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Report to the Congress

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RECOVERY ACT

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

GAO

Accountability * Integrity * Reliability

GAO-10-1000SP

Appendix V: Florida

Overview

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

Florida has been deeply affected by the national economic recession with high unemployment and home foreclosure rates. State officials have taken steps to reduce expenditures and increase revenues and have used Recovery Act funds to address short-term economic hardship. Florida officials expect the state to receive about $21.7 billion in Recovery Act funds over multiple years through formula and competitive grants and contracts as well as benefits directly to individuals. Of the $21.7 billion, approximately $10.75 billion is subject to special reporting requirements that include an estimate of the number of jobs created or retained by the project, with about $7.8 billion of that amount coming through state agencies. The remaining $10.98 billion goes directly to individuals (e.g., unemployment compensation, increased food stamp assistance, and other programs) and is not subject to the special reporting requirements.

What We Did

Our work in Florida focused on specific programs funded under the Recovery Act. For this review, we collected relevant data from June to September 2010 on the use of specific funds, recipients' experiences in reporting Recovery Act expenditures and results to state and federal agencies, and steps to ensure accountability of the funds (see table 1). Our review focused exclusively on these entities and programs and our results cannot be generalized to Florida or nationwide. For descriptions and requirements of the programs we covered, see appendix XVIII of GAO-10-1000SP.

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

Table 1: Sites Selected for the Seventh Report, Rationale, and Work Done

Program	Entities and sites selected	Methodology and information collected
Weatherization Assistance Program	Florida Department of Community Affairs (DCA) Two subgrantees: Tampa Hillsborough Action Plan, and Miami-Dade Community Action Agency. Selected subgrantees based on the dollar value of weatherization funding allocated to the respective programs and geographic dispersion.	DCA: Discussed management controls in place. Subgrantees: Selected 28 weatherization client files: 13 randomly and 15 nongeneralizable cases based on geographic dispersion within the subgrantees' service areas, high dollar amount and whether the home was inspected by a contract field monitor to review for documentation supporting compliance with DCA requirements, such as income eligibility; however, we did not independently verify clients' income. Weatherized homes: Visited 20 homes to determine whether the work paid for was completed and of acceptable quality. A licensed engineer on our staff participated in inspections of these homes to assess work quality.
Tax Credit Assistance Program (TCAP) and Section 1602 Program	Florida Housing Finance Corporation (FHFC) Three projects receiving funding awards: Cypress Cove in Winter Haven; Bonnet Shores in Lakeland; and Northwest Gardens 1 in Ft. Lauderdale. Projects were selected based on source of funds.	FHFC: Reviewed and collected relevant documentation. Projects: Visited Cypress Cove and Bonnet Shores sites to observe status of projects; interviewed FHFC, Cypress Cove, Bonnet Shores, Northwest Gardens and Boston Capital officials with focus on the increased risks and costs to FHFC for monitoring compliance, FHFC's internal controls for ensuring compliance with federal requirements, and changes in asset management responsibilities among project owners, investors, and FHFC.
Energy Efficiency and Conservation Block Grant	City of Jacksonville, City of Miami, Miami-Dade County, and the City of Tampa were selected because, among cities and counties receiving grants, they received the largest allocations.	Interviewed cognizant officials and collected relevant documentation.
Early Head Start Expansion Grant	U.S. Department of Health and Human Services (HHS) Office of Head Start (OHS) Two grantees: Miami-Dade Community Action Agency and Children First, Inc. in Sarasota. Grantees were selected based on the size of the grant, geography, and previous audit findings.	OHS Atlanta Regional Office: Interviewed officials regarding oversight and grantee use of funds. Grantees: Interviewed officials regarding their use of Recovery Act funds, challenges in spending within the Recovery Act time frame, and protocols for enrollment of eligible children.
State and local budgets	State budget officials Selected Miami-Dade County because it received Energy Efficiency Conservation Block Grants (EECBG). We conducted joint site visits to the county for the use of Recovery Act funding in general, and its use of EECBG specifically, to focus on a common program from a budget and program perspective.	Interviewed state officials on state's use and effect of Recovery Act funds on the current fiscal year, 2010-2011, budget and strategies for when these funds are no longer available and reviewed budget documentation. Interviewed county officials on use and amount of Recovery Act funds received, effect of these funds on the county's budget, and strategies for addressing challenges when Recovery Act funds are no longer available, and reviewed budget documents.

Program	Entities and sites selected	Methodology and information collected
Contracting	Selected a total of 12 highway, education, and Workforce Investment Act (employment and training) contracts that we had reviewed in previous audit cycles to gain an understanding of the extent to which officials believed the contracts were awarded competitively and chose pricing structures that reduce the government's risk.	We followed up on 12 contracts to determine whether contracts experienced significant changes to cost, schedule, scope of work, and/or experienced performance issues. We administered a questionnaire to the project managers responsible for each contract and reviewed their responses and supporting documentation, such as contracts, contractor performance reports, and project management system reports. We also reviewed the highway contracts with Florida Department of Transportation (FDOT) officials and FDOT's Inspector General to obtain further understanding of how the state manages contracts, including changes to contract schedules.
Transparency and accountability	Florida Auditor General Florida Chief Inspector General and Agency Inspectors General Florida Recovery Czar	Interviewed state officials on audit work planned or completed. Reviewed accountability activities reported by state officials and Inspectors General. Reviewed state officials' websites to assess transparency of state's accountability activities and information made publicly available. Participated in the Inspector General's quarterly Recovery Act Oversight Partners Meeting.
Recipient reporting	Florida Recovery Czar Florida Department of Community Affairs Florida Energy and Climate Commission City of Tampa Tampa Hillsborough Action Plan Pinellas County Urban League	Interviewed state officials on the reporting of jobs created and retained. Interviewed a local agency administering the Energy Efficiency and Conservation Block Grant and two subrecipients of the Weatherization Assistance Program regarding jobs calculations for recipient reporting for the quarter ended June 30, 2010 and reviewed documentation used to calculate the reported number of jobs.

Source: GAO.

What We Found

The following are highlights of our review.

- **Weatherization.** As of June 30, 2010, Florida reported weatherizing 3,878 housing units, or about 20 percent of the 19,090 housing units it expects to weatherize with Recovery Act funding, and spending $35 million, or 40 percent of the $88 million it has thus far been allocated. Florida's Department of Community Affairs (DCA) has instituted various management controls over the program, but our review of two additional subgrantees identified similar control gaps and compliance issues as those identified in our May 2010 report. For example, weatherization work done was often not consistent with the recommendations of home energy audits and no reasons were given for the differences; in some instances, work was charged to the

program but not done or lacked quality; several potential health and safety issues were not addressed; and contractors' prices were not being compared to local market rates, as required by DCA. In addition, DCA's contract field monitors did not identify these issues in their reviews of the two subgrantees' completed cases we and they reviewed. DCA officials have acknowledged these problems and have taken steps to address the problems, including changing procedures and guidelines and instructing contract field monitors to be more attentive to these issues. The two subgrantees we reviewed also agreed to take corrective actions.

- **Tax Credit Assistance and Section 1602 Tax Credit Exchange.** Although Florida's Housing Finance Corporation (FHFC) and its project owners appeared to be on track to meet the Department of Housing and Urban Development's spending deadlines for TCAP, this did not appear to be the case for Department of the Treasury's December 31, 2010 funding and spending deadlines for the Section 1602 Program. For example, as of July 30, 2010, 28 provisionally approved projects had not yet received final funding awards under the Section 1602 Program. FHFC generally expected these projects to receive final approval or close by November 2010. In addition, several projects could face additional risk because they did not have third-party investors who would also typically monitor the projects to ensure compliance with program requirements and protect their financial interests. FHFC has taken or planned steps to address the risks associated with not meeting Treasury's deadlines and the absence of third-party oversight. FHFC reported significant job creation under these programs, but the methodologies used for these estimates differed. TCAP is subject to Recovery Act recipient reporting requirements but the Section 1602 Program is not.

- **Energy Efficiency and Conservation Block Grants.** As of July 15, 2010, of the municipalities we reviewed, only Jacksonville did not yet have monitoring procedures in place to track EECBG funds. While each city and county had met project requirements, such as environmental review, they varied in their progress toward meeting Department of Energy deadlines for obligating funds.

- **Early Head Start Expansion Grants.** Delays in OHS's award of the grant and in grantee implementation of the program slowed the delivery of services. For example, although Miami-Dade County Community Action Agency anticipated serving all its Recovery Act-funded children by January 1, 2010, it was not able to achieve full enrollment until months later. Due to the delays, the Community

Action Agency also expects to have unspent funds at the end of fiscal year 2010, but they hope to obtain approval to use the unspent funds in the second and final year of the grant.

- **State and local budgets.** Florida's state budget for the current fiscal year includes $2.6 billion in Recovery Act funds in addition to about $270 million for increased federal match for Medicaid. However, the state may be required to make budget reductions for its fiscal year 2011-2012 when the flow of Recovery Act funding decreases substantially. Officials in Miami-Dade County said that Recovery Act funds are considered as nonrecurring revenue and have primarily been used for infrastructure and capital projects and that budget gaps have been closed with salary and service reductions and the use of reserve funds; remaining reserves are now below the goal established in county policy.

- **Contracting.** While most of the 12 Recovery Act-funded contracts we reviewed had post-award changes, according to project managers, the changes generally did not have significant effects on the projects' outcomes or costs and were within acceptable levels.

- **Transparency and accountability.** The Office of Inspector General (OIG) at each Florida agency receiving Recovery Act funds continues to conduct oversight activities. For example, the Florida Department of Transportation's (FDOT) OIG reported that it performed 493 reviews and identified no findings that would jeopardize federal funding. The State Auditor General's Office performs annual audits of federal award expenditures, including the $1.8 billion identified as Recovery Act funds in fiscal year 2008-2009. The Auditor General reported that its audits of these expenditures in certain programs, such as Medicaid, identified some internal control issues.

- **Recipient reporting.** Florida's Recovery Czar said that overall this round of recipient reporting appeared to go smoothly as the process has become routine. However, at the three recipients we visited we identified some reporting omissions or errors in estimating job creation or retention.

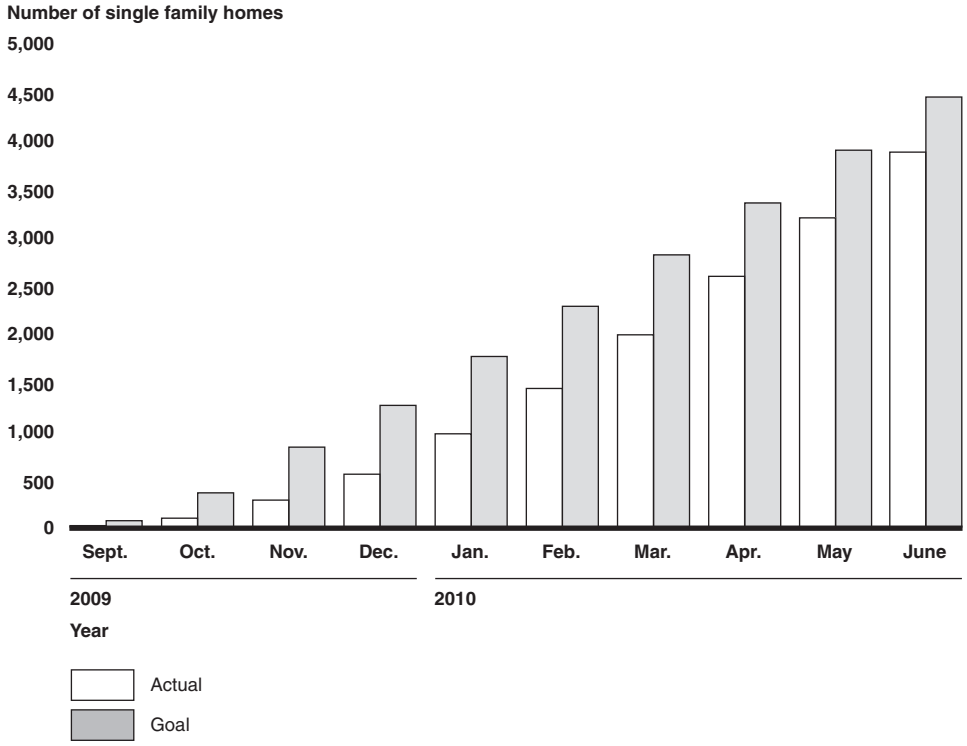
Our Work Found Some Compliance and Control Issues in Florida's Weatherization Assistance Program but It Has Taken Steps to Address Concerns

The Weatherization Assistance Program is intended to weatherize homes to save energy and improve health and safety, and to create jobs. As of June 30, 2010, the Florida Department of Community Affairs (DCA) had received $88 million (half of its total allocation) and reported obligating about $65 million and expending about $35 million in Recovery Act money for the program. It has funded 27 subgrantees to deliver weatherization services throughout the state. DCA's goal is to weatherize 13,812 single-family and 5,278 multifamily residences by March 31, 2012, the date by which the U.S. Department of Energy (DOE) has indicated all Recovery Act weatherization program funds are to be spent by grantees. As figure 1 shows, after a slow start, program weatherizations have steadily increased each month since September 2009. By June 30, 2010, a total of 3,878 single-family residences had been weatherized or about 20 percent of the program's total goal of 19,090.[2] Furthermore, DCA officials said Florida is on track to weatherize 30 percent—about 5,700 homes—of its total program goal by the end of September 2010. DCA officials said that on May 10, 2010, DCA contracted with the University of Florida to conduct a study of energy savings overall and by weatherization measure installed utilizing consumption data obtained from clients' utility bills. According to DCA, Florida saved or created about 215 jobs for the quarter ending June 30, 2010, as a result of the weatherization program.[3]

[2]As of June 30, 2010, DCA had not yet approved weatherization of multifamily residences, but it reported having received proposals.

[3]Our spot check of data reported by two subgrantees raised questions about the completeness of jobs data being reported to DCA. This issue is discussed further in the recipient reporting section of this appendix.

Figure 1: Actual Single Family Homes Weatherized Compared to Cumulative Monthly Goals for Florida's Weatherization Assistance Program



Source: DCA.

As previously reported, DCA has instituted a variety of management controls, including policies for determining and documenting (1) client eligibility and priority for services, (2) completion of home energy audits prior to weatherization work, and (3) acceptable completion of weatherization work.[4] DCA also reviews subgrantee operations. As of June 30, 2010, DCA said it had completed reviews of 22 subgrantees and inspected 101 homes for completed work. Since November 2009, DCA has also contracted with field monitors to verify subgrantees' data entry, review all client files, and inspect 50 percent of homes completed.[5] As of June 30, 2010, DCA reported that contract field monitors had reviewed all

[4]GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Appendixes)*, GAO-10-605SP (Washington, D.C.: May 26, 2009).

[5]DOE requires grantees to inspect 5 percent of the homes weatherized.

required completed client files and had inspected 1,957 completed homes, considerably more than the number of homes DOE requires to be inspected.[6]

Client Files We Reviewed and Homes We Visited Generally Met Program Requirements, but We Found Some Compliance Issues and Control Gaps

For our previous report issued in May 2010, we visited three subgrantees. Although they generally met DCA's program requirements, we found gaps in the state's controls, resulting in problems undetected by state program personnel or noncompliance.[7] In this review of two additional subgrantees, we found similar issues; however, DCA has taken several steps to put procedures in place aimed at reducing the occurrence of these types of issues.

Client File Reviews and Home Inspections at Two Subgrantees Identified Several Issues

For this update, we reviewed 28 client files and inspected 20 completed homes at two DCA subgrantees. Officials at both subgrantees attributed problems we identified to such reasons as staff errors or omissions and said corrective actions would be or have been taken. DCA has also taken steps to address these issues.

Client Eligibility

All 13 client files we reviewed at one subgrantee contained the required documentation for program eligibility. At the other subgrantee, 7 of 15 cases had discrepancies: household income recorded on the client application form did not match income amounts in supporting documentation; documentation for disability was missing; or both.[8]

Home Energy Audits

Based on the 28 client files we reviewed, subgrantees performed home energy audits required by DCA. These audits, which are done before work

[6]DCA has also contracted for fiscal monitoring and technical assistance to its subgrantees and training and technical assistance to subgrantees on Davis-Bacon prevailing wage and reporting requirements. As of June 30, 2010, DCA reported that its contractors performed fiscal reviews at seven subgrantees and visited nine subgrantees for Davis-Bacon reviews.

[7]We found instances in which (1) required documentation was missing from client files; (2) work listed as completed was not consistent with home energy audit recommendations; (3) listed improvements were either not completed or lacked quality; (4) health and safety issues were not addressed; (5) procurement practices were inconsistent with DCA's requirements; and (6) file reviews and home inspections by DCA's contract field monitors did not always detect problems with subgrantee program or noncompliance (see GAO-10-605SP).

[8]We did not independently verify client income. According to the subgrantee, the staff computational errors made in determining client income did not affect client eligibility.

begins, are used to determine appropriate weatherization measures as well as any needed health and safety improvements. However, in 26 of the 28 client files reviewed, we found one or more instances in which work listed as completed was not consistent with audit recommendations. For example, installation of a new hot water heater, sliding glass door, or smart thermostat was either recommended in the audit but not done, or done without recommendation. In six cases, a test that is part of the energy audit done to determine if heating and air conditioning ducts need to be sealed was not performed, or showed air leakage higher than DCA's targeted maximum, with no explanation.

Subgrantees attributed the various audit discrepancies to such reasons as staff errors, omissions or changes occurring after the audit without documenting explanations for those changes. We also noted both subgrantees did not always authorize weatherization work in the priority order prescribed by DCA.[9] DCA conducted monitoring visits to these subgrantees prior to our review and noted similar issues. DCA instructed both subgrantees to conduct home energy audits and follow DCA's priority order as required.

Weatherization Work

We found the work charged to the program was authorized, performed, and appeared to be of acceptable quality in 14 of the 20 homes we inspected. In all 20 cases, the clients said they were generally satisfied. However, in 6 of the 20 homes some listed improvements were either not completed or lacked quality.[10] For example, at one home we inspected, attic insulation was reported as done and charged to the program but had not been installed. Subgrantee officials said this problem occurred due to a contractor coordination issue, and the insulation has since been installed. At another home, a smart thermostat was on the work order and included in the contract price but not installed. Subgrantee officials said this was due to a misunderstanding and the issue would be resolved. None of the client files we reviewed contained documentation of inspections while work was in progress although both subgrantees said they

[9]Florida's 10 authorized weatherization measures, in descending order of energy savings importance are: air sealing, attic and floor insulation, dense-pack sidewall insulation, solar window screens, smart thermostat, compact fluorescent lamps, seal/ insulate ducts, refrigerator replacement, heating and cooling systems, and water heater repair or replacement.

[10]In one case involving loose weather-stripping, it is not clear whether the problem existed at the time of installation or arose subsequently.

performed such inspections.[11] They said they would document those inspections in the future. In addition, at another home which we did not inspect, our client file review noted that the subgrantee had double charged DCA for certain costs. Subgrantee officials said a supervisor and a crew chief unknowingly both made time sheets for the same crew for the same day; they refunded the excess charge.

Health and Safety

As required by DCA policy, home energy audits performed by the two subgrantees we reviewed covered health and safety issues. However, we found 9 instances in the 28 client files we reviewed in which the air flow/ventilation rate in the homes was insufficient based on the subgrantee's energy audit, possibly affecting indoor air quality, and no remedial actions were taken or explanations provided in the client files.[12] In a few of these instances, the standard for restricting air flow through a home to prevent the loss of too much conditioned air (heated and air conditioned/dehumidified air) conflicted with the standard for providing adequate ventilation for good indoor air quality. Although both subgrantees said the issue was discussed at a DCA meeting with subgrantees in May 2010, they told us they were still unclear how to handle situations in which this conflict exists. DCA said it has a procedure to address the situation. At one subgrantee, we noted three cases in which window heating and air conditioning units were installed without evidence in the client file of a check for electrical system capacity, and in one case wiring was exposed.[13] At the other subgrantee, the energy audit recommended venting a gas stove but the work was not done and documentation regarding why was not included in the client file, as required by DCA. Subgrantee officials told us costs of venting were prohibitive and the homeowner did the work.

Fair and Reasonable Prices

One of the subgrantees did most of the weatherization work itself, and provided documentation showing it advertised and received multiple bids for materials used by its in-house crews and some work performed by

[11]DCA's procedures and guidelines manual states subgrantees should perform home inspections at least once while work is in progress for such purposes as documenting lead-safe weatherization procedures and to spot check compliance. However, except for photos of lead-safe procedures, DCA's manual does not require such inspections be documented.

[12]As noted in our May 2010 report (GAO-10-605SP), when the air flow / ventilation rate for a home is found to be below the minimum threshold, a case-by-case assessment should be made on how to address the problem.

[13]The subgrantee said electrical system checks were done for two cases, but the results were not in the client files.

contractors. The other subgrantee outsourced all weatherization work and officials said they awarded contracts mostly through a sealed bid process. It believed that the prices it received from contractors were significantly below market rates. However, information made available to us on the solicitation and receipt of multiple bids for the 15 client files we reviewed was either absent, incomplete, or unclear. Neither subgrantee provided documentation of price comparisons with local market rates, as required by DCA. Both subgrantees said they would perform and document price comparisons in the future. In addition, officials at the second subgrantee said it would develop clear procurement policies and procedures to address the issues involving the bidding process. To address these issues statewide, DCA has changed its procedures and guidelines manual, as discussed below, including issuing new guidance on price comparisons and bid information, and has its fiscal contractor review subgrantees' procurement polices and procedures as part of its work scope. DCA also said it was working with one of its subgrantees who has collected comparable pricing data for Florida regions so the data can be shared with other subgrantees.

Reviews by Contract Field Monitors

DCA's contract field monitors had reviewed all 28 client files we reviewed for this report, but the DCA reviews did not note any of the problems we identified regarding client eligibility, home energy audits, or possible duct system leakage.[14] Field monitors had also inspected two of the seven homes with issues that we inspected, but did not note the workmanship issues we found.

DCA Has Taken Actions to Address Concerns and Non-compliance Issues

DCA officials told us many of the concerns and non-compliance items we noted in this and the prior round have been addressed by a state monitor, issuance of notices to subgrantees and contract field monitors or in conference calls with those monitors. In May 2010, DCA met with its subgrantees and included the issues we identified among the topics discussed. The Florida Solar Energy Center made a presentation on how to address home ventilation issues in Florida.

On June 17, 2010, partly in response to our findings, DCA made changes to its procedures and guidelines manual and energy audit form, effective July

[14]According to DCA, field monitors have not been required to determine whether a test was done as part of the energy audit to determine if heating and air conditioning ducts need to be sealed; however, it will consider adding this to the list of review items.

1, 2010.[15] DCA's changes address the issues we noted during our reviews. For example, its newly issued procedures and guidelines and/or home energy audit form now requires (1) documentation of disability if it is used in determining priority points and documentation from a public entity with the name of the applicant or household member and the Social Security number; (2) justifications or data for addressing or not addressing each item to be covered in the home energy audits, including venting gas stoves, and for certain measures, the client's initials on the pre-work order agreement form if the client refuses to accept the measure; (3) before and after pictures for each measure to help document the need for and performance of the work; (4) performance of an electrical load test if a window air conditioning unit is to be installed and use of air flow calculations to govern air sealing activities and the need for additional ventilation for air quality; and (5) periodic (every 6 months) cost comparisons to local market rates for each allowable work measure, justifications for excessive costs, and reference to a DOE guide for establishing a bidding process that meets DCA's competition requirements. The procedures and guidelines also clarified requirements for testing duct system leakage. DCA also revised its form for subgrantees to report completed work so it includes two items—faucet aerators and smart thermostats—previously on the audit form but not on the completed work form.

We believe that the actions DCA has taken are responsive to the issues we noted during our review of its five subgrantees. Because our field work was completed before DCA changes to procedures and the energy audit form became effective, we were not in a position to assess their implementation or the extent to which contract field monitors now handle these issues differently. It will be important for DCA to work closely with its subgrantees and contract field monitors to achieve effective implementation and oversight.

[15]DCA said that briefings we provided on the results of the reviews at the two subgrantees we most recently reviewed, along with our previous work and information from others, were used to develop its new guidance.

Tax Credit Programs Have Spurred Creation of Housing and Jobs but Some Projects Could Miss Treasury Funding Deadline

The Recovery Act established two funding programs that provide capital investments to Low-income Housing Tax Credit (LIHTC) projects: (1) the Tax Credit Assistance Program (TCAP) administered by the U.S. Department of Housing and Urban Development (HUD), and (2) the Grants to States for Low-income Housing Projects in Lieu of Low-income Housing Credits Program under section 1602 of division B of the Recovery Act (Section 1602 Program) administered by the U.S. Department of the Treasury (Treasury) to fill financing gaps in planned LIHTC projects. Descriptions and requirements of the programs are discussed in the program descriptions section of this report.

The Florida Housing Finance Corporation (FHFC) administers these as well as other low income housing programs. FHFC received about $101 million in TCAP funds and about $580 million under the Section 1602 Program. As of July 30, 2010, FHFC made provisional or final awards totaling about $659 million (about 97 percent) and disbursed about $113 million (about 17 percent) under these two programs for acquisition, new construction, or rehabilitation. Altogether, FHFC has selected 82 multi-family housing projects involving 8,026 rental housing units for TCAP and Section 1602 Program funds throughout Florida.[16] Of the 82 projects, 13 involve repayable loans under TCAP; 56 involve grant awards under the Section 1602 Program; and 13 have been awarded funding under both programs.

FHFC Appears on Track to Meet HUD Spending Deadlines but Some Projects Could Fall Short of Meeting a Treasury Deadline

FHFC projects appear on track to meet HUD's TCAP spending deadlines. Under the Recovery Act, FHFC must disburse 75 percent of TCAP funds by February 2011, and individual projects must spend all their TCAP funds by February 2012. FHFC has awarded all TCAP funds and expects the eight projects that had not yet closed (signed the legal and financial documents to allow funds disbursement to begin) to do so in sufficient time for it and its projects to meet HUD's spending deadlines. It reported disbursing about $45.7 million, or about 45 percent of its TCAP funds, as of July 30, 2010. Under the Recovery Act, all Section 1602 Program awards must be committed by December 2010, or the housing finance agency (HFA) must return the unawarded funds to Treasury. Treasury's deadline for HFAs to disburse all Section 1602 Program funds is December 31, 2011. However, Treasury requires that individual project owners spend 30

[16]This rental housing, to be located in both urban and rural areas, is to serve mostly low income families, the elderly, farm workers and commercial fishing workers.

percent of their eligible project costs by December 31, 2010 in order to continue receiving Section 1602 Program funds in 2011.[17] As of July 30, 2010, FHFC reported disbursing about $66.6 million (about 11.5 percent) of its funds. FHFC and several project owners might be challenged to meet Recovery Act's Section 1602 Program spending deadlines.[18]

Several Factors Could Negatively Affect FHFC's Section 1602 Program Awards and Spending Deadlines

As of August 2010, about $22.3 million of Section 1602 Program funds were involved in litigation.[19] FHFC expected to resolve litigation for the majority of these funds in September 2010 but was uncertain when the litigation involving the remainder of the funds would be resolved. In addition, the number of projects in provisional stages of approval could affect spending deadlines.[20] For example, as of July 30, 2010, 28 projects with provisional awards ranging from $2.3 million to about $14.5 million had not received final FHFC approval. FHFC generally expected these projects to receive final approval or close by November 2010. It noted that if a problem does arise, it would most likely involve projects having $5 million or more in Section 1602 Program provisional funding, of which there were 13. Further, as of July 30, FHFC had not disbursed funds to 19 projects with final awards ranging from $1.8 million to $21.8 million; one of the projects had closed, and FHFC generally expected the remaining 18 to close between August and November 2010. In addition to needing to complete the award process, projects could face delays in closing or construction.[21]

[17]Project owners must spend 30 percent of the project's adjustable basis for land and depreciable property by December 31, 2010. FHFC requires that each project's accountant report this information to FHFC along with the accountant's certification on compliance with the spending requirement in January 2011.

[18]As of June 30, 2010, Treasury had not issued guidance on how its December 31, 2010 deadline is to be enforced or monitored or whether a time extension may be possible.

[19]According to FHFC, the litigation involves three projects for which the owners disagreed with FHFC's decision to rescind provisional awards based on an unfavorable credit underwriting review.

[20]FHFC said the review and approval process includes (1) application review to determine whether all application requirements have been met, (2) a provisional award; i.e., a preliminary commitment of funds pending a credit underwriting review; (3) a credit underwriting review and final award, which can take about 3-6 months; and (4) closing, which involves execution of legal and financial documents and triggers the beginning of FHFC's release of funding for construction.

[21]Each of the three projects we reviewed, all in the early stages of construction, reported experiencing delay in closing or construction.

FHFC noted that these programs significantly expanded its workload and given their nature and complexity, require a significant amount of time and effort to implement. Nonetheless, FHFC said it has taken or is taking steps to meet Section 1602 Program deadlines, including increasing the number of Board meetings to expedite the review and approval process and having a monthly assessment by its contract monitors of projects' progress toward meeting the December 31 deadline. FHFC said that it is prepared to reduce the size of grant awards to ease grantees' ability to spend all of their awarded funds and may divide un-awarded funds available to it among ongoing projects so that Treasury's deadlines can be met. FHFC said that project owners may also take steps, such as buying materials early (to incur costs earlier) or beginning construction before closing, although officials noted this step increases the project owner's risk. Although these steps should help, their ability to enable FHFC and all of its projects to meet Treasury's deadlines is unclear.

Despite FHFC's Monitoring, Absence of Investors Could Create Risks

According to FHFC officials, they oversee TCAP and the Section 1602 Program using FHFC's existing asset management program.[22] For much of its asset management activities, FHFC uses contractors and says FHFC staff periodically performs tests of the contractors' work for completeness, accuracy, and timeliness. FHFC also coordinates its activities with project investors, who typically engage in similar activities to protect their financial interests.[23] However, 13 TCAP projects as well as 15 Section 1602 Program projects do not have third-party investors.[24] An FHFC official said that both the appropriate up-front structuring of transactions and monitoring are important to mitigate this risk. More specifically, he said that FHFC imposed reserve and guarantee

[22]This program includes various review and inspection steps and required reporting to ensure that projects, both during and after construction, continue to meet requirements and remain financially viable, in good physical condition, and affordable to low income tenants.

[23]This is particularly important because a project's failure to comply with LIHTC requirements over a 15-year compliance period can result in the investors losing their tax credits.

[24]These projects have both TCAP and Section 1602 Program funds. Treasury does not require equity investments for Section 1602 Program projects, but HUD requires such investments for TCAP projects. However, HUD does not require a specific kind of investment or specify a minimum investment amount. For these 13 TCAP projects, the owners contributed $650 in investment equity to each project, but there were no third-party investors.

requirements on project owners greater than those typically required by investors and restricted the size of first mortgages. In addition, FHFC noted that it implemented tighter market standards, including minimum market occupancy rates; supplemented typical financial monitoring of each project with the development of a new electronic data base that can track and compare projects' financial performance based on many common characteristics; and requires monthly project reports that are to include such information as unit occupancy and rent structures. Although these measures appear to provide additional assurance relative to maintaining project financial viability over the compliance period, it is unclear whether they will fully mitigate the risks associated with the lack of project oversight by third-party investors.

The three project owners and the investor representative we spoke with about Florida projects gave FHFC high marks for its implementation and management of these programs. Even though FHFC shifted some risk to project owners through requiring guarantees and higher reserves, they believed the project's benefits outweighed the risks. Further, they noted that the projects would not have moved forward without this funding and that an extension of the Section 1602 Program for 2010 would likely be necessary to fund new projects because the market for tax credits has not fully recovered. FHFC officials concurred.

FHFC said using FHFC funds to administer and enforce the programs' requirements adversely affects its ability to fund other programs. FHFC said that federal restrictions prohibit it from collecting administrative fees or using program funds to cover such costs as those associated with program administration and recapturing funds from projects that do not meet program requirements.[25] FHFC expects these costs to amount to about $6.3 million over the next 5 years.

TCAP and Section 1602 Appear to Have Had an Impact on Job Creation

For the quarter ending June 30, 2010, FHFC reported significant job creation: 266 jobs for TCAP; 2,402 for 16 projects awarded only Section 1602 Program funds; and, 1,275 for 11 projects awarded funds under both programs.[26] However, job estimates for the two programs are not

[25]Under the conventional LIHTC program, HFAs are not liable for recapturing funds if a project owner fails to comply with LIHTC requirements. Rather, HFAs are to report noncompliance to IRS, which then takes any further actions with respect to recapture.

[26]We did not confirm the reliability of these data.

comparable. TCAP is subject to Recovery Act recipient reporting requirements but Section 1602 is not.[27] Both programs require use of a full-time equivalent approach to job estimation. However, unlike the Office of Management and Budget's instructions that apply to TCAP, FHFC specified that job estimates under the Section 1602 Program should cover the entire project period rather than just the most recent reporting quarter and that the count should not be reduced to reflect parts of the project not funded under the Section 1602 Program.[28] Project owners we spoke with said that the Recovery Act jobs reporting method results in an understatement of TCAP's jobs impact because TCAP job estimates are to reflect only those jobs that were or are to be funded by TCAP. They argue that because projects funded under TCAP would not have moved forward without TCAP funds, all the jobs associated with the projects should be counted.

[27]Section 1512 of the Recovery Act describes recipient reporting requirements, including that of estimated jobs created and retained. Section 1512 and the recipient reporting requirements apply only to programs under division A of the Recovery Act, which includes TCAP. The Section 1602 Program is under division B of the Recovery Act, and, therefore, not subject to Section 1512 requirements. Except for requiring the use of full-time equivalents, Treasury has not issued detailed guidance specifying job estimation methodology under the Section 1602Program.

[28]Thus, for TCAP projects, job estimates are to reflect only those jobs that were or are to be funded by TCAP for the most recent quarter; whereas for Section 1602 Program projects, job counts are to reflect all jobs created or retained for the entire project period regardless of funding sources.

Most Recipients of Largest Energy Efficiency and Conservation Block Grant Allocations Have Procedures in Place to Monitor Funds

The State of Florida, 87 eligible counties and cities, and 2 tribal governments received Energy Efficiency and Conservation Block Grant direct formula grant allocations totaling $168,886,400.[29] The Department of Energy has made site visits to nine Florida cities and counties receiving funds as of July 20, 2010. Florida direct formula grantees, on average, had obligated 45 percent of their funds as of July 13, 2010 and spent 5 percent, as of July 18, 2010.[30]

We selected the one county and three cities with the largest direct formula grant allocations: Miami-Dade County, and the cities of Miami, Jacksonville, and Tampa. Combined, their allocations represent about 21 percent of the total going directly to Florida cities and counties. We visited one project in Tampa.

The county and cities we reviewed vary in their progress toward meeting Department of Energy deadlines for obligating funds. (See table 2.)

[29]A city is eligible to receive a formula grant if it has a population of at least 35,000 or if it is one of the 10 highest populated cities in the state. Similarly, a county is eligible for a formula grant if it has a population of at least 200,000 or if it is one of the 10 highest populated counties of the state in which it is located. Each state awarded a formula grant must pass on at least 60 percent of its allocation to cities and counties that are not eligible for such formula grants.

[30]According to program Notice10-011 dated April 21, 2010, grantees, the majority of whom received their grants by September 2009, must obligate all funds within 18 months of receipt and spend them within 36 months. Funds "spent" are those drawn down for an obligation.

Table 2: Percent of EECBG Funds Obligated and Spent by the County and Cities We Reviewed as of August 19, 2010

Municipality	Allocation	Percentage of EECBG funds	
		Obligated[a]	Spent[b]
Miami-Dade County	$12,523,700	55	20
Jacksonville	$7,891,500	25	1.6
City of Miami	$4,742,300	9	0
Tampa	$3,712,100	39	17.5

Source: Department of Energy and Miami officials.

Note: The starting points to meet the deadlines for obligating and spending funds were as follows: Jacksonville, April 2010; Miami, October 2009; Miami-Dade, September 2009; and Tampa, October 2009.

[a]Obligation includes funds under contract and funds set aside for internal costs.

[b]According to Department of Energy officials, these represent funds the city or county drew down for an obligation; drawing down of funds does not necessarily mean that the obligation has been liquidated.

As of July 15, 2010, officials for each locality, except Jacksonville, reported having monitoring procedures in place. For example, Miami-Dade County and the city of Miami officials said they will provide oversight through routine site visits and/or meetings with project managers, contractors and sub-recipients and through regularly monitoring expenditures. Jacksonville officials said they were still developing a process for tracking obligated funds; that their current financial system could track such information, but not produce reports; and that they did not anticipate having subgrantee agreements or a checklist for monitoring sub-grantees until fall. Nonetheless, officials said it was their intent to monitor expenditures on a routine basis, to conduct site visits, and require appropriate documentation from grantees. According to Department of Energy project managers, Miami-Dade County and the cities of Miami, Tampa, and Jacksonville have adequate systems in place to monitor their grants. A Department of Energy monitoring review of Jacksonville from June 16, 2010 noted that the city had procedures for personnel and payroll, procurement and financial management and accounting that specifically address the grant program. It also noted that the city planned to create specific policies and procedures that address onsite monitoring of grantees.

In each locality, officials said projects followed Department of Energy guidance. Specifically, projects had met requirements for historical preservation and environmental review. Each had a plan for waste disposal, according to officials.

Each municipality has projects with potential to create jobs, but some projects are expected to create jobs as a result of goods procured, rather than through hiring workers for the project in question. Miami-Dade County used over $1,000,000 to purchase computer equipment that county workers installed. Likewise, Jacksonville plans to procure recycling bins ($42,000), lighting and light controls (over $746,000) installed by state employees and solar parking meters (over $187,000) that may be installed by city workers.[31] Tampa planned to use over $2.5 million to purchase electrical lighting for municipal garages and incandescent traffic signal lighting installed by city workers.[32] In contrast, the City of Miami will use its grant funds to make city-owned buildings more energy efficient and will contract out all work.

Officials in Tampa, the one site we visited to view a project, reported positive outcomes resulting from grant-funded projects. Specifically they reported jobs created. In addition, they provided data showing the energy usage in two garages where lighting was changed reduced energy consumption by over 40 percent. Officials said they did not know how long the Department of Energy would expect them to report energy savings from funded projects.

[31]In Jacksonville's grant application each of the above mentioned projects is part of a larger project. The estimated job creation for the larger projects is 69.

[32]In its grant application, Tampa estimated that the procurement of lighting would create 8 jobs and result in the retention of 16.

Early Head Start Grantees Experienced Delays in Funding and Implementation of Recovery Act Expansion Funds in 2010

Grantees in Florida received approximately $26.8 million in Recovery Act Early Head Start (EHS) expansion grants for fiscal year 2010—the first year of the 2-year grant—to serve additional children and provide training and technical assistance to grantees.[33] To review the implementation of the grants, we visited the Miami-Dade Community Action Agency (CAA), a county agency that administers social programs including Early Head Start, and Children First, a nonprofit organization that provides early childhood services in Sarasota County. See table 3 for Recovery Act-funded activity at the grantees we visited in Florida for Fiscal Year 2010.

Table 3: Recovery Act-Funded Early Head Start Activity at Selected Grantees in Florida, for Fiscal Year 2010

	Miami-Dade Community Action Agency	Children First, Sarasota
Grant amount	$1,716,860	$1,451,694
Children to be served by Recovery Act funding	128 (including 40 home based)	120 (all center based)
Date service began	January 2010	January 2010
Date grantee was fully enrolled	July 2010	March 2010
Projected unspent funds	$320,000	$0

Source: www.recovery.gov, Miami-Dade Community Action Agency, and Children First.

Delays in the award of the EHS grants and in grantee implementation of the program slowed the delivery of services. As GAO previously reported, HHS's Office of Head Start (OHS) delayed the award of EHS expansion grants.[34] CAA and Children First did not receive their grants from OHS until the end of November 2009—2 months after the grants were scheduled to be awarded. Officials at CAA said that the delay in funding was their greatest challenge to implementation. Although CAA anticipated full enrollment of Recovery Act-funded children by January 1, 2010—3 months after the expected award notification from OHS—they were not

[33]The Head Start program, administered by the Office of Head Start (OHS) of the Administration for Children and Families within the Department of Health and Human Services, provides a variety of education, health, and social services to enhance physical, social, emotional, and intellectual development of low-income infants, toddlers, and pregnant women.

[34]GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, GAO-10-604 (Washington, D.C.: May 26, 2010).

able to achieve full enrollment until July 14, 2010— more than 7 months after the award was actually received. CAA officials explained that this extended implementation period was caused by their inability to negotiate agreements to deliver services with subgrantees until the grant was received, the time associated with meeting county hiring requirements, and renovations required by one subgrantee. Officials at Children First said that they began planning for the expansion and negotiating with partner organizations prior to receiving the grant and were able to reach full enrollment by March 10, 2010.

One grantee we visited expects to have unspent funds at the end of fiscal year 2010.[35] CAA officials said they used the Recovery Act funds to hire additional staff for home-based care and new teachers. However, due to the delay in initiating services, CAA officials said they expect to have approximately $320,000—more than 18 percent of their fiscal year 2010 grant—remaining at the end of fiscal year 2010. CAA officials said they will request that OHS allow them to use the unspent funds to purchase equipment and supplies as well as to hire two additional staff in fiscal year 2011; however, OHS has not yet determined the strategy for addressing unspent funds. Children First officials said the organization used the EHS expansion grant to hire new teachers and expand services by offering year-round enrollment for some Recovery Act-funded children. Due to capacity limitations in its own facilities, Children First partnered with other agencies to provide services to more children. Children First officials reported that they do not expect to have any funds remaining at the end of fiscal year 2010.

Both grantees we visited hope to be able to identify funds to continue to provide services to the additional children once the Recovery Act funding ends in September 2011. CAA officials said they plan to shift Recovery Act funded children into regularly funded Early Head Start and Head Start spots when possible. Children First officials said they are also seeking alternative funding from state, local, and private sources. However, officials at both of the grantees acknowledge that there may not be funding to continue services for some children currently funded under the Recovery Act.

[35]Unspent funds are the difference between a Head Start grantee's total federal award for a budget year and the amount spent by the grantee during that year.

Florida State Budget Includes $2.6 Billion in Recovery Act Funding, and State Officials Are Preparing for Decreased Flow of Recovery Act Funds

Florida's adopted budget—about $70 billion in total—for fiscal year 2010-2011 was approved by the governor in late May 2010. Florida officials stated that about $2.6 billion in Recovery Act funding was included for education, health and human services, transportation, and general government operations. In addition to this amount, state officials said that about $270 million was budgeted for the extension of the increased Federal Medical Assistance Percentages (FMAP).[36] Officials stated that certain appropriations for economic development, Everglades restoration, student aid, and health care were contingent on Florida receiving the extended FMAP. Officials said that because these appropriations were contingent on the state receiving the increased FMAP funds, balancing the state's budget did not rely on the increased funding.

According to state officials, Florida is preparing for when the flow of Recovery Act funds substantially decreases beginning in the state's fiscal year 2011-2012. Although budget officials have yet to determine whether reductions will be necessary due to the state's improving fiscal condition, the Office of Policy and Budget has instructed agencies to submit reductions totaling at least 5 percent of their appropriations that could be used to address a potential revenue shortfall for fiscal year 2010-11. Further, agencies are required to submit reductions totaling 15 percent of their recurring appropriations that could be used to address a potential revenue shortfall for fiscal year 2011-12.[37] Officials said that they may use the agencies' plans in combination with other measures to make budget recommendations to close any potential budget gaps.

[36]The Recovery Act initially provided eligible states with an increased FMAP for 27 months from October 1, 2008, to December 31, 2010. Recovery Act, div. B, title V, § 5001, Pub. L. No. 111-5, 123 Stat. at 496. On August 10, 2010 federal legislation was enacted amending the Recovery Act and providing for an extension of increased FMAP funding through June 30, 2011, but at a lower level. See Pub. L. No. 111-226, § 201, 124 Stat. 2389 (Aug. 10, 2010).

[37]Florida officials report that the state's fiscal condition is improving based on revenues exceeding estimates in fiscal year 2009-2010, and projected continued revenue growth of 5 to 6 percent in fiscal year 2010-2011, which began July 1, 2010. As we previously reported, increased revenue resulting from certain fees such as driver's license, motor vehicle, and court fees led to a moderate increase in the general revenue fund in fiscal year 2009-2010, according to state officials. Moreover, officials said the state exceeded its estimates for taxes on insurance premiums and corporate income in fiscal year 2009-2010.

Miami-Dade County Considers Recovery Act Funding as Nonrecurring Revenue While Fiscal Challenges Continue

We also examined the use and effect of Recovery Act funds on a local government's budget, Miami-Dade County.[38] According to county officials, the county received about $89.8 million over multiple years in Recovery Act funds. Housing programs for low- to moderate-income residents received the largest amount of Recovery Act funding. Generally, county officials said Recovery Act funds are treated as nonrecurring revenue and primarily used for infrastructure and capital projects such as purchasing police equipment and computer equipment.[39] (See table 4). Overall, Recovery Act funds received over multiple years contribute a small amount to the county's total general fund operating budget of about $1.7 billion for the current fiscal year, 2009-2010.

Table 4: Recovery Act Grants and Loans to Miami-Dade County, Fiscal Years 2008-2011

Program area	Project or federal award
Housing	Public Housing Capital Fund Program for the construction and renovation of public housing developments. Community Development Block Grant Recovery to promote neighborhood stabilization in low to moderate-income communities. Homeless Prevention and Rapid Re-housing Program for homeless services. **Total: $48.2 million over 3 years**
Energy efficiency	Energy Efficiency and Conservation Block Grant used to demonstrate and evaluate the use of renewable alternative energy technologies and Weatherization Assistance Program used to improve energy efficiency for privately-owned residences. **Total: $15.6 million over 3 years**
Human services	Head Start and Early Head Start for salaries, cost of living increases, and to expand child care services. Community Services Block Grant to provide employment-related services to low-income communities. **Total: $11.1 million over 3 years**
Public safety	Edward Byrne Memorial Justice Assistance Grant used for salaries, equipment purchases, and to address substance abuse. Grant for system enhancement to automate reporting and expedite the booking process. **Total: $9.3 million over 3 years**

[38]Miami-Dade County is comprised of 35 municipalities and unincorporated municipal service areas that do not fall within the jurisdiction of a municipality.

[39]County Recovery Act funds referred to in this section include only funds administered by the county government and not the full scope of Recovery Act funds—including unemployment insurance, Medicaid, highways, and transit—that benefit county residents. For example, Recovery Act highway and transit funds being used in Miami-Dade County total $123.5 million.

Program area	Project or federal award
Environment	National Diesel Funding Assistance Program used to purchase five hybrid diesel transit buses and programs to reduce diesel fuel emissions. Drinking Water State Revolving Fund for construction of water lines. **Total: $5.2 million over 3 years**
Arts, culture, and humanities	National Foundation on the Arts and Humanities to sustain jobs in the arts community threatened by declines in philanthropic support during the economic downturn. **Total: $300,000 over 1 year**
Total Recovery Act Funding	**$89.8 million over multiple years**

Source: GAO analysis of federal and state data.

Note: Amounts for each program area do not add up to total Recovery Act funding due to rounding.

Although Recovery Act funds have not been used to balance the current 2009-2010 fiscal year budget, county officials explained that several actions were taken to address a budget gap of about $426 million.[40] For example, county officials said the gap was closed by salary and service reductions and using reserves—about $58 million—from the Countywide Emergency Contingency Reserve. Remaining reserves are currently below the goal established in county policy, according to its officials, which requires a minimum reserve fund balance of 7 percent of the general fund operating budget by fiscal year 2012. County officials stated that the minimum can be waived during times of fiscal constraints by the Board of County Commissioners with the County Manager's recommendation and the condition that a plan is in place to replenish the funds over a period of 7 years.[41] Moreover, county officials said that further reductions to reserves would jeopardize the county's bond rating.

[40]The county's revenue has been directly impacted by decreased property taxes resulting, in part, from the housing market decline.

[41]Strategies to begin replenishing reserves are being considered in the fiscal year 2010-2011 budget development process, according to county officials.

While Most Contracts We Reviewed Had Post-award Changes, the Modifications Generally Do Not Appear to Have Significantly Affected Projects' Outcomes, Schedule, or Costs

While most of the 12 Recovery Act-funded contracts we reviewed had post-award changes, according to state and local project managers, the changes generally did not have significant effects on the projects' outcomes or costs and were within acceptable levels. As shown in table 5, 8 of 12 contracts experienced changes to the schedule, cost, and/or scope of work from the original contracts. However, none of the changes adversely impacted the delivery of services under the contracts.

Table 5: Changes to Selected Recovery Act-Funded Contracts in Florida as of July 26, 2010

Description of projects	Original contract cost	Changes in cost	Changes to scheduled completion
Highways—contract T3066: road and bridge reconstruction in Okaloosa County.[a,c]	$25.2 million	1.87% change ($407,916 increase)	3% change (29 days added)
Highways—contract E2N36: Road widening and improvements in Nassau County.[c]	$26.2 million	No change	3.7% change (26 days added)
Highways—contract T2303: Highway and drainage improvements in Union County.[b]	$454,745	0.17% change ($809 decrease)	23 days ahead of allowable contract time
Highways—contract E2N34: Road reconstruction, widening, and bike lanes in Duval County.[c]	$12.8 million	No change	5.2% change (33 days added)
Highways—contract E2N37: New road and bridge construction in Clay County.[c]	$7.3 million	No change	3.2% change (14 days added)
Highways—contract E2N56: Road repaving in Alachua County.[b]	$936,007	No change	88 days ahead of allowable contract time
Highways—contract APJ94: Drainage and road improvements in Putnam County.[a,b]	$398,484	1.2% change ($4,866 increase)	12.5% change (30 days added)
Education—contract 10795C: 1-day writing training for teachers in Hillsborough County.[b]	$4,725	20% change ($945 decrease)	No change
Education—contract 10797C: 1-day teacher training in Hillsborough County.[b]	$4,800	No change	No change
Education—contract K02479981: Teacher and principal training in Miami-Dade County.[c]	$900,000	No change	No change

Description of projects	Original contract cost	Changes in cost	Changes to scheduled completion
Education—contract R02475264: Extra academic help, such as tutoring, for students with disabilities in Miami-Dade County.[b]	$98,600	No change	No change
WIA Summer Youth—contract 525: Providing appropriate classroom-type space and support for Employment and Leadership teams, such as verifying daily attendance among trainees.[b]	$11,252	No change	No change

Source: Analysis of information from contract project managers of highway, education, and Workforce Investment Act projects funded by the Recovery Act

Notes: According to FDOT Office of Inspectors General (OIG) officials, the OIG's Rapid Review Advisory and Consulting Group have been monitoring numerous Recovery Act contracts, including T3066, E2N34, and E2N36. According to these officials, the contracts are being monitored and to date, none of the contracts exhibited the risk characteristics that would trigger a more detailed review or audit.

[a]The scope of work changed.

[b]As of July 26, 2010, the contract has been completed.

[c]This contract remains ongoing as of June 15, 2010, so additional days or costs, for example, could be added to the contract.

The days added to contract schedules for each of the five highway projects accounted for less than a 20 percent change of the initial estimated time, which is the performance measure set in agreement by the Florida Department of Transportation (FDOT) and Federal Highway Administration (FHWA) and according to state and local project managers, did not increase the financial costs of the projects.[42] Two other highway contracts we reviewed were completed ahead of schedule.[43]

[42]According to FDOT officials, adding days to contract schedules was mainly attributed to days off granted for inclement weather and holidays. Their policy permits granting extensions of contract schedules when work is delayed by factors not reasonably anticipated or foreseeable at the time of bid, such as for inclement weather. Additionally, FDOT officials said holidays are granted as they occur during the course of a contract because it is more efficient than estimating the number of holidays as part of the original contract and because of the uncertainty of when a contractor will actually begin the work. While FDOT tracks weather and holidays in the time added to the original contract time, it does not count those added days against their performance measures.

[43]In reviewing FDOT officials' responses and supporting documentation for 3 of the 7 highway projects, we identified minor discrepancies between the summary reports produced by an FDOT procurement system and memorandums documenting FDOT granted days off for inclement weather, holidays, and other events. FDOT officials said the discrepancies were due to human error in data entry. FDOT officials corrected the errors, and the overall impact of these discrepancies appears minor. Officials from FDOT's Office of Inspector General said that on occasion they have found similar types of discrepancies related to data entry in their reviews of other contracts and have brought these to management's attention for resolution.

As reported by state and local project managers, costs increased for two of the contracts while costs decreased for two others. The cost increases—accounting for less than a 2 percent change from the awarded contracts' costs—are within FDOT and FHWA performance measures of less than a 10 percent cost increase. According to state officials, costs increased due to changes in the scope of work. They told us that the scope changes occurred because of conditions not anticipated at the time of the contract award. For example, in one case the county design engineer inadvertently omitted required materials from the contract; this required subsequent adjustments that increased the project cost. In both cases, project managers reported that the modifications were beyond the control of the contractors. Two other contracts we reviewed—involving an education training program and a highway project—experienced price reductions. State and local project managers reported that price reductions occurred because of price adjustments, such as having fewer people than expected attending training or the cost of paving material being less than estimated.

Florida Continues to Provide Oversight and Transparency to Recovery Act Spending

Florida's Office of the Chief Inspector General and the Auditor General have the primary responsibility for the audit of the state's use of Recovery Act funds. The Chief Inspector General monitors the activities of the Offices of Inspectors General for Florida's various state agencies who are responsible for conducting audits and investigations within their respective agencies. The Auditor General conducts the state's annual audit of federal awards expenditures and other audits of Florida's governmental entities which serve to promote accountability and stewardship within government operations.

Florida's inspectors general continue to conduct the types of oversight and accountability activities we described in our previous work.[44] For this reporting period, several inspectors general reported Recovery Act

[44]GAO *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Appendixes)*, GAO-10-605SP (Washington, D.C.: May 2010*); Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Appendixes)*, GAO-10-232SP (Washington, D.C.: December 2009*); Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed (Appendixes)*, GAO-09-1017SP, (Washington, D.C.: September 2009*); Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses (Appendixes)*, GAO-09-830SP (Washington, D.C.: July 2009); and, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, GAO-09-580 (Washington, D.C.: April 23, 2009).

programs audits that were completed, in process, or planned. For example, as of June 15, 2010, the Florida Department of Transportation Office of Inspector General (FDOT OIG) reported it had reviewed 493 Recovery Act funded transportation projects and noted no findings that would jeopardize federal funding.[45] Additionally, FDOT OIG reported that it had initiated a review of 20 Recovery Act funded construction projects with total project amounts over $10 million. So far, construction files for 2 projects have been reviewed with no findings noted; site visits and reviews are being scheduled. The Florida Department of Law Enforcement reported it is completing reviews of 20 subrecipients' efforts to document and report on the number of full-time equivalent jobs created or retained by Recovery Act funds. The Department of Community Affairs Inspector General reported it had finished fieldwork for the implementation of the Weatherization Assistance Program and was drafting its report. In addition, the Inspector General for the Executive Office of the Governor reported plans to audit the subgrant and contract award processes and the monitoring procedures of the office administering the Energy Efficiency and Conservation Block grant, in fiscal year 2010-2011.

The annual audit of federal award expenditures, conducted by the State Auditor General's Office in accordance with the Single Audit Act, also provides oversight for Recovery Act funds.[46] For the state fiscal year ending June 30, 2009, Florida expended $30.2 billion in federal awards; of that amount $1.8 billion was identified as Recovery Act funds.[47] The

[45]FDOT reported working in conjunction with the Federal Highway Administration to complete these reviews. The reviews were limited to ensuring compliance with certain state and federal laws, rules and regulations.

[46]The Single Audit Act of 1984, as amended (31 U.S.C. §§ 7501-7507), requires that states, local governments, and nonprofit organizations expending more than $500,000 in federal awards in a year to obtain an audit in accordance with the act and subject to applicable requirements in OMB Circular No. A-133, *Audits of States, Local Governments and Non-profit Organizations* (June 27, 2003 and June 26, 2007). The act sets a deadline for submitting the audit at 9 months from fiscal year end. According to data from the Federal Audit Clearinghouse, which is responsible for receiving and distributing Single Audit results, it received Florida's Single Audit reporting package for the year ending June 30, 2009, on March 29, 2010 which was within the 9 month deadline in accordance with the act.

[47]Of the 39 federal programs or clusters listed as major programs in the Single Audit report, 12 were identified as expending Recovery Act funds.

Auditor General reported several findings.[48] For example, in the audit of the Medicaid cluster of major programs, which expended $1.3 billion of Recovery Act funds, the state was unable to document that certain individuals were eligible for benefits and procedures were not sufficient to ensure all health care providers receiving Medicaid payments had provider agreements in effect.[49] The state agencies acknowledged these findings continued to exist, citing staff shortages and increased workloads among the contributing factors; however, the agencies plan to provide additional training and implement procedures to address these findings. In planning for the Single Audit for fiscal year 2010, the Auditor General estimated that 24 of the 35 major programs will contain some Recovery Act expenditures due to increased Recovery Act funds expended during fiscal year 2010.

[48]The Auditor General reported numerous findings on internal control over compliance of federal awards and questioned costs charged to several programs in the Single Audit for the fiscal year ending June 30, 2009. Within the findings, the Single Audit identified 73 significant internal control deficiencies related to compliance with Federal Program requirements, of which 10 were classified as material weaknesses. Of the 73 significant deficiencies which cover many federal programs, 25 were identified in programs receiving Recovery Act Funds. Of the 10 material weaknesses, an elevated level of a significant deficiency, 8 were identified in programs receiving Recovery Act funds. Some findings continue to exist from the prior year pre-dating the receipt of Recovery Act funds. Some findings are categorized as material weaknesses, an elevated level of a significant deficiency, as explained in the Single Audit report. The Auditor General follows up on prior audit findings to assess the status of actions reported to be taken by the agencies to resolve the findings, as required by OMB Circular No. A-133.

[49]Specifically, these two findings, FA 09-059 and FA 09-062, were reported as material weaknesses and contributed to qualified opinions on compliance for the related Medicaid Cluster compliance requirements.

Florida Recovery Czar Indicated that Recipient Reporting Process Went Smoothly, but We Found that Some Reports Were Based on Incomplete Data

The state Recovery Czar stated that overall, the fourth round of recipient reporting went smoothly as the process has become routine; however, during site visits to local agencies, we identified instances in which contractors' hours were mistakenly omitted from subrecipients' full-time equivalent (FTE) calculations.[50] The Recovery Act requires recipients to report an estimate of the number of jobs created or retained by the project or activity no later than 10 days after the end of each quarter so this information can be used for reporting on Recovery.gov. The Recovery Czar acknowledged the possibility of under reporting jobs data and plans to follow up at the agency level. However, he emphasized that the jobs reported number is a point in time number of jobs being paid with a portion of Recovery Act funds rather than an overall measure of cumulative jobs being created with Recovery Act funds. Further, he said that while some agencies continue voicing concerns about obtaining jobs data in time to report by the tight deadline, he believes that OMB's process for continuous corrections of data for the most recent quarter will address these concerns. To help identify data anomalies that may be corrected, the Recovery Czar analyzes data from Recovery.gov after the quarter's results are published and provides additional analysis of the state's Recovery Act awards, expenditures and jobs on the Florida Office of Economic Recovery Web site.[51]

We visited three recipients and found that their jobs reports were filed on time, were calculated correctly using the FTE formula, and were supported by timesheets for the periods we tested; however, we identified reporting omissions or errors at each location. The two Weatherization Assistance Program subrecipients did not include hours worked by their contractors weatherizing homes in the jobs data submitted to the Florida Department of Community Affairs (DCA).[52] These subrecipients said they were unaware of the requirement to report contractors' hours, but both agreed to work with DCA to correct this omission. DCA officials said they would look into the reporting from these two subrecipients, as well as

[50]Florida has a centralized system into which all 17 state agencies report; then the information is uploaded to the federal system via Federal Reporting.gov.

[51]This additional analysis is located on www.flarecovery.com under the "Documents" link.

[52]DCA, which administers the Weatherization Assistance Program, is the prime recipient of this Recovery Act funded program, and is responsible for collecting jobs data from its subrecipients. In addition to omitting hours worked by contractors, we noted some discrepancies between the data one of these subrecipients provided to us and DCA; DCA agreed to look into these differences and make and report corrections, as appropriate.

others, and clarify any questions of reporting requirements. Additionally, DCA's Inspector General stated that its office will take steps to help identify omissions when it makes site visits to selected subrecipients.[53] As a result of our work, the DCA Inspector General reported that DCA program staff have taken steps to reiterate to subrecipients the policy and approved method of reporting FTE counts to DCA at the end of each quarter.

The prime Energy Efficiency Conservation Block Grant recipient had two reporting issues. First, after recently centralizing staffing in the grants accounting department, officials discovered that FTE jobs data from its payroll records had not been reported in previous quarters. To correct this omission, the recipient included the omitted hours in its FTE calculation for the quarter ending June 30, 2010. Second, some hours worked on Recovery Act projects will not be reported until the following quarter. This occurs because the accounting systems that produce documentation lag the reporting deadline and the recipient did not want to calculate estimates.[54] For example, for the April, May, and June reporting period, one of the Recovery Act projects instead reported data for March, April, and May.

State Comments on This Summary

We provided the Special Advisor to the Governor of Florida, Office of Economic Recovery (who is referred to in this appendix as the Recovery Czar), with a draft of this appendix on August 17, 2010. The Recovery Czar agreed with our draft.

[53]Currently, DCA's Office of Inspector General performs a review of the agency's quarterly recipient reporting prior to submission to the Recovery Czar by comparing, on a sample basis, data submitted by the subrecipients to the data in DCA's report. However, the Inspector General acknowledged this review would not identify omissions based on the information on hand during that limited period of review. The Inspector General stated that her staff will look into the issue of omissions in subrecipients' reporting during site visits to a sample of subrecipients for the Weatherization Assistance Program.

[54]At this recipient, its departments report payroll data to one of two accounting systems. Jobs data reported on one system lags one full month; jobs data reported on the second system lags for several days at the end of a quarter depending on the timing of the end of the pay period. The recipient stated that it wants to maintain an audit trail based on the actual hours documented in the accounting systems at the time the quarterly reports are prepared in order to demonstrate that at the completion of the projects, it has accounted for all hours charged to Recovery Act funded projects.

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