures on personnel costs, as projects did not begin until late July 2010. The majority of EECEBG funds have been obligated to District facilities, such as libraries and recreation centers, to provide energy improvements.

Weatherization Assistance Program. DOE allocated about \$8 million in Recovery Act weatherization funds to the District for a 3-year period. DDOE—the agency responsible for administering the program for the District—did not begin to spend its operational weatherization funding until February 2010. However, as of July 30, 2010, DDOE obligated all of its Recovery Act funding for weatherization and has completed weatherization for 230 homes, according to DDOE officials. These officials stated that the District will spend all its weatherization funding by March 31, 2011. DDOE expects to exceed its initial goal of weatherizing 785 homes using its Recovery Act funding, but does not have an updated estimate at this time.

Education. The U.S. Department of Education allocated \$143.6 million in Recovery Act funds to the District from the State Fiscal Stabilization Fund (SFSF); for grants under the Individuals with Disabilities Education Act, as amended (IDEA) Part B; and for grants under Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA). A large percentage of these funds are being used to pay employee salaries. The Office of the State Superintendent of Education (OSSE) continues to monitor the District's local educational agencies (LEA)³ utilizing the

³The District has 58 LEAs, including 57 charter school LEAs and the District of Columbia Public Schools (DCPS).

monitoring protocol it developed in March 2010, which includes conducting on-site monitoring visits and desk reviews. As of June 2010, OSSE completed its ESEA grant on-site monitoring visits for the 2009-2010 school year, consisting of visits to 18 LEAs. Concurrently, OSSE visited 3 LEAs receiving IDEA Part B grant funds, and completed 19 desk reviews of LEAs receiving Recovery Act funds—all of which OSSE officials considered to be higher-risk subrecipients. According to OSSE, LEAs generally complied with Recovery Act requirements, but some LEAs had inconsistencies with specific record management practices. OSSE has required these LEAs to improve their record management practices.

Accountability efforts. As of July 14, 2010, the DC OIG has initiated one audit specifically related to the use of Recovery Act funds involving construction contracts at the District Department of Transportation that were awarded under the Recovery Act. This audit is expected to be completed by spring 2011. Other planned Recovery Act audits have not yet begun because of lack of resources. Additionally, the District completed its fiscal year 2009 Single Audit report on June 29, 2010. The 2009 audit—the first Single Audit for the District that included Recovery Act programs—identified 5 significant deficiencies and 17 material weaknesses related to controls over programs that received Recovery Act funds, including the Medicare program. However, a senior official from the Office of the Chief Financial Officer (OCFO) noted that the deficiencies and weaknesses were not a result of noncompliance with Recovery Act requirements.

The District's fiscal situation. Additional Recovery Act funds have helped support certain District education, human services, and technology programs. District officials told us that the District has received over \$56 million in Recovery Act funding since we last spoke with them in April 2010 – about \$36 million in noncompetitive grants and about \$20 million in competitive grants. According to the District's Chief of Budget Execution, the infusion of Recovery Act funds has helped mitigate the negative effects of the recession on the District's budget by providing time to adjust for the decline in revenues, which allowed the District to avoid making drastic cuts to services and programs. Although the District continues to face fiscal challenges, there are signs that the District's economy is starting to recover. In June 2010, the District's Chief Financial Officer reported that the revenue estimates for fiscal years 2010 through 2014 remain unchanged from the estimate made in the previous quarter, noting that there are indicators of economic recovery.

The District Is Beginning to Spend Recovery Act Funds on the State Energy Program and the Energy Efficiency and Conservation Block Grant Program

Under the Recovery Act, DOE awarded the District over \$31 million in funding through SEP and EECBG. In the District, both programs are administered by DDOE. To develop a proposed allocation of funding among District agencies, DDOE and the Office of the City Administrator (OCA) requested detailed energy efficiency project proposals from various District government agencies that would deliver immediate energy savings and create jobs, and could easily be implemented. DDOE officials said that District agencies submitted requests for funding (over \$200 million) that far exceeded the available budget. DDOE officials said the final allocation of funding agreed upon by DDOE and OCA was based on two factors: (1) the agency's approximate share of the District government's total building energy retrofit needs,⁴ and (2) the desire to distribute Recovery Act funding across the District portfolio to promote energy efficiency measures by as many agencies as possible, and for the benefit of as many constituencies as possible.

SEP provides funds through formula grants to achieve national energy goals such as increasing energy efficiency and decreasing energy costs. In April 2009, the District received the initial award notice for approximately \$22 million in Recovery Act SEP funding, although the full funding award was not available to DDOE until September 2009. According to a DDOE official, DDOE submitted its original application (or state plan) to DOE in May 2009. The application described the activities the District planned to implement; a description of how the District intended to achieve 20-30 percent cost savings annually through 2012; how the activities will help achieve this goal, along with any preliminary progress toward achieving this goal; and a monitoring plan for how the District will conduct oversight of project implementation. The original application has been revised because of changes in the proposed uses of funds, according to DDOE officials.

DDOE officials stated that, as of June 30, 2010, approximately 2 percent (\$366,513) of the SEP funds have been expended. DDOE officials explained that they have allocated funding to other District agencies through memorandums of understanding for about 91 percent of Recovery Act SEP funds. DDOE is working to ensure that all non-personnel Recovery Act SEP funds are obligated under signed agreements with the contractors or partners that will do the work by September 30, 2010 and

⁴A building that has been retrofitted is one that has been updated with new or modified equipment or systems for the purpose, in this case, of increasing energy savings.

approximately 40 percent to be expended by that date.⁵ According to DDOE officials, the District has a portfolio of buildings that need energy efficiency measures and retrofiting. To address this need, DDOE officials stated that about 75 percent of Recovery Act SEP funds will be allocated for building retrofits and about 25 percent will be allocated for internal/direct service projects, such as outreach and education, renewable grants, and energy efficiency activities. For example, according to DDOE, almost \$7.9 million of the District's Recovery Act SEP funds will be used to retrofit eight elementary and middle schools in the District. This project started on June 23, 2010, and is expected to be completed by August 23, 2010. DDOE officials said another \$1.3 million of Recovery Act SEP funds will be used for advertisements of energy conservation measures for programs funded under SEP and specific outreach programs, among other things.

The EECSBG program, funded for the first time by the Recovery Act,⁶ was created to assist state, local, and tribal governments in implementing strategies to reduce fossil fuel emissions, reduce total energy use, and improve energy efficiency in the transportation, building, and other appropriate sectors. The Recovery Act appropriated \$3.2 billion for this program. In December 2009, the District was awarded almost \$9.6 million in Recovery Act funding by DOE for the EECSBG program. EECSBG funding will be used in the District to (1) reduce energy consumption in government facilities, (2) help District residents and businesses conserve energy by implementing energy efficient practices, and (3) create "green collar" jobs.

According to DDOE officials, the District had memorandums of understanding and other agreements executed with other District agencies and community-based organizations (CBOs) as of June 25, 2010 for \$7 million and expected to have almost all of the \$9.6 million of EECSBG funds under agreements by July 31, 2010. However, less than 0.5 percent has been expended, as of June 30, 2010—mainly for expenditures on personnel costs, as projects did not begin until late July 2010. DDOE officials stated

⁵According to DOE guidance, states are required to obligate all of the Recovery Act SEP grant funds within 18 months. DOE guidance further states that Recovery Act SEP grant funds should be obligated by September 30, 2010 and spent by March 31, 2012 to meet Congressional and Department goals.

⁶The EECSBG program was authorized in Title V, Subtitle E of the Energy Independence and Security Act, which was signed into law on December 19, 2007.

that about 75 percent of EECBG funds has been allocated to District facilities such as libraries, firehouses, and recreation centers. For example, \$1.5 million will be used to provide energy efficiency improvements to 10 public libraries in an effort to reduce their overall energy use. DDOE officials said that this project began in July 2010 and is estimated to end by March 31, 2011. DDOE officials said the other 25 percent of EECBG funds is allocated to worthwhile programs that had no longer been funded or new programs that could not be funded in the absence of Recovery Act funds. District officials said they had been unable to serve certain target populations, such as the nonprofit and small business sectors, and a portion of EECBG funds will be targeted to these populations. For example, the District plans to use \$500,000 of EECBG funds to provide energy audits and retrofits to nonprofit CBOs in the District. The estimated completion date for this project is April 30, 2011.

Monitoring of SEP and EECBG Programs is Just Beginning

DDOE officials stated that because Recovery Act SEP and EECBG projects have just begun in the District, as of July 1, 2010, DDOE had not yet conducted any monitoring activities of these programs. However, DDOE officials indicated that the District is committed to the proper management and oversight of all Recovery Act SEP- and EECBG-funded projects and has a number of procedures planned or in place to monitor both programs. For example, the District has recently developed a grants manual and sourcebook as a complement to the pre-existing subrecipient monitoring manual for District agencies to implement as part of their management of grant-funded programs. DDOE plans to adapt this manual to address the specific monitoring requirements of the SEP and EECBG programs. DDOE also noted that all District agencies receiving SEP and EECBG funds must meet Recovery Act requirements and ensure that standard protocols are being used, monitoring is occurring, and reporting and projects are done on time. According to DDOE officials, they are developing plans that describe how this monitoring will occur in practice. For example, DDOE officials told us that their monitoring will include monthly field visits to District agencies receiving SEP and EECBG funds to check on the progress of SEP and EECBG projects. In addition, DDOE officials stated that these agencies would provide DDOE with monthly status updates on SEP and EECBG projects, which would include a discussion of milestones and timelines for each project.

For the SEP program, DDOE officials told us they will, at a minimum, conduct routine monitoring visits to the two largest projects—the energy retrofit projects at the eight District schools and the largest District government building. DDOE officials also stated they will monitor all

projects using the Recovery Act monitoring checklist they developed, which includes checking expenditures of funds awarded, energy measures installed, and milestones met or missed by projects, based on the District's state plan. DDOE officials stated that their focus while monitoring will be to ensure that the work being done is consistent with the agreed-upon scope of work. Further, DDOE officials stated that their Recovery Act financial manager will conduct a separate "desktop" financial monitoring of projects by verifying expenditures through a shared financial database used by DDOE and the other District agencies.

DDOE officials told us they will use a process for monitoring the EECBG program very similar to what they use for the weatherization program. For example, although DDOE has partnered with other District agencies to complete SEP and EECBG projects, DDOE officials said they will also make use of six of the seven CBOs doing weatherization under the Weatherization Assistance Program for the District to implement retrofit projects, including conducting postwork inspections for completed projects. DDOE officials said they will conduct monthly field visits to the CBOs to ensure that the invoices received from the CBOs match up with the work ordered, as well as conducting postwork inspections to ensure quality workmanship. In addition, DDOE will use the same project tracking system set up for the weatherization program. DDOE officials stated they plan to monitor all parties they have contracts with as well as audit 10 percent of all projects for administrative, programmatic, and financial compliance.

The District Will Use the Same Recipient Reporting Process for Both Recovery Act Energy Programs

DDOE is one of the prime recipients in the District and utilizes the centralized recipient reporting system, which is discussed in further detail later in this report.⁷ For recipient reporting purposes, DDOE officials told us that only one SEP or EECBG program—an SEP funded outreach program—had started during the reporting period ending June 30, 2010, so both programs reported minimal program costs expended and minimal full-time equivalents (FTE) for the latest reporting period, consisting only of hours worked by DDOE's Recovery Act administrative staff for SEP and EECBG. DDOE officials told us that when more work on SEP and EECBG projects begins, they plan to collect recipient reporting data from the

⁷Prime recipients are nonfederal entities, such as District agencies, that receive Recovery Act funding as federal awards in the form of grants, loans, or cooperative agreements directly from the federal government.

subrecipients, including certified payroll records to verify hours worked by contractors. Additionally, DDOE officials told us that other District agencies receiving SEP and EECBG funding will be responsible for submitting recipient reporting data to the District for its respective projects. However, officials indicated there have been issues in the past with other agencies not reporting in a timely fashion on SEP projects. DDOE officials told us they have developed Recovery Act training for other District agencies and subrecipients, which should help ensure timely reporting. According to DDOE officials, the recipient reporting data collected will then be reviewed by the SEP or EECBG program officer and Recovery Act grant managers for accuracy before the data are submitted to the District and federal recipient reporting systems for review and approval.⁸ However, DDOE officials told us they needed additional staff to help with timely recipient reporting for all of its Recovery Act grants, including SEP and EECBG, and planned to hire a Recovery Act coordinator in August 2010.

The District Plans to Measure Project Impacts

Because DDOE has just begun to implement projects with SEP and EECBG funds, DDOE does not yet have outcome measures, such as energy savings or job creation. As part of its quarterly reports to DOE, DDOE is required to report measures such as energy saved and greenhouse gas emission reductions. For completed SEP projects, officials stated that DDOE will calculate energy savings and greenhouse gas emissions by incorporating the building square footage, pre- and postinstallation utility bills, measures installed, and dollars spent. For EECBG projects, officials told us the District will measure both kilowatt and thermal savings generated from the installation of the various energy efficiency measures. Most of the energy retrofit projects require a pre- and postaudits that clearly identify the energy upgrades needed and the projected energy savings from installing the recommended energy efficiency measures.

⁸In July 2009, the City Administrator directed District agencies to assign one individual staff member as the grant manager for each individual Recovery Act grant award an agency received. According to the City Administrator, the grant manager is responsible for day-to-day management of the grant, such as verifying that all recipient reporting information for the grant is accurate and submitted within deadlines.

Although the District Has Made Progress Performing Weatherization Work, Oversight Challenges Remain

The Weatherization Assistance Program is intended to weatherize homes, save energy, and create jobs. Under the Recovery Act, the District Department of the Environment (DDOE), the agency responsible for administering the program for the District, was allocated about \$8 million in Recovery Act funds by DOE.

After a Slow Start, the District Has Made Progress Expending Funding and Weatherizing Homes

DDOE did not begin to spend its operational weatherization funding until February 2010. However, as of July 30, 2010, DDOE had obligated all of its Recovery Act funding for weatherization and expended about \$3,774,000, according to DDOE officials. Seven community-based organizations in the District manage weatherization projects and could not start weatherizing homes until they received funding from DDOE. As a result, CBOs did not begin to weatherize homes until March 2010, making the District among the last recipients of Recovery Act weatherization program funding to begin spending funds. According to a senior DDOE official, DDOE was slow to expend funds because DDOE was developing the infrastructure to administer the program. Recovery Act funding has substantially increased the size of the weatherization program in the District, from about \$650,000 in 2008 to about \$8 million in Recovery Act funds. To manage the program, DDOE has worked to increase its staff, but there had been delays in this process. However, as of June 30, 2010, DDOE had completed hiring six additional staff to help oversee and manage the program.⁹ According to DDOE officials, the District will spend all its weatherization funding by March 31, 2011.¹⁰ With Recovery Act funding, CBOs have completed weatherizing 230 homes in the District as of July 30, 2010. DDOE expects to exceed its initial goal of weatherizing 785 homes using its Recovery Act funding, but does not have an updated estimate at this time.

⁹Since March 2010, DDOE has hired a program manager, an assistant program manager, two energy auditors, and two energy program specialists.

¹⁰This represents a delay from prior estimates. In May 2010, we reported that DDOE officials anticipated expending all of its Recovery Act funding by September 30, 2010. See GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (District of Columbia)*, [GAO-10-605SP](#) (Washington, D.C.: May 26, 2010).

District Efforts to Monitor Weatherization Program Have Just Begun

DDOE and the CBOs have a number of procedures in place or planned to monitor the weatherization program.

- *Annual reviews of CBOs:* DDOE officials informed us that, as of July 15, 2010, their program managers had just recently conducted monitoring visits to all seven CBOs. The final reports from these monitoring visits were not available for us to review in time for this report, as the CBOs have 30 days to address any findings prior to issuance of DDOE's final written report. However, DDOE reported to us that there were no major findings. The final monitoring reports will be forwarded to DOE and to the associated CBOs.

DOE requires that DDOE conduct such comprehensive monitoring of each CBO at least annually. This monitoring must include a review of client files and the CBO's records, as well as a status-of-work statement and a comparison of the actual accomplishments with the goals and objectives established for the period, the cost status, and schedule status. The cost status must show the approved budget by the budget periods and the actual costs incurred, and the schedule status should list milestones, anticipated completion dates, and actual completion dates. The annual review must also include results of the site inspections referred to below.

- *Site inspections:* In its Recovery Act program guidance, DOE requires state agencies, such as DDOE, to inspect at least 5 percent of all completed weatherization work and recommends inspection of even more. DDOE, in its grant agreement with the CBOs, had committed itself to inspecting 10 percent of all work completed. According to DDOE officials, DDOE's auditors had begun conducting site inspections for the quality assurance of work completed by contractors.

In addition to DDOE's oversight of the program, all CBOs are required to perform site inspections of 100 percent of completed weatherization projects. One CBO performs weatherization work using its own crews and has contracted with independent site inspectors to review their work, to avoid a conflict of interest. These inspection reports are checked by that CBO's program manager, according to officials from the CBO. According to the CBOs we talked to, if they find cases of poor quality or workmanship, CBOs will require contractors to fix the problem at no additional cost to the CBO.

The District's System of Internal Controls for Weatherization Is in Transition and Presents Challenges

We conducted a customer file review of three of the seven CBOs to understand how CBOs document their weatherization work and to determine the extent to which DDOE uses its CBOs' files to track the status of weatherization projects.¹¹ We found that while some of the customer files maintained by the CBOs were not complete, much, but not all, of the missing documentation could be found in DDOE's online software system used to manage weatherization projects. We met with DDOE and received an in-person demonstration of the system and how the agency uses its many features. We found that the system—complete with price lists and automated change order approvals via email—is a useful tool in managing weatherization projects, but has not yet been fully implemented and does not contain all the data necessary to track individual weatherization projects from start to finish. As a result, at the time of our review neither the physical customer files maintained by the CBOs nor the online weatherization management system presented a complete record of weatherization projects.¹²

GAO File Review of CBOs Revealed Some Incomplete Physical Files

For the purposes of this report, we contacted three of the seven CBOs DDOE is using to perform weatherization work under the Recovery Act. At each CBO we planned to randomly select 10 customer files of completed weatherization jobs to review.¹³ Customer files are retained by CBOs for payment purposes and consist of documentation of work authorizations and progress of weatherization work, among other things. We also consulted with CBO staff to clarify any questions we had about the customer files we reviewed, and met with DDOE officials to discuss their record-keeping policies. Our file reviews at the CBOs were limited in scope and were not sufficient for expressing an opinion on the

¹¹To capture a variety of approaches to performing weatherization work, we selected these three CBOs on the basis of their use of contractors as opposed to use of their own crews, whether they offer training to these crews, and congressional interest. We determined that the selection was appropriate for our design and objectives, and that the selection would generate valid and reliable evidence to support our work.

¹²DDOE reported that they conducted inspections of CBOs in early July 2010—roughly 2 weeks after our review—and found that all CBOs they reviewed had copies of all required documentation.

¹³Only one of the three CBOs we visited had more than 10 complete customer files for us to choose from. Of the other two CBOs, one had 4 and another had 9 complete files; other customer files were on jobs that were still in progress. In total we reviewed 23 completed weatherization customer files.

effectiveness of CBO internal control or compliance with Recovery Act requirements.

We found that DDOE officials were unable to cite clear guidance to CBOs on what CBOs must at a minimum include in their weatherization customer files. One CBO official told us that he maintains records that he deems necessary for the files based on his experience with managing weatherization projects. However, shortly before the beginning of our file review, DDOE distributed a checklist of minimum file contents to CBOs. This list includes (1) DDOE's energy audit report, (2) a data client sheet (work order detail), (3) the CBO's post inspection form, (4) a customer satisfaction form and (5) an invoice for work completed.

We found that in some cases, the CBOs' files did not contain all the documents required by DDOE's checklist. For instance:

- According to DDOE's checklist, copies of work orders and invoices are to be included in the file. Officials told us that these documents, along with copies of change orders, are intended to show that the scope of work has been approved before the contractor or CBO is paid for work completed. In our review, 12 of 23 files either lacked copies of work orders or invoices, or the work invoices exceeded work shown in the work orders without documented approval from DDOE. Without a complete set of these documents, the physical file does not record that the work that was paid for was also approved.
- Also, DOE requires recipients to perform an energy audit on every home receiving weatherization assistance. According to DDOE's customer file checklist, a copy of this audit must be included in each file. The energy audit forms the basis of the scope of work and represents DDOE's assessment of what weatherization work a unit requires. Weatherization measures in the energy audit are listed in priority order, with those measures with the greatest energy efficiency impact listed first. In our review, 13 of 23 files either lacked copies of the energy audit or the work listed in the work orders exceeded work recommended in the energy audit without documented approval. Without a complete set of these documents, the physical file does not indicate that the scope of work addresses the unit's most critical energy efficiency issues identified by the energy auditor.
- DOE requires CBOs to conduct a final quality inspection of 100 percent of all units before submitting an invoice to DDOE for reimbursement. In addition, DDOE's checklist requires CBOs to collect signed customer satisfaction forms as a final assurance that work was

performed professionally. In our review, 5 of 23 files did not contain a final quality inspection form, and in an additional 5 cases, the forms were neither signed nor dated. According to a DDOE official, invoices associated with these files have been paid. Without a completed quality inspection form, the physical file does not record whether the CBOs were satisfied with the contractors' weatherization work.

DDOE Uses an Online Reporting Tool to Track Progress and Expenditures, but It Is Not Fully Implemented and Does Not Capture All Required Documentation

We found that much, but not all, of the documentation missing from CBO customer files was found in DDOE's Hancock Energy Software Weatherization Program (Hancock system). The Hancock system is a private-sector online reporting tool for tracking and managing Recovery Act funds, including budgeting and invoicing, administrative costs, and job management, among other things.¹⁴

After our file review, we met with DDOE officials and received a demonstration of the capability of the Hancock system and their application of it. Using the Hancock system, CBOs record project data, allowing them and DDOE to track, for example, the number of jobs CBOs have completed as well as those still in progress. The system is designed to show estimated costs for each weatherization item or task as well as estimates of the time it will take to complete the work. Officials from CBOs said they used this feature to evaluate contractor bids. DDOE officials stated that they use the Hancock system to monitor each CBO's progress and perform daily checks of the data entered. The following are examples of information contained in the system:

- *Client eligibility.* The Hancock system maintains information pertinent for WAP eligibility such as the household income, income sources, size of household, and client eligibility letter. However, DDOE WAP staff receive this information from another program within DDOE that does not use the Hancock system.¹⁵ As a result, client eligibility information must be entered into the Hancock system manually. A DDOE WAP official we spoke with voiced a desire that Hancock be widely adopted, because this manual data entry is cumbersome and time-consuming.

¹⁴Other states also use the Hancock system.

¹⁵The eligibility of a client for WAP is based on the same criteria the District uses for its Low Income Home Energy Assistance Program (LIHEAP). Within DDOE, this program shares client eligibility data with WAP.

- *Work orders.* From the energy audit, the Hancock system generates a work order that lists weatherization measures for the CBO to complete. The Hancock system lists the weatherization measures in order of priority based on criteria such as effectiveness, health and safety, and DOE requirements or guidance. The Hancock system also displays the estimated cost for the line items on the work order. A DDOE official told us that the estimated prices for material are based on retail prices found at local home improvement stores and that, for example, a window replacement is expected to cost about \$300. DDOE increases this cost estimate in the Hancock system to provide CBOs and contractors a margin for profit.

However, a DDOE official told us that the Hancock system does not yet contain estimated costs for all the weatherization work the CBOs and contractors perform. For example, some energy audits have specified gutter replacement as one of the necessary weatherization measures. However, gutters had not been an approved use of weatherization funds in prior years and therefore do not have an associated estimated cost. Consequently, the Hancock system assigns an estimated price of \$0. When this happens, the Hancock system underestimates the true cost of a weatherization job and there is a risk of that job exceeding the \$6,500 per unit threshold. DDOE is working on adding accurate cost estimates for these tasks in the Hancock system.

- *Project changes.* DDOE and CBOs have found that while a contractor is working on site, additional work may be identified as necessary in order to appropriately weatherize a home. For example, in the course of insulating a room per the energy audit, a contractor discovered that the ceiling or roof must be mended as well.¹⁶ When a CBO identifies that there is additional work to be completed, the CBO will enter the request for additional work into the Hancock system. This generates an e-mail automatically sent to an approving official at DDOE who either approves or denies the request. Currently there is only one official at DDOE who approves such project changes—the program director. Typically, this official approves the request as long as she considers it to be “reasonable” and under the \$6,500 per unit threshold. Because of time constraints and other responsibilities, this official told us she does not closely review each project change but largely relies

¹⁶It is the CBO’s responsibility to get DDOE’s approval to proceed with additional work. DDOE monitors that the average cost of all Recovery Act jobs does not exceed the \$6,500 federal maximum per home average limit for weatherization.

on the CBOs' and contractors' judgment that the work is necessary. This DDOE official told us that because the Hancock system is Web-based, she can respond to these change requests at any time, including while on vacation. DDOE is currently training additional staff to approve requests for project changes, according to this official.

- *Invoices and payment.* DDOE officials told us that CBOs can submit invoices to DDOE through the Hancock system. A DDOE official reviews the invoice for accuracy and compares it with the corresponding work order and energy audit in the Hancock system. After approval, DDOE pays the invoice. However, as of July 9, 2010, DDOE had not released payment for any invoices submitted through the Hancock system for weatherization work funded by the Recovery Act. The DDOE official who reviewed Hancock-issued invoices received prior to July 9, 2010, told us that the Hancock system had improperly calculated invoice totals, but that the problem had since been fixed. The Hancock system was incorrectly calculating the CBOs' administrative fees by adding \$650, or 10 percent of the maximum allowable average cost per home of \$6,500, instead of adding 10 percent of the actual cost incurred.

Also the Hancock system has been set up to raise a flag and identify invoices related to homes that have incurred costs in excess of the maximum allowable average cost per home of \$6,500.¹⁷ A senior DDOE official told us that units in the District incur weatherization costs both above and below this amount, but that WAP was still within the allowable limit.

- *Energy savings.* DDOE is trying to capture energy savings for each weatherized unit in the Hancock system, but this is a work in progress, and the savings currently cannot be determined for the weatherization program as a whole. A senior DDOE official told us until the weatherization online system is updated, DDOE will continue to use the National Energy Audit Tool (NEAT) to determine energy savings.

While the system contains a variety of information on weatherization projects and fills in some of the gaps we identified in the physical files maintained by the CBOs, the system does not contain a record of all required documents. For example, the system does not maintain the client satisfaction form that must be completed at the close of each

¹⁷The Hancock system raises an alert when the invoice amount for one home exceeds \$7,150, or \$6,500 plus the 10 percent administrative fee.

weatherization job. The Hancock system also does not include a record of the postinstallation inspection conducted by the CBO.

DDOE Is Using the District's Centralized Recipient Reporting System

DDOE officials told us they use the same recipient reporting process for all of its Recovery Act grants, including WAP. DDOE reported 13.42 FTEs were funded by WAP funds from April 1, 2010, to June 30, 2010.¹⁸ DDOE is one of the District's prime recipients and utilizes the centralized recipient reporting system, which is discussed in further detail later in this report. CBOs submit certified payroll records to DDOE on a weekly basis to support the hours reported that were worked and funded by Recovery Act weatherization funds by the CBOs' employees and contractors. According to a DDOE official, weatherization program staff and the Recovery Act grant manager review for accuracy the recipient reporting information submitted by the CBOs before DDOE reports it to the District on a monthly basis. The DDOE official told us that DDOE did not experience problems collecting or reporting recipient reporting information for weatherization for the period ended June 30, 2010.

The District's Local Educational Agencies Continued Using Recovery Act Funds, and the Office of the State Superintendent of Education Began Monitoring Fund Use

The U.S. Department of Education has allocated \$143.6 million in Recovery Act funds to the District for three programs:

- \$16.7 million in Individuals with Disabilities Education Act, as amended (IDEA) Part B Recovery Act funds, which provides funding for special education and related services for children with disabilities;
- \$37.6 million in Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA) Recovery Act funds, which provides funding to help educate disadvantaged students;
- \$89.3 million in funds from the State Fiscal Stabilization Fund (SFSF), which was created under the Recovery Act in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services. Of the SFSF funds, 81.8 percent are designated as education stabilization funds and intended to support public elementary, secondary, and higher education, and as applicable, early childhood education programs and services. The remaining 18.2 percent of SFSF funds are designated as government services funds, intended to provide additional resources to support public safety and other government services, which may include education.

¹⁸We obtained the FTE information from Recovery.gov on August 6, 2010.

Additionally, Public Law 111-226, enacted on August 10, 2010, provides \$10 billion for the new Education Jobs Fund to retain and create education jobs nationwide.¹⁹ The Fund will generally support education jobs in the 2010-2011 school year and be distributed to states by a formula based on population figures. States can distribute their funding to school districts based on their own primary funding formulas or districts' relative share of federal ESEA Title I funds.

The District LEAs Are Accessing Their Recovery Act Funds

IDEA Part B. OSSE provides the LEAs with IDEA Part B Recovery Act funds on a reimbursement basis, whereby the LEAs can obligate Recovery Act funds, spend their state and local funds, and then request reimbursement from OSSE for Recovery Act funds. OSSE reported that as of July 23, 2010, out of the \$16.7 million in Recovery Act funds allocated to the District LEAs for IDEA Part B, about \$2.2 million had been requested for reimbursement by 32 charter school LEAs and OSSE had made a total of over \$1.2 million in payments to those charter schools. OSSE also reported that as of August 16, 2010, the District of Columbia Public Schools (DCPS) had submitted an IDEA Part B Recovery Act reimbursement request for about \$9.1 million out of its allocation of approximately \$12.9 million. According to OSSE officials, DCPS has provided assurances that it is working closely with its Office of the Chief Financial Officer to submit timely reimbursement requests and has established a timeline for submitting multiple requests for reimbursement before September 30, 2010.

ESEA Title I. OSSE also provides the ESEA Title I Recovery Act funds to the LEAs on a reimbursement basis, whereby the LEAs can obligate Recovery Act funds, spend their own state and local funds, then request reimbursement from OSSE for Recovery Act funds. As of July 23, 2010, the charter school LEAs had requested reimbursement for about \$7.1 million and DCPS had requested \$264,197 for a total of about \$7.4 million requested for reimbursement by the District LEAs.²⁰ As of July 23, 2010, OSSE had made a total of about \$3.5 million in payments to 33 charter school LEAs and an additional \$1.5 million was approved with payment

¹⁹Pub. L. No. 111-226, § 101, 124 Stat. 2389. The legislation also provided for an extension of increased Federal Medical Assistance Percentage (FMAP) funding.

²⁰The amount requested for reimbursement may not equal the amount ultimately paid to the subrecipient (LEA) depending on the grant manager's review of the submitted expenditures.

pending. According to OSSE officials, DCPS has provided assurances that it is working closely with its Office of the Chief Financial Officer to submit timely reimbursement requests and has established a timeline for submitting multiple requests for reimbursement before September 30, 2010. Officials at the two charter school LEAs that we contacted, Center City Public Charter School and Friendship Public Charter School, noted that while the flow of ESEA Title I Recovery Act funds started late in the year, once it was underway, the reimbursement process ran faster and smoother than it had in the past.

State Fiscal Stabilization Fund. The District was allocated \$73.1 million in Recovery Act SFSF education stabilization funds.²¹ The District was also allocated almost \$16.3 million in SFSF government services funds, \$9.8 million (60 percent) of which it designated for public schools, including public charter schools.²² OSSE's Deputy Chief of Staff told us that the District allocated the SFSF funds directly to LEAs using the District's Uniform per Student Funding Formula (UPSFF) which, by law, is distributed in quarterly payments to public charter schools and is incorporated into DCPS's budget as DCPS is a District agency. As a result, charter schools are not reimbursed for their SFSF spending. Rather, charter schools spend their SFSF funds as UPSFF funds and report their expenditures to OSSE, which reviews their expenditures to verify appropriate use of the funds. OSSE disbursed the SFSF funds to the charter school LEAs in two payments, one on January 14, 2010 (government services funds), and the other on April 15, 2010 (education stabilization funds). As of May 7, 2010, OSSE had completed its payments of SFSF funds to the District charter school LEAs for a total of more than \$29 million. As of July 23, 2010, the charter school LEAs had submitted expenditure reports for SFSF funds totaling about \$23 million out of the over \$29 million that OSSE had disbursed. However, SFSF funds are

²¹Of the total \$73.1 million in SFSF education stabilization funds allocated to the District, the District allocated almost \$1.3 million to the University of the District of Columbia (UDC).

²²The Metropolitan Police Department received \$6.5 million (40 percent) of the District's SFSF government services funds.

federal funds governed by the applicable cash management rules.²³ In general, these rules require executive agencies implementing federal assistance programs and states, including the District, participating in them to minimize the time elapsing between the state's disbursement of federal funds to subrecipients, such as LEAs, and the disbursement of those funds by subrecipients.²⁴ To address this issue, on June 18, 2010, OSSE provided guidance to its LEAs about reporting their SFSF expenditures to OSSE in order to comply with such federal rules.

Unlike the charter school LEAs, DCPS must access SFSF funds in the same manner as it accesses other federal funds—by requesting reimbursement for its expenditures through OSSE. As of August 18, 2010, according to the Deputy Chief of Staff, DCPS had requested reimbursement and received approval for \$40 million of its \$52 million SFSF allocation.

²³The Cash Management Improvement Act of 1990, as amended, requires the Secretary of the Treasury, along with the states, including the District, to establish equitable funds transfer procedures so that federal financial assistance is paid to states in a timely manner and funds are not withdrawn from Treasury earlier than they are needed by the states for grant program purposes. The act requires that states pay interest to the federal government if they draw down funds in advance of need and requires the federal government to pay interest to states if federal program agencies do not make program payments in a timely manner. The Department of the Treasury promulgates regulations to implement these requirements. 31 C.F.R. pt. 205. However, cash management by subrecipients, such as LEAs, is subject to Department of Education grant administration regulations, which may require subrecipients to remit to the U.S. government interest earned on excess balances. *See* 34 C.F.R. §§ 74.22, 80.21.

²⁴For the Department of Education, see 34 C.F.R. § 80.21(b). The specific requirements can vary depending on whether the program (1) is listed in the Catalogue of Federal Domestic Assistance, (2) meets the threshold for a major federal assistance program, and (3) is covered by an agreement between the U.S. Treasury Department and the state, among other circumstances.

The Majority of LEAs Planned to Use Their IDEA Part B Recovery Act Funds Primarily for Salaries and Contracted Services

At the time of our analysis, 33 LEAs had submitted a Phase II application and were approved by OSSE to receive reimbursement for their allocated portion of the District's \$16.7 million in IDEA Part B Recovery Act funds.²⁵ The District LEAs planned to spend the largest portion of their IDEA Part B Recovery Act funds on salaries (about 45 percent) and the second largest portion on contractual services (about 35 percent).²⁶ The third largest portion of planned spending was designated for supplies and materials (about 10 percent). About 3 percent of IDEA Part B Recovery Act planned spending was designated for fringe benefits such as health care or retirement accounts. The remaining portion of planned spending was spread across the other budget categories.²⁷

²⁵To receive Recovery Act funds, OSSE requires that LEAs submit an application that describes how the funds will be used, and OSSE must approve this application. The IDEA Part B Recovery Act application process consists of three phases: phase I—LEAs make programmatic assurances; phase II—LEAs submit spending plans and budgets based on preliminary allocations; and phase III—LEAs submit revised spending plans and budgets based on their final allocations. The 33 LEAs that applied for and were approved to receive Recovery Act IDEA funds at the time of our analysis—May 24, 2010—comprise 32 public charter schools and DCPS. As of August 4, 2010, OSSE reported that an additional 7 LEAs had applied for and received IDEA Part B Recovery Act funds, for a total of 40. The additional 7 LEAs were not included in our analysis. In addition to its 129 schools, DCPS also serves as the LEA for IDEA purposes for 16 public charter schools. According to an OSSE official, 2 of those 16 LEAs will be closed as of the 2010-2011 school year, and as a result, DCPS will be the IDEA LEA for 14 public charter schools for the 2010-2011 school year. In our last report ([GAO-10-695SP](#)), we discussed the planned uses for ESEA Title I Recovery Act funds and SFSF funds. We found that a significant portion of LEAs planned to use these funds for salaries and benefits.

²⁶To gather these data, we obtained from OSSE the IDEA Part B Recovery Act fund applications with budget sheets for the 33 LEAs that had submitted applications for those funds at the time of our analysis. These budget sheets were approved by OSSE and identified the LEAs' planned uses of these funds. We reformatted and analyzed the planned uses and determined that the data were sufficiently reliable for the purposes of this report. The totals do not add to 100 percent because the four budget categories discussed are four out of the seven total budget categories on the budget sheets and the percentages have been rounded.

²⁷Including salaries, contracts, supplies and materials, and fringe benefits, there are seven budget spending categories in the OSSE-created application that LEAs must complete to receive IDEA Recovery Act funds. The other three categories are fixed costs (rent and utilities), other services, and equipment. The categories for IDEA budgets and direct costs are slightly different from the categories used in the Recovery Act ESEA Title I and SFSF applications. The ESEA Title I and SFSF applications put salaries and benefits together in one budget category. The IDEA application puts salary and fringe benefits into two separate budget categories. The totals do not add to 100 percent because the four budget categories discussed are four out of the seven total budget categories on the budget sheets and the percentages have been rounded.

Twenty-two of the 33 LEAs planned to use all or part of their IDEA Part B Recovery Act funds for salaries. Specifically, 11 of the 22 LEAs designated 100 percent of their funds and 6 of the 22 LEAs designated between 75 and 100 percent for that purpose. Six of the 22 LEAs that planned to use their funds for salaries also planned to use up to 25 percent of their IDEA Part B Recovery Act funds to provide fringe benefits.

Fourteen of the 33 LEAs planned to use all or part of their IDEA Part B Recovery Act funds for contractual services.²⁸ Seven of those LEAs designated from 75 through 100 percent of their funds for that purpose. According to DCPS's Phase III application, DCPS planned to spend 37 percent of its IDEA Part B Recovery Act funds on salaries and 63 percent on contractual services.²⁹ This is similar to DCPS's plan for ESEA Title I Recovery Act funds, of which DCPS planned to spend about 70 percent on contracted professional services.³⁰

²⁸The budget category "contractual services" can include contracts for direct instruction, administration, support services, operation and maintenance, and student transportation. For the 33 LEAs that were part of our analysis, "contractual services" were used primarily in the program categories of direct instruction and support services.

²⁹DCPS submitted its IDEA Part B Recovery Act Phase III application on August 2, 2010, according to OSSE officials.

³⁰Recovery Act ESEA Title I and SFSF fund recipient LEAs can be separated into two distinct groups for analysis—the public charter schools and DCPS. In contrast, for IDEA Recovery Act funds, DCPS is the LEA for its own 129 schools and additionally serves as the LEA for IDEA purposes for 16 of the public charter school LEAs. Thus, it is not possible in this analysis of Recovery Act IDEA Part B funds to separate all the public charter LEAs and their planned spending from the DCPS LEA and its planned spending.

Selected LEAs Used
Recovery Act Funds to
Implement Programs that
Focus on Students with
Disabilities and on
Reducing Negative
Behaviors

We met with three District LEAs—DCPS, Center City Public Charter School,³¹ and Friendship Public Charter School³²—to discuss uses of Recovery Act funds that they consider to be successful.³³ We selected these LEAs based on factors such as the amount of Recovery Act funds allocated, the amount of Recovery Act funds expended, and to maintain continuity with our prior Recovery Act reports.

IDEA Part B Recovery Act funds. DCPS officials described their enhancements to the Special Education Data System (SEDS) as a success that was made possible by IDEA Part B Recovery Act funds. SEDS is a state-level data system that tracks students with disabilities and services provided for them. A DCPS official observed that prior to the infusion of IDEA Part B Recovery Act funds, SEDS did not provide all the tools that DCPS desired for converting raw data into usable information. The official told us that the improved SEDS program will allow various DCPS staff to track a variety of data such as the timeliness of ordering and conducting new assessments, achievement levels, and areas for improvement.³⁴ According to the official, using the IDEA Part B Recovery Act funds to improve SEDS functionality will strengthen DCPS's ability to provide special education services to its students, and ultimately result in cost savings. Without the Recovery Act funds, the improvements would have taken a number of years to accomplish, according to DCPS officials.

Officials at Center City Public Charter School told us they used some IDEA Part B Recovery Act funds to improve their program for students with disabilities by hiring six inclusion specialists. According to Center City documents, inclusion specialists are the primary educators responsible for ensuring that students with Individualized Education Programs (IEP) receive appropriate and consistent instruction and services prescribed by their IEPs.³⁵ The specialists worked not only with students but also

³¹Center City Public Charter School has six campuses.

³²Friendship Public Charter School has six campuses.

³³When asked to describe what they saw as successes, Center City Public Charter School and Friendship Public Charter School chose to describe the use of both ESEA Title I Recovery Act funds and IDEA Part B Recovery Act funds. DCPS chose to describe successes using IDEA Part B Recovery Act funds.

³⁴The DCPS official also noted that SEDS provides information not just across the individual schools but also across the whole LEA.

³⁵An IEP is a written educational plan for a student with disabilities. The purpose of an IEP is to provide for a child with disabilities specialized or individualized assistance in school.

worked collaboratively with classroom teachers and parents. According to Center City officials, by increasing the number of inclusion specialists, the LEA would be able to provide greater support for every Center City student. Center City Officials said that without IDEA Part B Recovery Act funds, they would not have been able to hire these six additional specialists. Officials view this program as successful because the additional six specialists enabled the LEA to ensure that its inclusion model exceeded IDEA requirements for such models and fulfilled the goal of giving additional support to all students as well as ensuring that students with IEPs reached their IEP goals.

Officials from Friendship Public Charter School told us they used some of their IDEA Part B Recovery Act funds to support a program to benefit students with behavioral or academic challenges. Friendship officials stated that the program, known as the Resource Intensive Support for Education (RISE) program, provides a continuum of services for students who are experiencing behavioral or academic challenges beyond the scope of Friendship's education model, which aims to educate all students in the general education classroom and provide students with additional resources as needed. The RISE program's goal is to help more students stay in general education rather than being placed in a special school by giving students who need assistance additional support on a temporary basis. According to program officials, there are three RISE centers in the Friendship LEA differentiated by grade level—pre-kindergarten through grade 4, grades 5 through 8, and grades 9 through 12. RISE classes are small, with a maximum of 12 students, one teacher, and one aide. The RISE teachers are generally experienced teachers and offer students one-on-one attention. Each RISE student has an individualized plan with a timeline at the end of which the student returns to the home school or moves to a more restricted environment. Officials told us that the IDEA Part B Recovery Act funds allowed Friendship to hire more staff, purchase more resource materials, and open all three centers in a timely manner. According to Friendship officials, the RISE program for the 2009-2010 school year produced positive outcomes for the students who required more intensive academic and behavioral support. Friendship officials reported that the students' overall behavior improved, while discipline referrals were markedly reduced or eliminated.

ESEA Title I. Using ESEA Title I funds, Center City was able to convert part-time counselors to full-time employment, enabling the LEA to place a full-time counselor on each Center City campus. LEA officials reported that the counselors were instrumental in identifying key student needs that distract from academic success. For example, according to officials, data

collected at one campus demonstrated that the students needed support in managing emotions—specifically anger. Bullying and peer pressure also were identified as consistent challenges among students. This data collection was an important first step that subsequently guided the development of a program to work on these issues by highlighting areas of need that could be addressed by classroom guidance and small-group counseling. To address these challenges, staff at one Center City school began a small program to emphasize and recognize positive interactions among peers and increase the use of appropriate language during conflicts. Center City officials noted that without Recovery Act funds, the LEA would not have been able to afford full-time counselors at each campus.

Friendship officials described a behavior management program funded by ESEA Title I Recovery Act funds as a success. According to officials, the model they adopted is based on minimizing the time students spend outside the classroom for discipline-related issues. The program provides intensive training to help teachers keep the students in the classroom by better managing discipline and redirecting negative or unacceptable behaviors. For example, coaches observe and advise new teachers to help them recognize disengaged students and redirect the students before there are behavior issues. The program also involves parents and administrators which, officials said, helps provide consistency throughout the grades (pre-K through 12) and the six charter schools. The program is evaluated by tracking how many students are sent out of the classroom and how many suspensions there are.³⁶ This model of classroom discipline had been started on a small scale in the previous year, but the ESEA Title I Recovery Act funds made it possible to expand the program to cover grades Pre-K through 12.

³⁶According to Friendship officials, prior to the program, Friendship’s former discipline policy was based on rule enforcement and was inconsistent both within the individual schools and across the LEA. Additionally, a teacher’s response to a discipline problem was often sending a child out of the classroom, a response that meant children were missing school time.

The Office of the State Superintendent of Education Continues to Monitor LEAs Utilizing Both Its Monitoring Protocol and Quarterly Review of Its LEAs' Recovery Act Data

OSSE Continues to Monitor Its LEAs and Has Completed Reviews of the Higher-Risk LEAs It Has Identified

In May 2010, we reported that OSSE took steps to reform its processes of monitoring its federal grants, including implementing new protocols to monitor its subrecipients.³⁷ OSSE developed and implemented a monitoring protocol in March 2010 that included conducting on-site monitoring visits and desk reviews for LEAs, with expenditure testing conducted during both procedures. OSSE's on-site monitoring protocols encompassed SFSF funds, ESEA grant awards, including ESEA Title I Recovery Act funds, and IDEA Part B Recovery Act funds.³⁸ The on-site monitoring protocol involves interviewing LEA officials and external stakeholders, including parents, in addition to reviewing the LEA's policies and procedures and conducting expenditure testing to verify appropriate use of funds. Additionally, OSSE developed a desk review protocol to review Recovery Act-related expenditures made by its subrecipients.³⁹ OSSE's Deputy Chief of Staff told us that as of June 21, 2010, OSSE had completed its ESEA grant on-site monitoring visits for the 2009-2010

³⁷Subrecipients consist of District LEAs and other District organizations receiving federal funds through OSSE.

³⁸The SFSF funds, ESEA grants, and IDEA Part B on-site monitoring reviews utilize separate protocols.

³⁹OSSE's desk review examines the uses of the following Recovery Act funds, where applicable: IDEA Part B; McKinney-Vento; School Improvement Grants; State Fiscal Stabilization Fund—education stabilization funds and government services funds; ESEA Title I, Part A; and Enhancing Education Through Technology.

school year, consisting of visits to 18 LEAs. Further, another OSSE official told us that concurrently, OSSE visited 3 LEAs receiving IDEA grant funds, and the Deputy Chief of Staff added that they completed 19 desk reviews of LEAs receiving Recovery Act funds—all of which OSSE officials considered to be higher-risk subrecipients.⁴⁰

Following the on-site or desk review, OSSE's monitoring team compiles summary reports for the subrecipients, which present findings identified by OSSE during the monitoring review and recommended corrective actions for resolving the findings. According to OSSE's protocols, subrecipients with one or more findings must develop and submit a corrective action plan that describes the subrecipient's strategies and a timeline for resolving the findings.⁴¹ OSSE officials told us that OSSE would consider all findings resolved only after a subrecipient has provided evidence, such as documentation of changed policies, that the corrective action plan has been implemented.⁴² Then OSSE will issue a letter to the subrecipient indicating the resolution of findings and document any restrictions that have been lifted. According to OSSE officials, if a subrecipient fails to implement its corrective action plan in a timely manner, as determined by OSSE officials, OSSE may impose restrictions on the subrecipient's future grant funds, including additional required reporting to OSSE, additional on-site monitoring by OSSE, mandatory technical assistance from OSSE, and withholding or suspending grant funds.

We reviewed 3 ESEA grant on-site monitoring reports and 13 Recovery Act desk review reports to understand OSSE's monitoring activities of its

⁴⁰OSSE officials told us that the on-site monitoring schedule and the desk-review schedule were determined by separate risk analyses. Some of the LEAs that received on-site monitoring visits also received desk reviews from March through June 2010. The on-site monitoring schedule divided the LEAs into two categories—higher-risk and lower-risk—with OSSE conducting visits to higher-risk LEAs in the 2009-2010 school year. OSSE has developed its ESEA grants on-site monitoring schedule for the 2010-2011 school year. The desk-review schedule divided the LEAs into three categories—high-risk, medium-risk, and low-risk—with OSSE conducting reviews of LEAs in May 2010 and July 2010 and planning to conduct reviews in October 2010.

⁴¹As of July 23, 2010, an OSSE official told us they had received corrective action plans from two LEAs.

⁴²OSSE officials told us that they may conduct additional on-site monitoring or desk reviews to verify plans have been sufficiently implemented, as determined by OSSE staff.

LEAs.⁴³ According to the 3 on-site monitoring reports prepared by OSSE, the LEAs generally complied with Recovery Act requirements, but 2 of the 3 LEAs had inconsistencies in keeping and maintaining records for financial management and administrative purposes—specifically, the 2 LEAs failed to maintain supporting documentation for expenditures so that the documentation could be easily located. OSSE’s monitoring report states that supporting documentation includes, but is not limited to, invoices, contracts, canceled checks, and other documentation related to expenditures made with federal grant funds. OSSE officials told us that a majority of the supporting documentation that could not be located was not for expenditures made with Recovery Act funds; and in examining expenditures, the scope of OSSE’s review did not require OSSE’s team to separately identify expenditures made with Recovery Act funding, as the purpose was to review LEA’s ESEA grants as a whole. OSSE’s monitoring team found that one LEA only provided supporting documentation for only 16 of the 52 expenditures that OSSE requested to review. OSSE required the LEA to provide all of the documents requested during the on-site visit by July 2010, but the LEA provided only half of the documents, according to an OSSE official. The OSSE official stated that in response, OSSE is withholding subsequent reimbursements to this LEA until the LEA complies with OSSE’s request and creates and implements a corrective action plan to resolve the issue and prevent future occurrences.⁴⁴ With respect to the second LEA, OSSE found that the LEA could not provide the documentation for a significant amount of expenditures. In response, OSSE required that LEA submit corresponding invoices to support all future reimbursement requests until the LEA creates and implements a corrective action plan, approved by OSSE, such as revising its procedures

⁴³We reviewed the 3 on-site monitoring reports that were completed as of July 2, 2010 and the 13 desk review reports that were completed as of July 20, 2010. Our review of the monitoring reports is limited to discussing the findings related to Recovery Act funding, because of the scope of our work. Additionally, as of July 15, 2010, OSSE had not finalized any on-site monitoring reports of subrecipients receiving IDEA funds, and therefore there were no reports for us to review.

⁴⁴OSSE provides subrecipients with certain Recovery Act funds on a reimbursement basis, whereby subrecipients can obligate Recovery Act funds, spend their own state and local funds, then request reimbursement from OSSE for the expenditure amount. Before subrecipients can access the funds, OSSE requires subrecipients to submit an application that describes how the funds will be used in a budget and spending plan and provide assurances that the uses comply with the Recovery Act. According to OSSE officials, upon approval of the application, subrecipients can submit requests for reimbursement, using a Recovery Act reimbursement workbook developed by OSSE. OSSE officials then review these workbooks quarterly, to verify the requests align with the subrecipients’ approved applications.

so that supporting documentation for its expenditures is retained and easily located.

On the basis of our analysis of the 13 desk review reports that OSSE had completed, we found that OSSE identified at least one finding for all 13 LEAs it had reviewed, and two findings were identified for nearly all of the LEAs. First, OSSE's desk reviews identified that 12 of the 13 LEAs did not demonstrate that their accounting records accurately and separately tracked expenditures made with Recovery Act funds. To address this finding, OSSE required, for example, that an LEA submit evidence to OSSE that it is separately tracking Recovery Act expenditures in its general ledger, by September 2010; otherwise, OSSE may suspend all Recovery Act payments at that time. Second, OSSE found that 12 of the 13 LEAs either did not submit a section of their Recovery Act grant application on time or did not submit required revisions in a timely fashion, for applicable grants. To address this finding, in one instance OSSE required an LEA to develop a policy by September 2010 that governs the preparation and approval of the LEA's Recovery Act grant applications to enforce timely submission of the LEA's applications to OSSE. OSSE officials explained that the number of findings identified is due, in part, to the LEAs' lack of experience with the monitoring process and Recovery Act requirements because they had not been subjected to such a rigorous review in prior years.⁴⁵ However, OSSE officials told us that as OSSE strengthens its federal grant oversight role, LEAs will learn the process and should have fewer findings.

According to OSSE officials, they plan to continue their on-site monitoring reviews after the Recovery Act funds are expended. OSSE intends to visit all subrecipients receiving ESEA grants in 2-year cycles and subrecipients receiving IDEA grants in 3-year cycles. However, OSSE officials do not plan to continue the Recovery Act-specific desk reviews after Recovery Act funds are expended, but said they may modify the desk review protocol for oversight of other grant funds.

⁴⁵OSSE was created in October 2007 to be the District's stand-alone state educational agency. Prior to this, DCPS served as both the local and state educational agency.

OSSE Utilizes a Quarterly Review of Its Subrecipients' Recovery Act Grant Information

In addition to conducting on-site and desk reviews at LEAs, OSSE also reviews the uses of Recovery Act funds through reimbursement workbooks, which LEAs use to submit reimbursement requests to OSSE. According to OSSE officials, while reviewing subrecipients' reimbursement workbooks, they found that subrecipients were trying to comply with Recovery Act requirements, as the workbooks were generally free of egregious or deliberately inappropriate requests.⁴⁶ OSSE officials told us that the disallowable expenditures they identified during their reimbursement workbook reviews were generally for expenditures that did not align with an LEA's approved budget and spending plan. For example, some LEAs requested reimbursement for a specific category that exceeded the budgeted amount in that category. In such cases, OSSE advised its LEAs to either resubmit the request under a different budget category or readjust its budget to get approval for the reimbursement within 3 business days in order to receive payment. Additionally, an OSSE official noted that OSSE also identified reimbursement requests that were not in compliance with the Recovery Act. For example, according to the OSSE official, an LEA submitted a request for reimbursement of ESEA Title I Recovery Act funds for the cost of a field trip to an amusement park, which is not allowable under the ESEA Title I program. Accordingly, OSSE denied payment to the LEA. The official added that because of OSSE's review process, some LEAs are now seeking approval for spending Recovery Act funds before accruing the expenditure.

In addition to reviewing Recovery Act reimbursement requests, OSSE officials told us they also use the reimbursement workbooks to collect recipient reporting data. OSSE has been using the District's centralized recipient reporting process to report to the federal reporting Web site, which is discussed in further detail later in this report. OSSE reported a total of 2,833.2 FTEs were funded by Recovery Act SFSF, ESEA Title I, and IDEA Part B funds from April 1, 2010, to June 30, 2010.⁴⁷ OSSE collects recipient reporting data from its subrecipients on a quarterly basis,

⁴⁶The Recovery Act generally dictates that funds may not be used for any casino or other gambling establishment, aquarium, zoo, golf course or swimming pool, and also provides specific spending limitations for certain grant programs. For example, the State Fiscal Stabilization Fund provisions state that LEAs may not use SFSF funds for payment of maintenance costs; stadiums or other facilities primarily used for athletic contests for which admission is charged to the general public; purchase or upgrades of vehicles; or improvement of stand-alone facilities the purpose of which is not the education of children, including central office administration or operations or logistical support facilities.

⁴⁷We obtained the FTE information from Recovery.gov on August 6, 2010.

according to OSSE officials. OSSE officials told us that they implemented multiple levels of review of the recipient reporting data, which included verifying that the subrecipient's actual FTE calculation was consistent with the subrecipient's requested reimbursement amount for salaries. OSSE officials told us that they are working with subrecipients to implement the recipient reporting process, but some LEAs are still having difficulties in reporting. For example, we found that an LEA misunderstood the recipient reporting requirements for its Recovery Act IDEA funds in that it did not report the hours worked by its contractors that were funded by IDEA grant as FTEs. OSSE's Deputy Chief of Staff told us that OSSE is working with the LEA to provide corrections and updates to the data during the continuous corrections period prior to the next reporting period.⁴⁸ OSSE also identified 9 LEAs that had not submitted any expenditure data for their SFSF funds as of July 13, 2010, even though LEAs received their SFSF payments in January and April 2010.⁴⁹ In response, an OSSE official told us that OSSE followed up with each of the identified LEAs, resulting in 4 of the 9 LEAs reporting expenditure data for SFSF funds, as of August 9, 2010.

⁴⁸In January 2010, the Recovery Accountability and Transparency Board modified the process for correcting data on the federal reporting Web site by initiating a "continuous corrections" period, where Recovery Act fund recipients could correct submitted data for the immediately preceding reporting period, if necessary, after the reporting period ended. Prior to January, data in the federal reporting Web site, for a given reporting period, were locked and no longer correctable once the reporting period ended and the information was published on Recovery.gov.

⁴⁹In July 2010, OSSE issued a memorandum to its subrecipients reminding them to, among other things, submit quarterly SFSF expenditure reports and identifying LEAs that have obligated all of their SFSF funds and completed reporting of their SFSF expenditures, as well as LEAs that have not submitted SFSF expenditure reports. According to OSSE's Deputy Chief of Staff, LEAs have until September 30, 2012 to report all of their SFSF expenditures.

Recipient Reporting Provided the District the Opportunity to Develop Plans for Future Districtwide Grant Oversight

The District has consistently met the quarterly Recovery Act recipient reporting deadlines, utilizing its centralized Web-based recipient reporting system designed by the District, according to officials in the Office of the City Administrator (OCA). An OCA official told us that as of July 29, 2010, the District agencies reported 3,512 FTEs funded by Recovery Act funds from April 1, 2010, to June 30, 2010.⁵⁰ As described in detail in our December 2009 report,⁵¹ the District developed a Web-based system for reporting mandated recipient reporting data. Per the District's process, with the exception of OSSE, each District agency receiving Recovery Act funds submits recipient reporting data to the District's recipient reporting Web site (reporting.dc.gov) on a monthly basis.⁵² Designated OCA officials—known as Recovery Act coordinators—are to review each District agency's recipient reporting data for accuracy and completeness before that agency can submit data to the federal recipient reporting Web site. At the end of the reporting period, the coordinators complete the review of each agency's recipient reporting data and approve the data for submission to the federal reporting Web site (federalreporting.gov), and the data are then published on the federal Web site for tracking Recovery Act spending (Recovery.gov).

According to the Recovery Act coordinators, the District did not face significant problems or issues with recipient reporting for the period ended June 30, 2010. In fact, the coordinators added that the recipient reporting process has gone more smoothly for the District agencies and OCA after each successive reporting period, as agencies became more experienced with the process. The coordinators noted that they designed the centralized Web-based reporting system so they could implement

⁵⁰In May 2010, our report on the Recovery Act stated that the recipient reporting exercise is highlighting problems in obtaining quality recipient-reported data because of the overall complexity of funded programs and the nationwide scope. Although, updated guidance and system enhancements have helped improve data and quality reliability, FTE calculations continue to result in noncomparable data across Recovery Act-funded programs and pose problems for some recipients.

⁵¹GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (District of Columbia)*, [GAO-10-232SP](#) (Washington, D.C.: Dec. 10, 2009).

⁵²According to OCA and OSSE officials, one District agency—OSSE—does not submit recipient reporting data to the District's reporting Web site on a monthly basis because OSSE collects and submits recipient reporting data for its subrecipients on a quarterly basis, imposing a deadline of 1 to 2 weeks prior to the end of each reporting period to allow for data quality review and processing time. According to OSSE officials, OSSE cannot require subrecipients to report their recipient reporting data on a monthly basis, but highly recommends that subrecipients do so.

changes to the system as needed to comply with federal reporting requirements or to assist District agencies in recipient reporting. For example, when the federal reporting system was modified to allow for continuous corrections by prime recipients, the Recovery Act coordinators altered the District's system so that District agencies could correct inaccurate or incorrect recipient reporting data during the continuous corrections period. The coordinators told us they made the change to the system—limiting agencies to access and revise only inaccurate or incorrect recipient reporting data—because the coordinators were concerned that agencies would accidentally change accurate recipient reporting data that had been submitted. The coordinators also noted that, on the basis of requests from District agencies, the District's system can now produce summary reports of recipient reporting data for individual Recovery Act grants, such as SFSF funds, in the same format as displayed on Recovery.gov. This allows District agencies to compare and more easily verify that the data they submitted to the federal reporting Web site were correct. Prior to the ability to create these reports, according to the coordinators, the District agencies were comparing their submitted recipient reporting data with summary reports produced by the District's reporting system that were difficult to read and understand because reports were displayed in programming language. The coordinators added that they required District agencies to also submit the new summary reports to OCA when submitting recipient reporting data for review, to aid in the coordinators' review. Other than this change in how data were verified by agencies and the District before being submitted to federalreporting.gov, the coordinators stated that the District's recipient reporting process was the same for the reporting period ended June 30, 2010, as compared with the reporting process for previous reporting periods.

According to the District's Recovery Act coordinators, the recipient reporting experience has been helpful in a number of areas, most notably in providing the District with the opportunity to reform its grant management practices. Coordinators told us that because they implemented a centralized reporting process—with OCA developing and leading the process and reviewing and approving the District's recipient reporting data—the District, through OCA, was able to establish a new approach for federal grant oversight. Recovery Act coordinators explained that prior to the Recovery Act, the District's grant oversight was decentralized, and primarily grant management was dependent upon individual District agencies. However, utilizing the new approach, the coordinators told us that they plan to strengthen the District's grant oversight by creating a new office to manage all District grants under OCA.

With the new office, Recovery Act coordinators told us the District plans to strengthen oversight by developing citywide grant management training, standardizing grant management practices, and providing technical assistance to District agencies, as needed. Recovery Act coordinators told us that additional staff positions for the new office have already been budgeted for the next fiscal year. Coordinators added that because District agencies demonstrated the ability to report consistently due to the recipient reporting mandate, they plan to continue to use the centralized Web-based system to manage all federal grant funds awarded to the District after Recovery Act funds are expended.

The District's Office of the Inspector General Has Initiated One Audit of Recovery Act Funding

The DC OIG is responsible for conducting audits, inspections, and investigations of government programs and operations in the District, including auditing the District's use of Recovery Act funds. In our last report, issued in May 2010, we noted that DC OIG had initiated one audit specifically related to the use of Recovery Act funds involving construction contracts with the District Department of Transportation that were awarded under the Recovery Act.⁵³ According to DC OIG, the purpose of this audit is to determine whether the District Department of Transportation fulfilled the terms of its certification under Section 1511 of the Recovery Act,⁵⁴ complied with District procurement regulations in awarding contracts, and utilized effective controls. This audit is expected to be completed by spring 2011. DC OIG plans to coordinate with GAO and U.S. Department of Transportation officials to obtain general information about the federal requirements for Recovery Act funds provided to the District and the project certification process. As of July 14, 2010, the District OIG has not initiated any additional Recovery Act audits. A senior DC OIG official told us that other planned audits and inspections of Recovery Act funds had not begun because of limited resources within the agency.

⁵³GAO-10-605SP.

⁵⁴With respect to Recovery Act funds made available to state or local governments for infrastructure projects, the governor, mayor, or other chief executive, as appropriate, is required to certify that the infrastructure investment has received the full review and vetting required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. The certification is also to include a description of the investment, the estimated total cost, and the amount of Recovery Act funds to be used, among other requirements. Recovery Act, div. A. § 1511, 123 Stat. 287.

The District’s Single Audits Provide Oversight of Some Recovery Act Funds

According to data from the Federal Audit Clearinghouse, which is responsible for receiving and distributing single audit results, it received the District’s single audit reporting package for the year ending September 30, 2009, on June 29, 2010. The 2009 audit—the first Single Audit for the District that included Recovery Act programs—identified 5 significant deficiencies and 17 material weaknesses related to controls over programs that received Recovery Act funds, including FMAP.⁵⁵ However, a senior official from the Office of the Chief Financial Officer (OCFO) noted that the deficiencies and weaknesses were not a result of noncompliance with Recovery Act requirements. This official added that the District has a single audit oversight committee—chaired by a staff member from the OCFO with representatives from the Executive Office of the Mayor, City Council, and the Office of the Inspector General—that oversees the progress of the Single Audit to include follow-up and remediation of past findings and timely completion of the audit.

Recovery Act Funds Have Helped Support Certain District Programs and Balance Its Budget in Fiscal Year 2010, and There Are Signs the District’s Economy Is Improving

Table 1: Characteristics of the District of Columbia

Population	Unemployment rate	Fiscal year 2011 proposed operating budget
599,657	10.5%	\$8.9 billion

Sources: U.S. Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics (LAUS), District of Columbia budget document.

Notes: Population data are from the latest available estimate, July 1, 2009. Unemployment rates are a preliminary estimate for June 2010 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

Additional Recovery Act grants have helped support certain District education, human services, and technology programs. District officials told us that the District has received over \$53 million in Recovery Act funding since we last spoke with them in April 2010—about \$36 million in non-competitive grants and about \$20 million in competitive grants. On April 2, 2010, OSSE was awarded \$12 million to improve its persistently lowest-achieving schools through the non-competitive School Improvement Grant, administered by the U.S. Department of Education.

⁵⁵The District’s Single Audit for the year ended September 30, 2009 identified a total of 78 significant internal control deficiencies related to compliance with Recovery Act and non-Recovery Act Federal Program requirements, of which 66 were classified as material weaknesses. A senior official from the Office of the Chief Financial Officer told us that the number of findings identified in the fiscal year 2009 Single Audit decreased by 32 percent, compared with the number of findings identified in the prior year.

Additionally, on April 28, 2010, the District's Department of Human Services qualified for and was awarded about \$24 million from the U.S. Department of Health and Human Services for the Temporary Assistance for Needy Families Emergency Contingency Fund to support the increased demand for assistance due to the economic downturn. Of the \$20 million awarded to the District in Recovery Act competitive grants after March 2010, about \$17 million was awarded to the District's Office of the Chief Technology Officer, on June 28, 2010, by the U.S. Department of Commerce for its Broadband Technology Opportunities Program (BTOP) to support its Comprehensive Community Infrastructure award. The District plans to provide direct Internet connections to public areas in communities located predominately in the District's economically distressed areas. An additional \$1.6 million was awarded to the District through the same BTOP program on July 2, 2010, focusing on providing public computer centers to the District of Columbia Public Libraries. The remainder of the competitive grant awards consists of over \$600,000 awarded to the District's Department of Employment Services by the U.S. Department of Labor for its On-the-Job-Training Grant to assist in reemployment for dislocated workers experiencing prolonged unemployment.

Although the District continues to face fiscal challenges, there are signs the District's economy is starting to recover. In our May 2010 report, we noted that the Mayor's proposed fiscal year 2011 budget identified a \$523 million budget gap as a result of the decline in revenues in fiscal year 2011, slow economic recovery, and the end of Recovery Act funding. The Mayor's budget proposes to close the projected \$523 million budget shortfall for fiscal year 2011 through maximizing efficiency in the District government, including such strategies as the elimination of 385 positions through attrition, retirement, and reductions in force;⁵⁶ freezing automatic pay increases for government employees; and renegotiating contracts with the District's vendors. According to the District's Chief of Budget Execution, the infusion of Recovery Act funds has helped mitigate the negative effects of the recession on the District's budget by providing time to adjust for the decline in revenues, which allowed the District to avoid making drastic cuts to services and programs.

⁵⁶According to the Mayor's proposal, the District has eliminated a total of 2,016 District government positions during the last 2 years.

In June 2010, the District's Chief Financial Officer (CFO) reported that the revenue estimates for fiscal year 2010 through 2014 remain unchanged from the estimate made in February 2010, noting that there are indicators of economic recovery, although recovery will be a long, slow process.⁵⁷ For example, the District's real property tax collections were better than expected, and withholding tax collections remained strong, according to the CFO. On the other hand, collections from the April individual tax filings performed below expectations, according to the quarterly revenue estimate.

The District has prepared for the end of Recovery Act funding because the District is required by law to prepare an annual balanced budget and multiyear financial plan. As a result, District officials have accounted for the future decrease in Recovery Act funds in planning the budgets for fiscal years 2011 to 2014.

Comments from the District of Columbia

We provided the Office of the Mayor of the District a draft of this appendix on August 16, 2010. On August 18, 2010, the Recovery Act Co-Coordinator within the Office of the City Administrator concurred with the information in the appendix and provided technical suggestions that were incorporated, as appropriate. In addition, we provided relevant excerpts to officials of the District agencies and organizations that we visited. They agreed with our draft and provided some clarifying information, which we incorporated, as appropriate.

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⁵⁷The District's fiscal year begins on October 1 and ends on September 30. Each February, the Office of the Chief Financial Officer issues a revenue estimate that is used to develop the budget for the next fiscal year. The estimate is revised as the new fiscal year begins and subsequently at regular intervals.

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