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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 (Pennsylvania)

GAO-10-1000SP

Appendix XVI: Pennsylvania

Overview

This appendix summarizes GAO's work on the seventh of its bimonthly reviews of the American Recovery and Reinvestment Act of 2009 (Recovery Act)[1] spending in Pennsylvania. The full report covering all of GAO's work in 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

What We Did

Our work in Pennsylvania focused on selected programs funded under the Recovery Act, as shown in table 1. These programs were selected primarily because they received significant amounts of Recovery Act funds. We collected relevant documentation and interviewed program officials to review the status of the program's funding, how funds are being used and monitored, and expected outcomes. For descriptions and requirements of the programs covered in our review, see appendix XVIII of GAO-10-1000SP.

Table 1: Programs Reviewed

Program	Rationale for selection
State Energy Program (SEP)	The Recovery Act SEP funding in Pennsylvania was a nearly 100 times increase from the state's allocation of $1.1 million in recent years. The state program has been identified as high risk by the Pennsylvania Bureau of Audits.
Energy Efficiency and Conservation Block Grants	This new grant, funded for the first time by the Recovery Act, provided a total of $106.6 million to Pennsylvania. The Department of Energy encouraged recipients to obligate 90 percent of the funds by June 2010 and to spend at least 20 percent by September 2010.
Weatherization Assistance Program	To provide updated information on Pennsylvania's progress toward spending and production goals, and its progress in training and certifying all weatherization workers working on Recovery Act projects ahead of the state's self-imposed July 1, 2010 deadline.
Low-Income Housing Tax Credit Assistance programs	Continued monitoring Tax Credit Assistance Program (TCAP) and Grants to States for Low-income Housing Projects in Lieu of Low-income Housing Credits Program under division B Section 1602 of the Recovery Act.
Public Housing Capital Fund	Provide updated information on (1) Public Housing Capital Fund formula grants which had a deadline for obligating all funds by March 2010, and (2) Public Housing Capital Fund competitive grants.

Source: GAO.

We continued to track the state's fiscal condition and also visited two local governments—the County of Berks as well as the City of Philadelphia—to discuss the amount of Recovery Act funds each expects to receive and

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

how those funds will be used. We also contacted state and local auditors about oversight and auditing of Recovery Act spending in Pennsylvania.

State Energy Program. The Department of Energy (DOE) awarded $99.7 million to Pennsylvania in State Energy Program (SEP) funds. The state plans to fund alternative and renewable energy projects—including solar, geothermal, and wind projects—and commercial retrofit loans and to expand existing geothermal loans and solar rebate programs. As of August 15, 2010, Pennsylvania has obligated about $72.9 million and expects to obligate the remaining funds by September 2010; about $24.4 million has been expended. Based on preliminary estimates, Pennsylvania expects that these projects, loans, and rebates, in aggregate, will generate enough energy to power 9,200 homes each year and will also reduce carbon dioxide emissions by the equivalent of taking more than 500,000 cars off the road for one year.

Energy Efficiency and Conservation Block Grant. DOE awarded Pennsylvania and its cities and counties about $106.6 million in Recovery Act Energy Efficiency and Conservation Block Grant (EECBG) funds. Specifically, DOE awarded $23.6 million directly to the state, most of which was competitively awarded to local governments and nonprofits, and $83.0 million directly to 43 local governments across Pennsylvania. Recipients are using funds to increase energy efficiency through projects including improvements to building heating and cooling systems as well as lighting. For example, the County of Berks is using its $2.97 million grant to upgrade a boiler to run on natural gas and repair steam pipes. Philadelphia is using its $14.1 million award for onetime projects, such as converting to 85,000 energy-efficient traffic signals, and establishing a new revolving loan fund for commercial building retrofits.

Weatherization Assistance Program. Pennsylvania is in line to receive $252.8 million in Recovery Act weatherization funds and has expended $86.3 million as of August 15, 2010. Local weatherization agencies have weatherized 10,287 homes—about 72 percent of the state's target to weatherize 14,355 homes by September 30, 2010, and about 35 percent of its overall target to weatherize 29,700 homes by March 31, 2012. Although Pennsylvania chose to set a deadline to train and certify all weatherization workers working on Recovery Act projects by July 1, the state is working to identify weatherization workers not yet trained and certified. Pennsylvania is not yet eligible to access its final 50 percent of Recovery Act funding and is working to meet the DOE monitoring and quality control requirements.

Low-Income Housing Tax Credit Assistance Programs. Pennsylvania received $95.1 million in Tax Credit Assistance Program (TCAP) funds and $229.9 million in 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). As of August 18, 2010, Pennsylvania had committed about $85.0 million (89 percent) in TCAP funds and $214.5 million (93 percent) in Section 1602 Program funds to 60 projects, including a project building 12 duplexes for low-income families in Northumberland. According to Department of Housing and Urban Development (HUD) data, Pennsylvania had disbursed about $43.4 million in TCAP funds as of August 1, 2010. According to Department of the Treasury (Treasury) data, Pennsylvania had disbursed $117.6 million in Section 1602 Program funds as of July 31, 2010.

Public housing. In Pennsylvania, 82 public housing authorities received $212.2 million in Public Housing Capital Fund formula grants. As of August 7, 2010, all authorities have obligated all funds and in aggregate have drawn down a total of $126 million. Fourteen authorities received $55.2 million in Public Housing Capital Fund competitive grants under the Recovery Act and, as of August 7, 2010, these authorities have obligated about $50.7 million, and 12 authorities have drawn down a total of $3.4 million. At two authorities we visited, Harrisburg is using its competitive grant to renovate existing housing featuring new energy-efficiency improvements, and Philadelphia is using its competitive grants to build 194 handicapped-accessible units and a new mixed-use development.

State fiscal condition and use of Recovery Act funds. The governor of Pennsylvania signed a $28 billion state general fund budget for fiscal year 2010-2011 on July 6, 2010. The budget is an increase of about $200 million over the 2009-2010 budget. It includes over $1.9 billion in Recovery Act funding including State Fiscal Stabilization Fund (SFSF) funds and Federal Medical Assistance Percentage (FMAP) funds.

State accountability. According to state budget and accounting officials, Pennsylvania has taken actions to require state agencies to report quarterly on their corrective action plans to resolve prior year Single

Audit[2] findings and to improve subrecipient monitoring. Pennsylvania's Single Audit Report for the fiscal year ended June 30, 2009 was jointly issued by the Auditor General and an independent public accounting firm and received by the Federal Audit Clearinghouse on June 30, 2010, 3 months after the due date required by statute. The report had 7 material weakness findings specifically related to the approximately $1.47 billion in Recovery Act expenditures in the fiscal year ended June 30, 2009. Auditor General officials expect that an increased number of Recovery Act awards and related guidance will increase their workload for the Single Audit for fiscal year ended June 30, 2010. The Bureau of Audits, an internal audit bureau in the state budget office, is targeting audits of Recovery Act programs considered high risk in Pennsylvania, including weatherization and the SEP, and has issued four Recovery Act audit reports to date. In addition, the Pennsylvania Accountability Office posts Recovery Act outcome measures to the State's Recovery Act Web site as they are made available.

Local uses of Recovery Act funds. The County of Berks and the City of Philadelphia received Recovery Act funds totaling $5.6 million and $252.1 million, respectively. As of June 30, 2010, Berks has expended about 47 percent of its funds to support onetime projects, such as extending a road in an industrial park, as well as new services to prevent homelessness. As of August 23, 2010, Philadelphia has expended about 11 percent of funds awarded to support activities and programs, many of which, according to officials, will likely end after Recovery Act funds are expended.

[2]Single Audits are prepared to meet the requirements of the Single Audit Act, as amended, (31 U.S.C. § 7501–7507) and provide a source of information on internal control and compliance findings and the underlying causes and risks. The Single Audit Act requires states, local governments, and nonprofit organizations expending $500,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act. A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

Pennsylvania Has Obligated Three-Quarters of Recovery Act State Energy Program Funding to Support Renewable and Other Energy Projects

The State Energy Program (SEP) provides funds through formula grants to states to achieve national energy goals such as increasing efficiency and decreasing costs. The Recovery Act appropriated $3.1 billion to the SEP to be administered by DOE and spent over a 3-year period by the states, U.S. territories, and the District of Columbia. The Pennsylvania Department of Environmental Protection (DEP) administers the $99.7 million in SEP Recovery Act funds provided to the state. The SEP Recovery Act grant represents a significant increase from the $1.1 million that DEP received annually for its base SEP program for the 2009 and 2010 program years.

Pennsylvania plans to use its Recovery Act SEP funds to fund new alternative and renewable energy projects—including solar, geothermal, wind, and biogas projects—and plans to set up new loan funds for approximately 29 commercial retrofit loans as well as buy down the interest rates on at least 950 residential geothermal loans and provide some training for geothermal contractors (see table 2). About $3 million will be retained by the state to cover administrative costs. As of August 15, 2010, Pennsylvania has obligated about $72.9 million (73 percent) of SEP funds, and about $24.4 million (24 percent) has been expended. DOE has set a goal that all SEP funds be obligated by September 30, 2010, and requires that they be expended within 36 months of the award date.[3] DEP expects to meet these deadlines.

[3]DEP was awarded its SEP Recovery Act funds on May 13, 2009.

Table 2: Planned SEP Projects in Pennsylvania as of August 13, 2010

(Dollars in millions)[a]

Project type	Total awarded	Number of projects	Selected expected outcomes of projects supported with Recovery Act funding[b]
Green Energy Works!—Approximately $56.8 million for the deployment of green energy projects.			
Wind	$22.8	3	291,477 megawatt hours per year generation.
Solar 1: competitive grants for solar deployment projects	$6.6	7	5,678 megawatt hours per year generation.
Solar 2: PA Solar manufacturing sole source grant	$5.0	1	The funds will be used to purchase equipment to manufacture thin-film solar panels in Pennsylvania. It is expected that the total annual production capacity of the solar modules produced will be 200 megawatts each year.
Solar 3: PA Sunshine Rebate Program	$7.9 (planned)	N/A	The funds will expand an existing fund to provide residential rebates and training on building code provisions applicable to solar installations.
Biogas	$3.8	7	14,418 megawatt hours per year generation.
Combined Heat & Power	$10.7	8	84,004 megawatt hours per year generation. 2,628 megawatt hours per year saved.
Sustainable Business Recovery—Approximately $14.9 million[c] awarded for a Pennsylvania Energy Development Authority (PEDA) program to provide grants to alternative energy generation and energy conservation projects for businesses, non-profit corporations, and colleges and universities.			
PEDA—Sustainable Business Recovery	$14.9	12 awarded[d]	53,153 megawatt hours per year generation. 583 megawatt hours per year saved.
PEDA-Mined project grants—Approximately $3.8 million planned for competitive grants to fund innovative advanced energy projects that could not be funded within the state's fiscal year 2008-2009 budget. Projects include onsite energy conservation and production for five subrecipients, including a hospital and a food services distribution center.			
PEDA-Mined	$3.8	5	18,299 megawatt hours per year generation. 4,651 megawatt hours per year saved.
Energy Harvest Mined project grants—Approximately $4.3 million planned for competitive grants to fund innovative advanced onsite energy deployment projects that could not be funded within the state's fiscal year 2008-2009 budget.			
Energy Harvest	$4.3	10	4,636 megawatt hours per year generation. 3,175 megawatt hours per year saved.
Green Development Loan Program—About $12 million to capitalize a new statewide Green Development revolving loan fund for business and commercial building energy efficiency retrofits, equipment replacement, or development, implementation, and installation of onsite renewable energy technology. The fund will be managed by a competitively selected manager.			
Green Development Loan Fund	$12	(29 planned)	5,130 megawatt hours per year saved
Pennsylvania Geothermal Fund—About $5.0 million to buy down interest rates on two Keystone Home Energy Loan Program (HELP) loan products. The program will also provide geothermal contractor training.			
Geothermal Fund	$5.0 (planned)	(At least 950 planned)	The program will provide International Ground Source Heat Pump Association accreditation for geothermal designers, installers, and inspectors to train geothermal contractors.
Administrative—DEP will retain about $3.0 million for administrative costs, including seven funded employees.			

Source: GAO analysis of DEP data.

[a]Due to rounding, the total awarded does not sum to the total $99.7 million received by Pennsylvania.

[b]The expected outcomes for the projects reflect both Recovery Act funds as well as matching funds leveraged by the subrecipients.

[c]PEDA offered an additional $11 million in state funding for this program.

[d]As of September 1, 2010, DEP announced eight additional awards totaling $5 million for PEDA-Sustainable Business Recovery projects.

DEP selected projects based on criteria including project readiness to proceed, cost effectiveness, and environmental benefits.[4] DOE encouraged states to leverage Recovery Act funds with matching contributions, and DEP officials expect SEP subrecipients to provide approximately $778 million in leveraged funds. Based on its preliminary analysis, DEP estimated that the planned SEP projects, loans, and rebates, in aggregate, will generate enough energy to power approximately 9,200 homes each year and will also reduce carbon dioxide emissions by the equivalent of taking more than 500,000 cars off the road for one year.[5] Although DEP's preliminary estimates of energy production and environmental benefits were approximations, DEP officials said that its estimates will improve as DEP awards its Recovery Act SEP funds and collects project-specific information from subrecipients. We visited a 1-megawatt photovoltaic solar energy project at the Carlisle School District—a project funded by $1 million in Recovery Act SEP funds and approximately $4.8 million in leveraged funds. When completed, the school district expects the solar project to generate enough power to meet 15 percent of its energy needs—an estimated savings of approximately $150,000 each year—and reduce carbon dioxide emissions by the equivalent of taking approximately 178 cars off the road per year.

According to DEP and DOE officials we interviewed, the review process required under the National Environmental Policy Act (NEPA)[6] has been among the biggest challenges faced by SEP projects in Pennsylvania. DEP officials also said that the historic preservation review requirements slowed down some SEP projects. Before DEP issues a notice to proceed, SEP projects must obtain relevant local building permits, historical preservation approval, and NEPA clearance to demonstrate that

[4]DEP based its cost-effectiveness analysis on the cost per unit of energy generated. Projects that generate more energy per dollar were more likely to be funded.

[5]According to DEP, this estimate is based on a conversion factor that assumes that an average home in Pennsylvania uses approximately 10,000 kilowatt hours of electricity annually.

[6]42 U.S.C. §§ 4321–4370h.

environmental impacts of the project have been considered. According to DEP officials, the NEPA review process at DOE slowed down DEP's granting of notices to proceed, in part because DOE had many more SEP projects to review and projects were larger than SEP projects under the base SEP program, with potentially greater environmental impacts to consider. DEP officials also said that they are working with Pennsylvania's State Historic Preservation Office (SHPO) to streamline the historic review and approval process for SEP projects. In response to an August 2009 memo from DOE that encouraged review process improvements, the Pennsylvania SHPO has developed a screening approach to determine which projects need the greatest review.

DEP Has Increased Its Oversight of SEP Projects Under The Recovery Act

DEP officials have said that the increased oversight expectations for the Recovery Act spurred DEP to improve its monitoring of subrecipients.[7] DEP assigned project advisors to monitor each project and developed a Recovery Act reporting and tracking system with information on project outcomes, costs, milestones, deadlines, expenditures, and inspection dates.[8] By tracking project milestones, project advisors can identify projects experiencing challenges and work to address the challenges. Project advisors are to conduct on-site project inspections at the beginning and end of every project as well as on an interim basis, maintain regular communication with subrecipients, and enter weekly project status updates into DEP's Recovery Act tracking and reporting system. As of August 23, 2010, DEP project advisors had completed initial inspections for over 80 percent of the SEP energy projects already awarded. For the projects under the Green Energy Works program, advisors use a checklist to verify that work has been completed in accordance with the grant agreement and that state and local permits are in place, and to record job activity observed on-site. DEP officials told us that DEP plans to continue using the new monitoring tools for future programs.

[7] In addition, DEP is subject to DOE monitoring of the SEP program in Pennsylvania. DOE activities include site visits by DOE project officers.

[8] SEP projects must progress through a series of milestones throughout the duration of the project, marked by project start date, design, requests for proposals, contract award, installation, and completion.

DEP Reports on Project Outcomes, Including Environmental Benefits

DEP reports performance measures for the SEP program, including outcomes, to DOE and the Pennsylvania Accountability Office. DEP reports monthly and quarterly to DOE on activity and results metrics, including jobs created and retained, programmatic metrics such as outlays and obligations, and impact metrics, such as energy savings. The state's performance measures also track investments in projects leveraged by Recovery Act funds. DEP will also report on future benefits resulting from the projects, including reduction in carbon dioxide emissions, energy savings, and renewable energy generation.

According to the quarterly recipient report on www.recovery.gov, Pennsylvania reported that the Recovery Act SEP funded approximately 22 full-time-equivalent jobs during the quarter ending June 30, 2010.[9] According to DEP officials, the expected full-time-equivalent jobs would be larger when considering the jobs created with leveraged funds in addition to the Recovery Act SEP funds.

Energy Efficiency and Conservation Block Grants Are Funding Projects across Pennsylvania, but More than One-Fourth of Local Recipients Had Not Yet Spent Funds

The Energy Efficiency and Conservation Block Grant program (EECBG), administered by DOE, is funded for the first time by the Recovery Act.[10] DOE awarded a total of $106.6 million in EECBG Recovery Act funds in Pennsylvania—about $23.6 million to DEP, most of which was competitively awarded to local governments and nonprofits, and about $83.0 million in direct formula grants to 43 local governments. EECBG direct formula grants range from $147,000 for the Township of Cheltenham to $14.1 million for the City of Philadelphia. DOE encouraged recipients to obligate 90 percent or more of funds by June 25, 2010, and spend at least 20 percent by September 30, 2010, 50 percent by June 30, 2011, and 90 percent by June 30, 2012.

DEP is using most of its $23.6 million EECBG award to administer and pay for a onetime grant program—Conservation Works!—which provides funds to local governments[11] and nonprofit agencies in Pennsylvania. DEP awarded funds to projects that could be started within 6 months of the

[9] As of August 11, 2010.

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

[11] As required by 42 U.S.C. § 17155(c)(1)(A), at least 60 percent of the EECBG state award is reserved for units of local government that are not eligible for EECBG direct formula grants from DOE.

award date and completed within 18 months. It also required applicants to demonstrate that the projects could support energy-efficiency improvements of at least 25 percent in a cost-effective manner.[12] DEP received 500 applications from July 17, 2009, through August 14, 2009, and announced its EECBG grant awards on November 17, 2009. DEP announced 102 EECBG awards—up to $250,000 for individual subrecipients, and $500,000 for coalitions—for local government and nonprofit subrecipients. These subrecipients are to contribute matching funds of $17.9 million. As of August 15, 2010, DEP has obligated all its EECBG funds.[13] In addition, $10.6 million (45 percent) has been spent.

According to DEP officials, the most common types of EECBG subrecipient projects include street and traffic light replacement; heating, ventilating and air-conditioning projects; and building retrofits. For example, Thaddeus Stevens College of Technology in Lancaster received $250,000 to replace or upgrade over 3,700 lighting fixtures in 12 campus buildings and expects to save $71,000 per year from reduced energy consumption.[14] DEP officials expect the EECBG program to save, over project lifetimes, about $57 million in energy costs and about $21 million in natural gas costs because of reduced consumption. In addition, DEP estimates that the projects will reduce carbon dioxide emissions by 450,000 tons, which DEP compares to taking 75,000 passenger cars off the road for one year.

DOE also awarded $83 million in EECBG direct formula grants to 43 local governments throughout Pennsylvania.[15] As of August 13, 2010, local recipients, in aggregate, have spent about $7.5 million, or 9 percent of available funds. As shown in table 3, three local recipients have spent their entire awards, and 12 local recipients—more than one-fourth—have not spent any funds, as of August 13, 2010.

[12]While renewable energy projects were eligible if they would generate energy to replace at least 25 percent of the building or entity's energy use, few renewable energy projects were selected because of their high costs.

[13]While DEP obligated about $22.2 million to projects, the remaining funds—about $1.3 million—were approved for administrative purposes.

[14]Thaddeus Stevens College of Technology provided an additional $64,244 in matching funds to support this project.

[15]DOE made the first 41 awards between July 24, 2009 and December 31, 2009; the last two awards were on June 24, 2010, and August 4, 2010.

Table 3: Expenditures of EECBG Direct Formula Local Recipients in Pennsylvania as of August 13, 2010

Percentage of award spent	Number of local recipients
100 percent	3
80 to 99 percent	0
60 to 79 percent	1
40 to 59 percent	2
20 to 39 percent	3
0.1 to 19 percent	22
0 percent	12
Total	**43**

Source: GAO analysis of DOE data.

Note: This table covers only local governments receiving EECBG funds directly from DOE and does not include the DEP state award.

We visited two recipients of EECBG direct formula awards: Berks County and the City of Philadelphia.[16] Berks County is using its EECBG award for a onetime project to renovate and convert an oil boiler to also run on natural gas and repair leaky steam pipes at a county-owned facility. According to DOE data, Berks County received its $2.97 million award on December 23, 2009, and has spent more than half as of July 23, 2010, and the county anticipates that the project will be completed in the fall of 2010. According to a county official, Berks County was able to move quickly on its EECBG grant because the county had worked with a contractor in early 2009 to develop an energy-efficiency capital improvement plan.[17]

Philadelphia is using its EECBG direct formula grant to (1) fund onetime projects, (2) set up programs to finance energy improvements by businesses, and (3) support initiatives to enhance the city's existing sustainability program (see table 4).[18] According to DOE data, Philadelphia received its $14.1 million award on September 29, 2009, and as of August 13, 2010, has spent approximately $1.7 million (12 percent). Officials said

[16]We selected a mix of one city and one county. Philadelphia and Berks each had spent more EECBG funds than other recipients in the state.

[17]The county had identified 22 energy-efficiency projects, and the EECBG grant allowed it to fund the additional boiler and steam pipe work sooner than it otherwise would.

[18]Philadelphia also received a $25 million award under the competitive EECBG program.

that because the city relied on its existing Greenworks plan,[19] which laid out planned energy-efficiency and other projects, it was able to move forward once it received its EECBG award. Philadelphia used EECBG funds to hire additional staff for the city Office of Sustainability to help with Greenworks initiatives, and, once the Recovery Act funds end, continued funding of those positions will depend on the city's fiscal outlook.

Table 4: City of Philadelphia Projects Funded by EECBG Direct Formula Grant

Project	Budget	Expenditures as of June 30, 2010
Onetime projects		
LED Traffic Signal Replacement.[a] Replacement of 85,000 traffic signals with more energy-efficient light-emitting diode (LED) signals. Expected to be completed in fall 2011.	$3.1 million	$216,624
Solar trash-compacting trash cans and recycling units. Procure and install 260 solar trash-compacting waste bins and 115 on-street recycling units. Expected to be completed in September 2010.	$973,000	$170,176
Radio Frequency Identification (RFID) Readers for Recycling Program. Procure equipment to track participation in a city recycling program. Completed in June 2010.	$708,400	$708,400
Philadelphia Water Department Solar Installation. Development of a 250 kilowatt solar power installation for a water pollution control plant. Expected to be completed in October 2010.	$850,000	$0
Bicycle Racks. Conversion of 1,600 parking meters to bicycle racks and installation of 1,000 additional racks. Expected to be completed in June 2011.	$375,000	$0
Finance programs for businesses		
Greenworks Loan Fund.[b] City partnership with a private lender to offer low-interest rate loans for commercial and industrial energy-efficiency improvements. As of June 10, 2010, Philadelphia approved one loan for $1.6 million, had six loans totaling about $4.5 million in underwriting, and another worth $1 million on hold awaiting information on energy performance. All loans expected to be issued by summer 2012.	$4.8 million	$80,863
Energy Efficiency Retrofit Grants for Small Businesses and Commercialization of Technologies. Equipment rebates to small companies and nonprofits for energy efficiency building retrofits. Expected to be provided by winter 2011.	$1.0 million	$0

[19]City of Philadelphia, Mayor's Office of Sustainability, *Greenworks Philadelphia* (Philadelphia, Pa., 2009) and City of Philadelphia, Mayor's Office of Sustainability, *Greenworks Philadelphia 2010 Progress Report* (Philadelphia, Pa., 2010).

Project	Budget	Expenditures as of June 30, 2010
Initiatives enhancing city sustainability program		
Municipal Building Energy Efficiency Retrofits. Funding energy audits and retrofits to improve energy efficiency of city buildings. Expected to be completed in fall 2011.	$1.0 million	$0
Development of the city's Energy Management Capacity. Fund staff of an energy management office. Expected to be completed in 2012.	$508,115	$60,574
Building Code Development and Compliance. Fund a Green Building Program Manager and train staff in issues associated with green buildings. Expected to be completed in 2012.	$300,000	$44,881
Target Energy Budget Support and Training. Fund an Energy Conservation Coordinator, establish a utility bill management database, and develop an employee outreach and education campaign. Expected to be completed in July 2012.	$292,000	$5,411
Greenworks Monitoring and Reporting. Development of a project management and reporting database, a comprehensive annual plan, and a staff position to support implementation. Expected to be completed in July 2012.	$250,700	$29,968
Total	**$14.1 million**	**$1.3 million**

Source: GAO analysis of City of Philadelphia data.

[a]Philadelphia had previously installed red LEDs for traffic signals in 1998. The Recovery Act funds are being used to replace the yellow and green LEDs. In addition, the old red LEDs are being replaced simultaneously using non-Recovery Act funds.

[b]Philadelphia used $2.8 million, the maximum amount permitted by statute, to establish a revolving loan fund and provided an additional grant of $1.7 million to the lender to provide greater initial capitalization. Philadelphia will be using half of its $25 million EECBG competitive award to increase the funds available under the Greenworks Loan Fund.

Both local governments expect their projects to provide financial, environmental, and other benefits. Berks County expects its project to reduce energy consumption and carbon dioxide emissions by 5,800 megawatt-hours and 4,900 metric tons per year, respectively. These reductions are expected to save approximately $430,000 per year. Philadelphia estimates the LED traffic signals will save approximately $1 million per year, and its RFID-based recycling program will increase the percentage of waste diverted to recycling by 5 percent to 10 percent. In addition, the city expects all loan projects to reduce energy consumption by at least 25 percent, compared with prior levels used by the same building or comparable buildings.

At the state and local level, certain EECBG projects did not obligate and spend funds on schedule. According to DEP officials, the NEPA review process at DOE affected the start date for ten EECBG projects, primarily geothermal heating and cooling, but did not affect most other EECBG projects which had received categorical exclusions under NEPA from

DOE.[20] As with SEP, DEP is working with the SHPO to help streamline SHPO's project historic review and approval of EECBG projects. In addition, projects involving LED lighting, including Philadelphia's traffic signal replacement, did not fully proceed until DOE provided a Buy American categorical waiver for light components as there were not enough American suppliers of the lights.[21] Philadelphia also required time to solicit and evaluate applications, and select recipients for its loan fund and energy-efficiency retrofit grants.

DEP and Local Governments Monitor EECBG Project Funds, Report on Performance, and Plan to Report on Outcomes

DEP monitors its EECBG Recovery Act funds in much the same way as described above for the SEP funds. DEP project advisors perform initial, interim, and final inspections, communicate regularly with subrecipients, work with subrecipients to address existing or potential project challenges, and track project progress against milestones and expenditures using DEP's Recovery Act tracking and reporting system. At the local level, Philadelphia, for its loan and grant programs, plans onsite inspections for all subrecipients of loans over $100,000 and 10 percent to 20 percent of grant subrecipients after projects are finished. Berks County monitors its EECBG grant using a monitoring strategy that includes reviewing all contractor invoices, tracking funds, and conducting biweekly site visits and weekly meetings with the contractor.

DEP as well as the two direct formula recipients we interviewed measure the performance of their EECBG projects and have plans to measure the outcomes and report data to DOE and other sources. DEP reports quarterly to DOE on three categories of activity and results metrics,[22] and reports monthly on funds obligated, funds spent, and amount of relevant activity completed for its 102 projects. Philadelphia and Berks County also report information on project outputs to DOE. For example, Philadelphia reports on measures including the number of loans provided under the loan fund and the number of LED signals installed; Berks County will

[20]Categorical exclusions cover categories of activities that an agency has determined to have no significant effect on the environment. Barring extraordinary circumstances, these activities do not require a detailed environmental review.

[21]DEP encouraged its EECBG subrecipients to buy American-made products even when they are not required to and provided grantees with information on Pennsylvania suppliers, where applicable.

[22]The categories are hours worked; standard programmatic metrics, such as obligations, outlays, and metrics associated with the activity undertaken; and other critical metrics such as energy savings and energy costs savings.

report on the number of linear feet of steam piping renovated. DEP requires its EECBG subrecipients to provide monthly reports on project status and will require a final report on measurable energy and environmental benefits. Many of the environmental benefits cannot be realized until the project is complete, so these outcomes cannot be measured at this point. DEP requires subrecipients to register their energy consumption data with Energy Star's Portfolio Manager Program and submit a follow-up status report 1 year after each project's completion date to document energy savings. Berks County's contractor plans to measure annual energy savings and carbon dioxide emissions avoided resulting from the new boiler system. Philadelphia requires loan recipients to provide information on energy usage that it will analyze 1 year after each project is completed. However, city officials acknowledged that for some of its EECBG projects, including the bicycle parking, identifying and measuring outcomes will be more difficult.

DEP is using the same job-reporting procedures for its EECBG projects as it is using for Recovery Act SEP projects. According to quarterly recipient reports on www.recovery.gov, Pennsylvania reported that the Recovery Act EECBG funded approximately 26 full-time-equivalent jobs during the quarter ending June 30, 2010, an increase from approximately 8 full-time-equivalent jobs reported for the quarter ending March 31, 2010.[23] Both Philadelphia and Berks County collected and reported job data and cited no major challenges in doing so. For their quarterly recipient reporting, officials from both local governments gathered work hours from the Davis-Bacon-Certified payrolls submitted by contractors, hours reported from contractors not covered by Davis-Bacon requirements, and internal payroll systems for their own employees' time. For its loan program, Philadelphia plans to have its loan fund administrator collect the work hours from the subrecipients. In EECBG recipient reports for the quarter ending June 30, 2010, Philadelphia reported approximately 8 full-time-equivalent jobs funded, and Berks County reported approximately 6 full-time-equivalent jobs.[24]

[23]As of August 11, 2010.

[24]As of August 5, 2010.

Pennsylvania Is Making Progress on Weatherization Production Targets but Is Not Yet Eligible to Access Its Final 50 Percent of Funds

The Pennsylvania Department of Community and Economic Development (DCED)—the agency that administers the state's Weatherization Assistance Program—is in line to receive $252.8 million in Recovery Act funds to be spent by March 31, 2012. DCED will retain up to $8.3 million for program management and oversight and will spend up to $20 million for worker training. As of August 15, 2010, Pennsylvania has expended $86.3 million, and, according to DCED, as of August 13, 2010, the 43 local weatherization agencies have weatherized 10,287 homes—about 72 percent of the state's target to weatherize 14,355 homes by September 30, 2010, and about 35 percent of its target to weatherize 29,700 homes by March 31, 2012. According to quarterly recipient reports on www.recovery.gov, Pennsylvania reported that the Recovery Act Weatherization Assistance Program funded about 710 full-time-equivalent jobs during the quarter ending June 30, 2010—an increase from the approximately 484 full-time-equivalent jobs reported for the quarter ending March 31, 2010.[25]

DCED and the Pennsylvania Department of Labor and Industry (L&I) have not met the state's self-imposed deadline to have all weatherization workers working on Recovery Act projects trained and certified or on a path to certification by July 1, 2010. Although not required by DOE, Pennsylvania has required certification of its weatherization workers and has decided to use part of its Recovery Act funds to train and certify all weatherization installers, crew chiefs, and auditors to perform weatherization work. In May 2010, we reported that without a method of ensuring compliance with the certification requirement, Pennsylvania's training goals may not be achieved.[26] On May 26, 2010, DCED issued a directive to weatherization subrecipients to remind them of their responsibility for ensuring that all direct-hire employees and subcontractors are either certified or registered for courses required for certification by June 30, 2010.

Starting July 1, 2010, DCED implemented desk audit and on-site monitoring procedures to help enforce the state's weatherization worker certification requirements. DCED has been comparing Davis-Bacon certified payrolls to L&I certification lists to cross-check worker

[25] As of August 11, 2010.

[26] 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).

certification. As of August 17, 2010, 22 agencies' payrolls have been audited revealing 230 uncertified workers. According to DCED, these worker names have been forwarded to L&I, which is to advise them of the training and certification requirement and instruct them on both the certification and course scheduling procedures. Desk audits of the remaining 21 agencies' files are to continue. DCED officials told us that all monitors were trained to review training certification compliance issues and were provided with a list of uncertified employee names for their on-site monitoring reviews. Since July 1, 2010, according to DCED officials, monitors have completed 12 agency site visits at which certification was specifically reviewed. Two agencies were cited for noncompliance with training requirements with three uncertified auditors at one agency and 55 uncertified subcontractors at the other. DCED forwarded the lists of uncertified workers to L&I for follow-up.

Concurrently, L&I continues to review the applications of existing weatherization workers seeking certification as well as to track those workers completing coursework to obtain certification. According to state officials, as of July 31, 2010, 1,215 existing workers submitted applications for certification based on their training, experience, or both. Because individual workers may request multiple levels of certification (installer, crew chief, or auditor), the 1,215 applicants requested 1,635 certifications. The application review committee has reviewed the applications and certified 260 requests; applicants for 434 requests will be required to pass a proficiency test or complete an accelerated training program; and applicants for 941 requests were recommended to complete full coursework. Of those recommended to complete coursework, as of August 2, 2010, 579 have enrolled in required coursework, 542 of the 579 have completed coursework, and 513 of those who have completed coursework have been certified.

Pennsylvania is not currently eligible under DOE requirements to access its final 50 percent of Recovery Act funding.[27] According to DCED, as of

[27]DOE plans to provide access to the remaining funds to recipients, including Pennsylvania, once they have completed weatherizing 30 percent of the homes identified in their weatherization plans and meet other requirements. Other requirements include the recipient fulfilling the monitoring and inspection protocols established in its weatherization plan; monitoring its local agencies at least once each year to determine compliance with administrative, fiscal, and state policies and guidelines; ensuring that local quality controls are in place; inspecting at least 5 percent of completed units during the course of the respective year; and submitting timely and accurate progress reports to DOE, and monitoring reviews confirm acceptable performance.

July 23, 2010, Pennsylvania weatherization agencies had met DOE's Recovery Act production milestone to weatherize 30 percent of the total homes the state plans to weatherize. However, Pennsylvania is ineligible to receive its final Recovery Act weatherization funding until DCED addresses financial and administrative concerns identified in DOE's monitoring of Pennsylvania's program; specifically:

- DCED needs to resolve past Single Audit report findings related to noncompliance with federal regulations, potential unallowable costs, and material internal control deficiencies at both the state and subrecipient levels. Although DCED has implemented corrective actions to address some prior year deficiencies, DOE is concerned that more needs to be done.[28]

- DOE found that DCED monitors are not in compliance with DOE's monitoring procedures and has required DCED to submit a corrective action plan that demonstrates how DCED monitors will better document their monitoring efforts at each weatherization agency and track their recommendations to resolution.

- According to DOE, DCED needs to improve its financial management system so that it can track actual costs for each unit weatherized or on a per dwelling or a per subrecipient basis.

- The DOE Project Officer also identified concerns with the quality of work done at some of the local weatherization agencies. For example, some agencies visited by DOE did not complete moisture assessments as part of the initial audit, did not appear to follow the DOE-approved Priority List of measures, did not appear to practice lead safe weatherization, and may require further training in conducting blower door tests. In one case, DOE found little coordination among two local weatherization agencies that serve the same geographic area.

[28]Findings include noncompliance and internal control deficiencies in DCED's program monitoring of weatherization subrecipients, including inconsistent state guidelines in calculating client income to determine eligibility, a lack of written policies and procedures for subrecipients to effectively administer their programs, and computer control weaknesses in the Hancock Energy Software (HES) system consisting of lack of documentation of change controls and weaknesses in system security. Commonwealth of Pennsylvania, *Single Audit Report for the Fiscal Year Ended June 30, 2009*, (Harrisburg, Pa.: June 30, 2010).

As of August 23, 2010, DCED was working on corrective actions to address the issues raised by DOE.

Pennsylvania Has Disbursed Nearly Half of Its TCAP Funds and More than Half of Its Section 1602 Program Funds, but Faces Increased Oversight Workload for the Low-Income Housing Tax Credit Assistance Programs

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 HUD and (2) 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).[29] Before the credit market was disrupted in 2008, the LIHTC program provided substantial financing in the form of third-party investor equity for affordable rental housing units.[30] As the demand for tax credits declined, so did the prices investors were willing to pay for them, creating funding gaps in projects that had received tax credit allocations in 2007 and 2008. TCAP and the Section 1602 Program were designed to fill financing gaps in planned tax credits projects and jump-start stalled projects.

Pennsylvania received $95.1 million in TCAP funds and $229.9 million in Section 1602 Program funds through the Recovery Act. As of August 18, 2010, Pennsylvania had committed about $85.0 million (89 percent) in TCAP funds and $214.5 million (93 percent) in Section 1602 Program funds to 60 projects. According to HUD data, Pennsylvania had disbursed about $43.4 million (46 percent) in TCAP funds as of August 1, 2010. According to Treasury data, Pennsylvania had disbursed $117.6 million (51 percent) in Section 1602 Program funds as of July 31, 2010.

The Pennsylvania Housing Finance Agency (PHFA) administers the LIHTC program in the state and committed TCAP and Section 1602 Program funds to 60 projects containing 3,087 units (including 3,002 tax credit

[29]State housing finance agencies award low-income housing tax credits to owners of qualified rental properties who reserve all or a portion of their units for occupancy for low-income tenants. Once awarded tax credits, owners attempt to sell them to investors to obtain funding for their projects. Investors can then claim tax credits for 10 years if the property continues to comply with program requirements.

[30]Many affordable housing tax credit projects rely on LIHTCs together with other forms of subsidies such as HOME Investment Partnerships Program funds (HOME), Community Development Block Grant (CDBG) funds, and state funds.

units).[31] PHFA officials said they selected projects with the intention of funding the highest number of viable projects possible while distributing funds equitably across the state.[32] PHFA officials also said they generally used Section 1602 Program funds to fund selected projects without investors and used TCAP funds to fill financing gaps on projects with investors. With Recovery Act financing available, TCAP and Section 1602 Program projects received about 75 percent of financing through funds disbursed by PHFA. In the past, PHFA said it would provide about 15 percent to 30 percent of financing for LIHTC, with the remaining financing coming from tax credit equity (about 60 percent) or other loans (about 10 percent to 25 percent). PHFA officials said they expect to commit the remainder of TCAP and Section 1602 Program funds by September 1, 2010. PHFA officials told us they are concerned that one Section 1602 Program project may not meet Treasury's December 2010 spending deadline.[33]

We revisited two TCAP projects we reported on in May 2010, and also visited two other TCAP projects as well as one Section 1602 Program project that did not have an investor (see table 5). We interviewed project owners for all five projects and investors for the TCAP projects we visited. According to PHFA officials and project owners, Recovery Act funds helped four out of five projects we visited move forward when owners

[31]Of the 60 TCAP and Section 1602 projects in the state, 25 only received TCAP funds and 31 only received Section 1602 funds. Four projects received both TCAP and 1602 funds. Projects may contain units not financed through the TCAP or Section 1602 programs.

[32]The Internal Revenue Code requires states to develop a qualified allocation plan (QAP) for allocating tax credits that explains the basis upon which the state housing finance agencies distributes their LIHTC allocations. States use the QAP to establish preferences and set-asides within their tax credit competitions to target credits toward specific regions (such as rural areas) or types of people (such as the elderly). PHFA uses its qualified allocation plan to ensure that tax credits are spread across the state rather than clustered only in the larger cities such as Philadelphia or Pittsburgh.

[33]Under the Recovery Act, all subawards must be made by December 2010, or the housing finance agency must return the funds to Treasury. HFAs can continue to disburse funds for committed projects through December 31, 2011, provided that the project owners spend or incur at least 30 percent of eligible project costs by December 31, 2010. The project owner must have, by the close of 2010, paid at least 30 percent of the project owner's total adjusted basis in land and depreciable property that is reasonably expected to be part of the low-income housing project. Under TCAP, HFAs must disburse 75 percent of their TCAP awards by February 2011. Project owners must spend all of their TCAP funds by February 2012.

faced difficulties financing projects, and construction is under way on all five projects as shown in figure 1.[34]

Table 5: Selected TCAP and Section 1602 Program Projects in Pennsylvania

Project name, location	Type of funding	Recovery Act funds committed	Percentage of Recovery Act funds disbursed	Recovery Act funds as a total percentage of total project costs	Number of housing units (tax credit units/total units	Project description	Expected place in service date
Hopewell Courtyard,[a] Stewartstown	TCAP	$5,594,162	69	34	96/96	Rural, new construction, senior aged 55 or older	December 2010
Greystone Apartments, City of Allentown	TCAP	$1,332,138	26	23	24/24	Urban, rehabilitation, family	March 2011
Presser Senior Apartments,[b] City of Philadelphia	TCAP	$2,259,189	100	16	45/45	Urban, rehabilitation, senior aged 62 or older	January 2011
Mantua Square, Phase II,[c] Philadelphia	TCAP	$2,000,000	0	12	51/51	Urban, new construction, family	March 2011
Cannery Point, Northumberland	Section 1602 Program	$3,590,825	74	65	24/24	Rural, new construction, family	June 2011

Source: GAO analysis of PHFA data.

[a]We used the original project name shown on PHFA documentation; the project is now known as Westminster Place at Stewartstown.

[b]Presser Senior Apartments received $2 million (about 14.4 percent of total development costs) in a Recovery Act Community Development Block Grant (CDBG-R) through the City of Philadelphia. This project also has federal historic preservation tax credits.

[c]Mantua Square, a Philadelphia Housing Authority (PHA) development, received a TCAP allocation from PHFA for Phase II. Phases I and II also received a $10 million Public Housing Capital Fund Competitive Grant. PHA officials said they expect both Phase I and Phase II to be completed by March 2011.

[34]The fifth project is Philadelphia Housing Authority's Mantua Square. A housing official said the project would have been built without Recovery Act funds but would not have included energy efficiency and green elements that the official said will save money over the life of the project.

Figure 1: Selected TCAP and Section 1602 Program Projects in Pennsylvania

Project	Description
Hopewell Courtyard 	Hopewell Courtyard is a rehabilitation of an old factory and construction of two new buildings to create 96 units of senior housing in Stewartstown, Pennsylvania. Project owners said that the first units in the rehabilitated factory will be ready for occupancy by September 2010 and will incorporate many green building features, such as geothermal heating.
Greystone Apartments 	Greystone Apartments is a rehabilitation to improve the safety and energy efficiency of 24 existing units in three late 1800s-era buildings in Allentown, Pennsylvania. New sprinklers and metal stairs to replace the old fire escapes will be installed as well as a new heating and air conditioning system to reduce energy costs and improve safety. During the construction, families living in two buildings were relocated and will return when work is complete. Then families in the third building will be relocated while the construction is completed.
Presser Senior Apartments 	Presser Senior Apartments is a rehabilitation of a historic former retirement home to build 45 units of senior housing in Philadelphia, Pennsylvania, while preserving historic features of the structure. Built in 1914, the property has been vacant since 2002 and became blighted. The project also has a Recovery Act Community Development Block Grant award from the city as well as federal historic tax credits.
Mantua Square 	Mantua Square is a new 101 unit development by the Philadelphia Housing Authority that encompasses more than one square city block and combines residential space with some commercial rental space. For Phase II with 51 units, Philadelphia Housing Authority received a TCAP award from PHFA and will use the award to incorporate green features including solar panels into the overall development. PHA also received a Recovery Act public housing competitive grant for Phases I and II of the project, discussed below in the public housing section of this appendix. As shown in the photos, roofs are on Phase I buildings and foundation work was underway for Phase II.
Cannery Point 	Cannery Point is a new development consisting of 12 duplexes for low income families in Northumberland, Pennsylvania. Project owners said that the first units will be ready for occupancy about October 2010, while construction on the remaining units continues.

Source: GAO.

PHFA officials and project owners we interviewed that applied for 2010 LIHTC funds said that extending the Section 1602 Program through 2010 would help stabilize the LIHTC market. Some developers said projects in rural areas may have trouble obtaining financing without an extension of the Section 1602 Program in 2010. Investors we interviewed said that their geographic preferences in LIHTC investments generally followed their need to find Community Reinvestment Act (CRA) opportunities.[35] However, some project owners we interviewed expressed concerns that allowing the program to continue too long beyond 2010 could hamper the market by crowding out private investors.

PHFA Plans to Use an Established Framework to Oversee Construction and Asset Management and Reported Job Measures for the TCAP and Section 1602 Program Projects

The project oversight role required of state housing finance agencies (HFA) under the TCAP and Section 1602 Program is greater than under the standard LIHTC program.[36] Under the TCAP and the Section 1602 program, HFAs are obligated to perform both construction oversight and asset management, which imposes ongoing responsibilities for the long-term viability of each project. HFAs need to ensure compliance with LIHTC requirements as part of their construction oversight and asset management activities and must return TCAP and Section 1602 Program funds to HUD and Treasury, respectively, if a project fails to comply with LIHTC requirements.[37]

[35]The Community Reinvestment Act is intended to encourage institutions that accept deposits—such as banks—to help meet the credit needs of the communities in which they operate. See 12 U.S.C. §§ 2901 *et seq* and 12 C.F.R parts 25, 228, 345, and 563e. The CRA requires that each insured depository institution's record in helping meet the credit needs of its entire community be evaluated periodically. That record is taken into account in considering an institution's application for deposit facilities, including mergers and acquisitions. Investing in LIHTC projects allows banks to earn positive consideration toward their regulatory ratings under the CRA. Investors said banks' CRA needs tended to be greater in metropolitan areas.

[36]Under the LIHTC program, HFAs are required to review LIHTC projects at least annually to determine project owner compliance with tenant qualifications and rent and income limits. Additionally, every 3 years the HFAs must conduct on-site inspections of all buildings in each LIHTC project and inspect at least 20 percent of the LIHTC units and resident files associated with those units.

[37]In contrast, under the conventional LIHTC program, HFAs are not liable for recapturing funds if a project owner fails to comply with LIHTC requirements. Rather, their obligation is to report any noncompliance to the Internal Revenue Service (IRS), and the IRS takes any further actions with respect to recapture. GAO reported previously on the risks and responsibilities of recapture for HFAs under the TCAP and the Section 1602 Program. See GAO-10-604, *States' and Localities Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability* (Washington, D.C.: May 26, 2010).

PHFA officials said their agency plans to use the same established framework for construction oversight and asset management that it uses to manage its other loan programs.[38] As part of its construction oversight, PHFA officials said the agency conducts periodic inspections of sites during construction to monitor progress and observe challenges that may affect schedules or cost.[39] For TCAP and Section 1602 Program funds, PHFA reviews all project construction invoices to ensure payments are being made in accordance with program guidance. PHFA officials told us they have been monitoring construction for projects underway and also said they will add projects to their asset management schedule as they are completed. As part of its asset management activities, PHFA officials said they plan to perform annual physical inspections for TCAP projects similar to those on PHFA's oversight schedule for other loans. For the Section 1602 Program, PHFA plans to perform physical inspections every 3 years similar to those on the schedule for regular LIHTC projects. For projects without an investor—29 of the 60 in Pennsylvania—PHFA said the agency will be responsible for overseeing all asset management activities. According to PFHA, the asset management plan for TCAP and Section 1602 Program projects focuses on managing risks to the agency. From PHFA's perspective, TCAP projects pose a greater risk because of potential full repayment obligations to HUD in the event projects do not comply with program requirements during the occupancy period.[40] In addition, officials said the TCAP loans have been underwritten for repayment and will require loan servicing and monitoring. PHFA views the recapture risk for Section 1602 Program projects as similar to the recapture risk for a regular LIHTC project. According to officials, PHFA's asset management plan for both TCAP and Section 1602 properties will involve ongoing fiscal and physical reviews of properties for both program compliance and to establish early warning programs for any management weaknesses or operational deficiencies.

[38]PHFA also oversees the state PennHOMES program, which combines resources from PHFA Agency Unrestricted Reserves and the federal HOME program funding passed through the Pennsylvania Department of Community and Economic Development.

[39]Project owners must comply with Davis-Bacon wage rules and the National Environmental Protection Act (NEPA). Davis-Bacon and NEPA requirements do not apply to Treasury's Section 1602 Program.

[40]A PHFA official said the agency is still waiting for HUD clarification on the requirements for repayment obligations as of August 16, 2010.

Although spreading Recovery Act funding across a larger number of projects allowed Pennsylvania to fund more low-income housing units, PHFA has a larger number of projects to monitor during construction as well as an increased workload for the entire 15-year LIHTC compliance period for which TCAP and Section 1602 Program projects will require asset management activities. Officials estimated that the increased workload will cost the agency 20 percent to 30 percent more in annual operating costs. To help cover some of these oversight costs, PHFA is collecting a monthly $500 fee per project for construction monitoring and a onetime asset management fee of $800 per unit from project developers. PHFA officials said that agency staff are stretched to meet current demands, but that the agency has sufficient staff to conduct oversight activities, in part because every year some projects will age out of their compliance periods.[41]

Reporting requirements for the TCAP and the Section 1602 Program differ and HUD requires TCAP recipients to report project data to three different reporting systems, including through Federalreporting.gov to satisfy the recipient reporting requirements under section 1512 of division A of the Recovery Act. Section 1512 describes the recipient reporting requirements, which include estimation of full-time-equivalent jobs created and retained. Section 1512 applies 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.

To satisfy quarterly Recovery Act recipient reporting requirements for TCAP projects, PHFA officials collected jobs information from TCAP project owners, reporting approximately 103 full-time-equivalent-jobs funded for the quarter ending June 30, 2010; for the quarter ending March 31, 2010, PHFA reported approximately 60 full-time-equivalent jobs funded by TCAP.[42] On the basis of OMB guidance, officials said the number of jobs funded for TCAP projects was prorated according to the percentage of TCAP financing on each project. PHFA officials said they calculated the

[41]According to PHFA officials, the agency performs asset management activities for 589 properties, including TCAP and Section 1602 Program-financed properties.

[42]As of August 12, 2010.

percentage of TCAP financing used on each project and provided it to project owners to complete the HUD calculator.[43]

In contrast, Treasury collects its own project information through quarterly performance reports submitted by HFAs. HFAs are required to make only one report of the number of jobs funded by the Section 1602 Program. HFAs submit estimated information on the number of full-time-equivalent jobs to be funded by the entire project with the first quarterly report for each project. The number of jobs reported to Treasury need not be reduced to reflect parts of the project not funded under the Section 1602 Program. Except for requiring the use of full-time-job equivalents, Treasury has not issued detailed guidance specifying job estimation methodology under the Section 1602 Program. PHFA collected job information for the Section 1602 Program by requiring project owners receiving Section 1602 Program funds to submit an estimate of the jobs the projects would fund with their program application. Officials said they did not plan to submit updated estimates or reports.

TCAP projects with other Recovery Act grants covered by section 1512 recipient reporting requirements must submit jobs information for each grant. For example, Presser Senior Apartments submitted the number of prorated jobs to PHFA to account for jobs funded by the TCAP program and to the City of Philadelphia to account for jobs funded by a Recovery Act Community Development Block Grant. In contrast, projects with both TCAP and Section 1602 Program funds are to submit data to PHFA quarterly for the TCAP-funded jobs only.

Public Housing Authorities Met the Deadline for Obligating Public Housing Funds and Are Expending Funds

In Pennsylvania, 82 public housing authorities collectively received $212.2 million in Public Housing Capital Fund formula grants under the Recovery Act. These grant funds were provided to the authorities to improve the physical condition of their properties. As of August 7, 2010, these authorities have obligated all funds, and the 82 in aggregate have drawn down a total of $126 million.

Fourteen public housing authorities in Pennsylvania received a total of $55.2 million in 21 different Public Housing Capital Fund competitive

[43]HUD provided an updated calculator for determining the number of jobs created or retained. PHFA officials said the new HUD calculator was helpful, and easy to use, and prorated jobs accurately.

grants under the Recovery Act. As shown in table 6, these grant funds were provided to the authorities in four grant categories to improve the physical condition of their properties. As of August 7, 2010, these authorities have obligated about $50.7 million, and 12 authorities have drawn down a total of $3.4 million (see fig. 2). Officials with the HUD field office in Philadelphia said that they do not consider any of the housing authorities in their jurisdiction to be at risk for not meeting the Recovery Act's September 2010 deadline for obligating competitive grant funds.

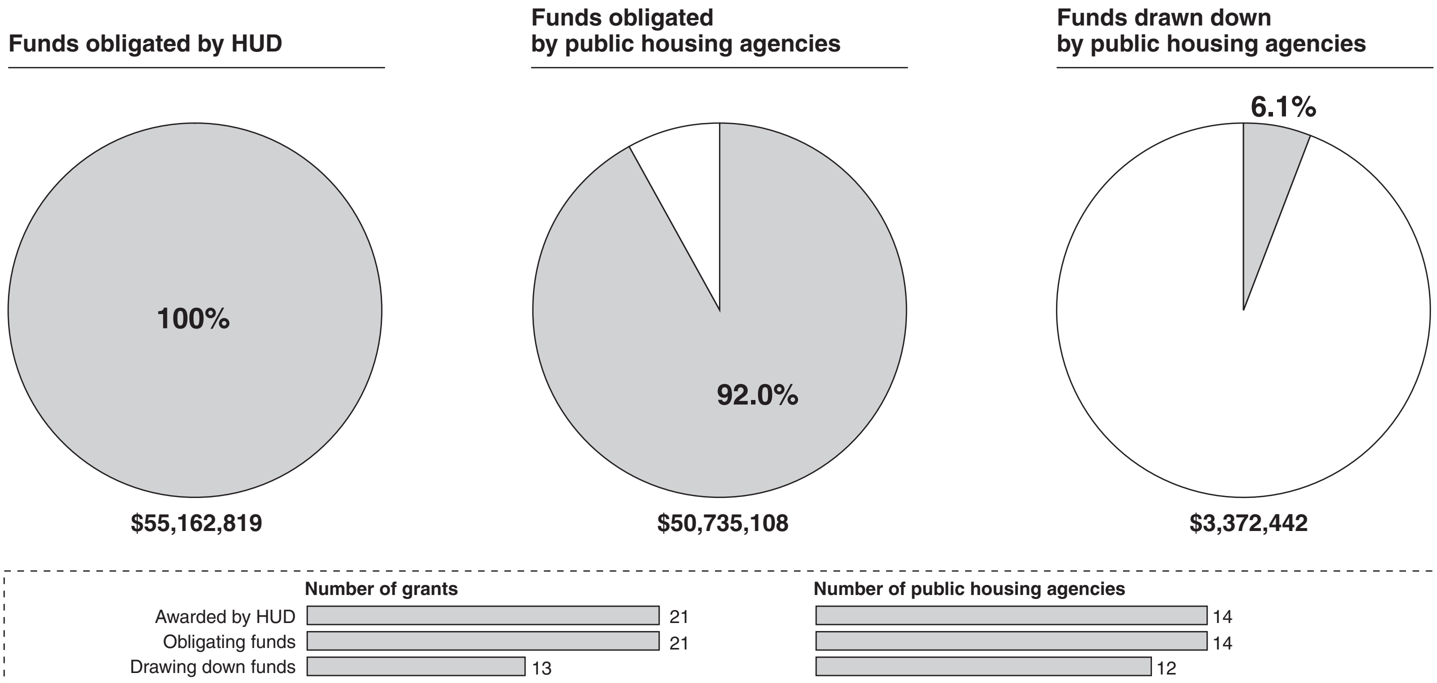
Table 6: Public Housing Capital Fund Competitive Grants Awarded in Pennsylvania

Category	Number of recipients	Number of grant awards	Total awarded
Improvements Addressing the Needs of the Elderly and/or Persons with Disabilities	6	10	$15,537,789
Gap Financing for Projects that are Stalled Due to Financing Issues	2	2	$12,064,258
Creation of Energy Efficient, Green Communities: Option 1, Substantial Rehabilitation or New Construction	1	1	$13,915,000
Creation of Energy Efficient, Green Communities: Option 2, Moderate Rehabilitation	8	8	$13,645,772

Source: GAO analysis of HUD data.

Note: Because some housing authorities received multiple awards, the number of recipients does not add to 14.

Figure 2: Percentage of Public Housing Capital Fund Competitive Grants Allocated by HUD That Had Been Obligated and Drawn Down in Pennsylvania, as of August 7, 2010



Source: GAO analysis of data from HUD's Electronic Line of Credit Control System.

We revisited two public housing authorities in Pennsylvania—Harrisburg Housing Authority (HHA) and Philadelphia Housing Authority (PHA). HHA is using 54 percent of its $4.4 million formula grant to rehabilitate the interiors and add porch facades to two 1940s-era buildings at the William Howard Day Homes development (see fig. 3).[44] As of August 7, 2010, HHA has disbursed about $2.9 million, or about 66 percent, of its grant, and expects to complete work by the end of 2010. HHA is rehabilitating 54 units in two additional buildings at William Howard Day Homes with a $3.4 million Energy Efficient Green Communities Option 2 competitive grant. This work includes energy efficiency and other environmental features, including installation of (1) energy-efficient windows, appliances, and lighting fixtures and (2) low-flow faucets and toilets. HHA expects these

[44]HHA is using the balance of its award to upgrade kitchens in a senior high-rise property and on other projects. For more information on these projects, see GAO: *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses*, GAO-09-830SP (Washington, D.C.: July, 2009).

efforts to reduce energy and water consumption by 28.6 percent and 33.5 percent annually, respectively, compared with this property's consumption prior to renovation. HHA plans to measure future energy and water usage and compare against usage in prior years to determine savings. As of August 7, 2010, HHA obligated all its competitive grant funds and expended about $295,000, or about 9 percent.

Figure 3: Progress of Formula Grant Work at William Howard Day Homes

The picture on the left shows the HHA William Howard Day Homes site in June 2009. The picture on the right shows the status of work in June 2010, including the construction of new porches for each unit. In addition, HHA is using its competitive grant to rehabilitate two additional buildings at the development.

Source: GAO.

PHA is using about $90.6 million in awarded formula grants for 6 projects, including rehabilitating 340 units of scattered site properties, constructing 25 new 4-unit scattered site buildings,[45] and, at 27 different properties, upgrading electrical, heating, and mechanical systems in order to reduce energy consumption.[46] As of August 7, 2010, PHA has expended about $40.8 million, or about 45 percent, of its formula grant. PHA also received six competitive grants totaling about $36 million. PHA is using four of these grants, totaling about $12 million, to construct 194 handicapped-accessible

[45] PHA is piloting a new construction method for the authority in building some units of the 25 buildings that contain a total of 100 units. Units will be constructed of structural insulated panels to increase energy efficiency in the units.

[46] PHA is using an information technology system that will remotely monitor the electrical, heating, and mechanical systems at 27 sites and notify PHA officials if units are consuming more utilities than expected, triggering a maintenance visit from PHA.

housing units; a $13.9 million grant to construct 100 new housing units at Paschall Village; and a $10 million gap financing grant to help build its 101-unit Mantua Square development (see fig. 4).[47] Other funding sources for Mantua Square are funding energy-efficiency and green features that are part of a larger effort by PHA to incorporate green practices into its housing portfolio.[48] According to PHA, as of August 13, 2010, 28 percent of Mantua Square was completed, and work will be completed in March 2011. As of August 7, 2010, PHA has obligated all its competitive grants and has not disbursed any funds.

Figure 4: Progress of Work on Mantua Square

(Left) PHA's Mantua Square will occupy more than a full city block and feature a mix of residential and commercial space. Phase I buildings along one street are in various stages of framing. (Right) Buildings in the background are Phase I of the project. The foundations in the foreground are part of Phase II.

Source: GAO.

[47]Phase II of the project is partially funded with a $2 million Recovery Act TCAP award that was discussed earlier in this report.

[48]For example, this project includes solar panels. PHA expects that the panels and other energy-efficiency measures will provide annual electricity savings of about $42,000 and pay for themselves in 12 years.

Both housing authorities we visited are subject to oversight by the HUD Philadelphia field office. Oversight activities of the office, including remote monitoring of authorities' projects,[49] have resulted in actions at other authorities in Pennsylvania. In one case, HUD expects to recapture about $588,000 in Recovery Act funds from one public housing authority that had not executed a contract by the March 2010 obligation deadline. In another case, the HUD office required another authority to submit additional documentation to HUD for review after the office determined that the housing authority lacked thorough documentation on its competitive procurement process for its Recovery Act funds. In addition, in response to concerns about appropriate use of taxpayer dollars, HUD's Office of Public and Indian Housing initiated an audit of the Philadelphia Housing Authority on August 26, 2010, with a preliminary report to be due within 60 days.

Both HHA and PHA collected and reported data to OMB on jobs funded with their Recovery Act grants. In past reporting periods, HHA has experienced difficulties with reporting accurate job information. In its May 2010 audit report, the HUD Office of the Inspector General recommended that HUD require HHA to develop and implement internal control procedures to ensure accurate reporting of job creation data.[50] According to an HHA official, HHA has taken action to address errors identified by us and the inspector general by auditing the workpapers of selected contractors, requiring contractors to certify submitted data, and adhering to OMB's guidance and job-reporting template. As a result, on the basis of our analysis of the data we received, we determined that HHA used the correct methods and calculator in preparing its recipient reports for the quarter ending June 30, 2010. According to HHA, for the quarter ending June 30, 2010, HHA funded approximately 22 full-time-equivalent jobs with its formula grant and approximately 1 full-time-equivalent job with its competitive grant.[51] PHA also used OMB's template to calculate full-time-equivalent jobs based on contractor data that were verified by PHA staff. According to recipient reports on www.recovery.gov, for the quarter ending June 30, 2010, PHA reported approximately 156 full-time-equivalent

[49]In remote monitoring, HUD officials said they use a checklist to review a housing authority's project files to confirm current obligations and expenditures and project schedules against estimated completion dates.

[50]HUD Office of the Inspector General, *Audit Report*, 2010-PH-1009 (May 13, 2010).

[51]As of August 5, 2010.

jobs funded with its formula grant.[52] In the recipient reports for its 6 competitive grants, PHA did not report any full-time-equivalent jobs during the quarter ending June 30, 2010.[53] According to PHA officials, however, PHA funded approximately 16 full-time-equivalent jobs in the quarter that it was unable to report since funds were not disbursed.[54]

Pennsylvania Is Using Recovery Act Funds to Stabilize Its Enacted Fiscal Year 2010-2011 State Budget, but Continues to Face Fiscal Challenges

For fiscal year 2009-2010, Pennsylvania used $921 million in State Fiscal Stabilization Fund (SFSF) monies as well as state funds freed up as a result of the almost $1.78 billion in increased Federal Medical Assistance Percentage (FMAP) funds to help stabilize its $27.8 billion general fund budget.[55] After exhausting its rainy-day fund, Pennsylvania ended its 2009-2010 fiscal year with a $1.18 billion revenue shortfall due to lower than expected revenues.[56] On July 6, 2010, Pennsylvania's Governor signed a $28 billion general fund budget for fiscal year 2010-2011 with an increase of about $200 million over the fiscal year 2009-2010 budget. The 2010-2011 budget does not include any tax increases, and general fund revenues are estimated to fall 3.4 percent from their level in fiscal year 2009-2010. The enacted budget includes over $1.9 billion in Recovery Act funds, including $921 million in SFSF funds, about $655 million of which supports basic education spending, which received an increase of $250 million, or 4.5 percent, over fiscal year 2009-2010, and about $1 billion in increased FMAP funds.

[52]As of August 5, 2010.

[53]As of August 5, 2010.

[54]Although PHA reported zero jobs funded in the quarter, PHA provided information about work underway and job counts not yet funded in the report narrative.

[55]The use of Recovery Act funds must comply with specific program requirements but also, in some cases, enables states to free up state funds to address their projected budget shortfalls. The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of this increased FMAP may reduce the funds that a state would otherwise have to use for its Medicaid programs. As we previously reported, Pennsylvania plans to use the funds made available as a result of the increased FMAP to cover the state's increased Medicaid caseload, ensure that prompt payment requirements are met, maintain current populations and benefits, and help finance general budget needs, among other purposes.

[56]However, because of a positive general fund balance carried from fiscal year 2008-2009 together with spending cuts during the year as well as other budgetary measures, a general fund deficit of $294 million as of June 30, 2010, was carried over to the current fiscal year.

In addition to receiving about $4.6 billion in Recovery Act funds used to stabilize the state budget in fiscal years 2009-2010 and 2010-2011, Pennsylvania state agencies have received other Recovery Act funds from federal agencies—including awards discussed in this appendix. For example, Pennsylvania received just over $1 billion for highway and bridge projects and is using these funds to repave roads and repair structurally deficient bridges. Pennsylvania currently expects that state agencies will receive a total of $13.5 billion in Recovery Act funds, including the SFSF and FMAP funds already described. According to Pennsylvania, as of August 15, 2010, not including the SFSF and FMAP funds, about $6.8 billion in Recovery Act funds have been obligated and almost $5.5 billion have been expended.[57]

Pennsylvania faces the end of Recovery Act funds in fiscal year 2011-2012, and as we reported in May 2010, the Governor had proposed creating a stimulus transition reserve fund to help the next administration and legislature deal with fiscal challenges that remain as the economy recovers.[58] For example, Pennsylvania faces a sharp increase in pension costs beginning in fiscal year 2012-2013.[59] Although the enacted budget did not include the stimulus transition reserve fund or new revenue measures, the budget legislation does state that it is the intention of the majority leadership in the Pennsylvania House and Senate to enact legislation by October 1, 2010, that raises revenue from the extraction of natural gas, to be divided among the state, counties, and municipalities, and environmental initiatives, to be effective no later than January 1, 2011. Also, in response to state transportation funding shortfalls, the Pennsylvania General Assembly has begun special legislative sessions to consider options for statewide transportation funding, including roads, bridges, and public transit.

[57]This total includes about $2.5 billion in Emergency Unemployment Compensation.

[58] The proposed fund was to be financed through a package of tax measures—including lowering the state sales tax from 6 percent to 4 percent and eliminating 74 exemptions, enacting a natural gas extraction tax, and other revenue raisers—with revenues reserved for use after June 30, 2011.

[59]In fiscal year 2012-2013, Pennsylvania projects a sharp increase in the state's employer contributions to the State Employees' Retirement System and the Public School Employees' Retirement System. The state's combined contributions that year are projected to be $2.8 billion.

Pennsylvania's State Audit Agencies Continue Recovery Act Oversight, but the 2009 Single Audit Report Identified Material Weaknesses

According to state budget and accounting officials, Pennsylvania has taken actions to resolve past Single Audit findings and improve subrecipient monitoring with the aim to prevent future findings. Pennsylvania has added staff to a work unit in the Bureau of Audits (BOA), an internal audit bureau within the Office of the Budget, to review subrecipient Single Audit reports and forward those with findings to the state agencies for more timely resolution. In addition, the state Comptroller Operations Bureau of Quality Assurance (BQA) has worked closely with state agencies developing subrecipient monitoring plans to provide additional guidance and oversight on the agencies' monitoring plans. Beginning in October 2009, Pennsylvania has required state agencies to report quarterly on the status of their corrective action plans to resolve prior year Single Audit findings. According to state officials, because Pennsylvania did not implement this process until after the 2009 Single Audit period, the effect of the new quarterly corrective action monitoring process will not be realized until the completion of the 2010 Single Audit. For example, of the 53 findings in the 2008 Single Audit, Pennsylvania has resolved 4 findings[60] and has submitted corrective action plans for the other 49 to relevant federal agencies.

According to the state Auditor General, the Single Audit is that office's primary tool for oversight of Recovery Act and other federal funds. Pennsylvania's Single Audit report for the fiscal year ending June 30, 2009 was jointly issued by the Auditor General and an independent public accounting firm and received by the Federal Audit Clearinghouse on June 30, 2010. This was 3 months after the statutory March 31, 2010 due date.[61] This was the first Single Audit for Pennsylvania that included Recovery Act programs, and the audit identified 54 significant internal control deficiencies related to compliance with federal program requirements, of which 42 were classified as material weaknesses.[62] Many of these material

[60]Single Audit findings are resolved once a letter is provided by the relevant federal agency indicating resolution.

[61]Auditor General officials previously told us that the audit was late because the state budget impasse in 2009 delayed the year-end closeout. Pennsylvania's Office of the Budget did not request an extension to the March deadline on behalf of Pennsylvania because officials were told that the federal government would not grant an extension.

[62]A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that (1) material misstatement of the financial statements will not be prevented or detected by the entity's internal control or (2) material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected.

weakness findings, including inadequate monitoring of subrecipients by state agencies and noncompliance with federal regulations and state laws, were repeats from past Single Audits. Some of these material weaknesses and significant deficiencies occurred in programs that included Recovery Act funds. Specifically, 7 of these findings, including subrecipient monitoring and noncompliance with laws and regulations,[63] were related to the $1.47 billion in Recovery Act funds spent in Pennsylvania in the fiscal year ending June 30, 2009.[64]

Auditor General and state budget officials acknowledged that Pennsylvania will face challenges in meeting the March 2011 deadline for the 2010 Single Audit. The increased number of Recovery Act awards and related guidance, in turn, will increase the Single Audit workload for the Auditor General. According to Auditor General officials, additional audit work with no corresponding increase in audit personnel may influence the effectiveness of Auditor General oversight of Recovery Act spending. Pennsylvania officials said that their audit preparations would be facilitated if the federal government released its guidance earlier.[65]

In addition to the Single Audit, state audit organizations continue to provide oversight of Recovery Act spending in Pennsylvania. Auditor General officials said that their office has completed, but not yet released, an audit of Pennsylvania Department of Transportation (PennDOT) Recovery Act procurement. BOA has issued four audits of Recovery Act spending in Pennsylvania (see table 7). BOA has also begun other reviews of programs receiving Recovery Act funds, targeting work on programs it considers to be high risk in Pennsylvania. These reviews include SEP, focused on allowable activities, procurement, and reporting, and the state's weatherization assistance program. State officials anticipate that

[63]For the Recovery Act Child Care and Development Block Grant, the Auditor General criticized Pennsylvania for failing to spend any funds between the April 2009 award date and the June 30 fiscal year end, despite an existing waiting list for child care services. Pennsylvania officials disagreed with this finding because the grant deadlines are to obligate funds by September 30, 2010, and expend funds by September 30, 2011. According to state budget officials, Pennsylvania did not have state appropriation authority to spend the federal award until August 2009.

[64]The only Recovery Act programs with substantial expenditures in fiscal year 2008-2009 were the Medicaid (Federal Medical Assistance Percentage (FMAP)) and Unemployment Insurance programs.

[65]The Single Audit guidance for 2009 was issued in May 2009 and the 2010 guidance was issued on July 29, 2010.

BOA audits of state agencies will help identify and resolve potential findings prior to the Single Audit.

Table 7: Bureau of Audit Reports on Recovery Act Spending in Pennsylvania

Recovery Act audited program	Administering agency	Results
Highway Infrastructure Agreement 4203 PA75 Juniata River Bridge	PennDOT	Issued on January 6, 2010 with no adverse findings.
Highway Infrastructure Agreement 82385 Rt 235 Resurfacing	PennDOT	Issued in April 2010 and found that contractors did not always pay minimum prevailing wage rates. The audit recommended that PennDOT should ensure that existing controls for reviewing certified payrolls are followed to make sure that prevailing wage rates are paid. PennDOT agreed with the finding and reinforced use of a project office manual and included wage check requirements as part of the employee performance rating process beginning in 2010.
Workforce Investment Act of 1998 (WIA) Youth Program	Philadelphia Workforce Development Corporation	Issued in March 2010 with no findings.
WIA Adult, Dislocated Worker, and Youth Programs	Luzerne/Schuylkill Workforce Investment Board	Issued in July 2010 with findings concerning participant eligibility and compliance with rules and regulations and resulted in the awardee agreeing to return over $37,000 to Pennsylvania. The repayment has not been received, and state agency follow-up is due to Bureau of Audits in early September.

Source: GAO analysis of Pennsylvania Bureau of Audits completed audits.

Finally, the Governor appointed Pennsylvania's Chief Accountability Officer in March 2009 to help oversee reporting and transparency for Recovery Act activities of state agencies. For the quarter ending June 30, 2010, Pennsylvania filed 371 recipient reports on behalf of state agencies and posted them to the state's Recovery Act Web site.[66] According to the state Accountability Office, Pennsylvania reported funding about 16,420 full-time-equivalent jobs with Recovery Act funds in the quarter ending June 30, 2010.[67]

In addition to job measures, Pennsylvania Accountability Office officials said that Recovery Act outcome measures are posted monthly or quarterly to Pennsylvania's Recovery Act Web site as they are made available. Some

[66]See http://www.recovery.pa.gov.

[67]Pennsylvania Stimulus Accountability Office, *Citizen's Update: Quarterly Progress Report* (Harrisburg, Pa., July 15, 2010).

measures, such as the number of housing units weatherized to date, are tracked and reported as work is completed. Other measures, such as the numbers of new low-income housing units, will be reported as projects are completed. For longer-term measures, such as the annual reduction in greenhouse gas emissions and alternative renewable energy generated through EECBG, Accountability Office officials said that outcome data will not be available until the projects are complete.

According to Pennsylvania officials, isolating the effects of Recovery Act spending when it is combined with other spending can be difficult. For Recovery Act projects with multiple sources of funding—such as the EECBG and SEP projects with matching private investment as well as TCAP housing projects—Pennsylvania reports only the share of full-time-equivalent jobs funded by the Recovery Act in its quarterly recipient reports. However, other performance measures, such as energy savings, will reflect total project outcomes, cannot easily be prorated, and thus will not show outcomes solely related to Recovery Act spending. Officials also cautioned that measuring longer-term outcomes attributable solely to Recovery Act education programs will be difficult. For example, Pennsylvania is tracking the number of economically disadvantaged students served by the Recovery Act funds awarded for Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended and, beginning in the fall 2010, plans to report on the percentage of economically disadvantaged students scoring at grade level or above on state achievement tests. However, because multiple factors influence test scoring, Pennsylvania will not be able to determine the percentage change solely attributable to Recovery Act spending.

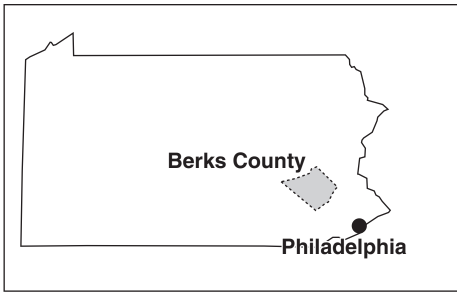
Local Governments Use Recovery Act Funds for Onetime Projects and Services

To learn more about the effect of Recovery Act funds on local governments, we visited the County of Berks and the City of Philadelphia.[68] Figure 5 provides demographic information for these localities. Berks County is a medium-sized urban area encompassing the city of Reading, while Philadelphia is Pennsylvania's largest city. Both locations have unemployment rates higher than the state's average of 9.2 percent. According to local officials, both localities plan to use the

[68]Our examination of Recovery Act funds included only funds that have been or will be received by the specific entities we visited. In the localities we visited, local school districts, workforce investment boards, transportation agencies, and public housing authorities also have or will be receiving Recovery Act funds.

Recovery Act funds for a variety of projects and service expansions which would have remained unfunded.

Figure 5: Demographics for Two Local Governments Visited in Pennsylvania



	Philadelphia	Berks County
Estimated population (2008):[a]	1,547,297	407,125
Unemployment rate (March 2010):	11.9%	9.8%
2010 General Fund Budget:	$3.85 billion	$448.9 million
Locality type:	city	county

Source: GAO analysis of U.S. Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics data, city of Philadelphia and Berks county; and Map Resources (map).

Berks County. Berks County has received about $5.6 million in Recovery Act funds and, as of June 30, 2010, has expended about 47 percent of the funds awarded, as shown in table 8. Berks County has used or is using Recovery Act funds to support onetime projects that were already planned and approved by the county but had not been funded, such as upgrading a computer tracking system to monitor homeless clients, and extending a street through an industrial park. According to a county official, the street project has improved accessibility and encouraged a new bottled water business to open, creating 32 local jobs. In addition, the county has used funds to support new programs to prevent homelessness. As of June 30, 2010, more than 275 persons have received assistance under the county's Homelessness Prevention and Rapid Rehousing grant. A county official notes that unless other funding is obtained, these services will likely be significantly reduced or discontinued when the Recovery Act funding ends. The official also said that while the county's budget situation has declined since 2007, the fiscal year 2010 budget totaling $449 million[69] included an $8.3 million surplus. Future budgets, however, may face decreased revenue collections that may require the county to make reductions.

[69]Berks County's fiscal year 2010 budget total of $449 million does not include capital projects.

Table 8: Sources of Recovery Act Funding to Berks County as of June 30, 2010

Agency	Grant	Description	Award	Percent Expended
U.S. Department of Housing and Urban Development	Homelessness Prevention and Rapid Rehousing (HPRP)	Prevent homelessness and rapidly rehouse homeless individuals focusing on prisoners released from the county jail and mental health clients.	$1,427,174[a]	22
	Community Development Block Grant- Recovery	Supplement construction of a learning center adjacent to an emergency homeless shelter and extend street in industrial park and provide highway access.	$725,297	83
U.S. Department of Energy	Energy Efficiency and Conservation Block Grant[b]	Upgrades to boilers and replacement of leaking steam pipes in county buildings.	$2,973,200	55
Pennsylvania Commission on Crime and Delinquency[c]	Edward Byrne Memorial Justice Assistance Grant (JAG)	Expand and enhance services of Treatment Court and provide assistance to victims of juvenile offenders.	$504,800	20
Total Recovery Act funds to Berks County			**$5,630,471**	**47**

Source: GAO analysis of data from Berks County and the Pennsylvania Commission on Crime and Delinquency.

[a]Berks County received HPRP funding directly from the federal government as well as funds passed through the state.

[b]Berks County's use of EECBG funds is discussed separately in this report.

[c]The Pennsylvania Commission on Crime and Delinquency received funding directly from the Department of Justice and redirected it to state agencies and localities.

Berks County monitors and oversees grants from the federal government through project manager site visits and requires the subrecipients to provide monthly status reports. In addition, the county reports jobs data to the federal government, and according to a county official, has not experienced any challenges in doing so. The Berks County Controller's Office reviews Recovery Act project invoices but has not conducted specific audits of Recovery Act projects. The Berks County Controller's Office expects to issue its 2009 Single Audit report by the due date of September 30, 2010.[70]

Philadelphia. The City of Philadelphia has received $252.1 million in Recovery Act funds, and has expended about 11 percent, as of August 23,

[70]Berks County's fiscal year 2009 ended December 31, 2009.

2010 (see table 9).[71] City officials acknowledged the slow start of Recovery Act spending in Philadelphia and pointed out that $110 million was awarded this year and the large transportation infrastructure projects, such as street paving, could not start until summer 2010. According to city officials, all grants received as of June 30, 2010, have received spending authority from the City Council, and expenditures are expected to accelerate in the next 6 months.[72] Officials said that most of the funded services and projects will end or be reduced once Recovery Act funding ends.

Table 9: Examples of Recovery Act Funding to the City of Philadelphia by Grant Category as of August 23, 2010

Agency	Select grants by category	Award (Dollars in millions)	Percentage expended
Economic development			
U.S. Department of Housing and Urban Development	Community Development Block Grant[a]—to develop neighborhood businesses, affordable housing, and the city's cultural economy	$14.0	32
	Neighborhood Stabilization Program II—to rejuvenate neighborhoods[b]	$44.0	0
Energy			
U.S. Department of Energy	Energy Efficiency and Conservation Block Grant (EECBG)[c]—to replace LED traffic signals, retrofit city buildings, and provide loans for energy efficiency projects	$14.1	19
	Energy Retrofit Ramp Up Grant—EECBG competitive grant to fund energy efficiency activities[b]	$25.0	0
Health and social services			
U.S. Department of Health and Human Services	Community Service Block Grant (CSBG)—To help move low-income Philadelphians toward self-sufficiency through job training and literacy improvement programs	$8.3	33
U.S. Department of Housing and Urban Development	Homelessness Prevention and Rapid Rehousing—federal and state grants to prevent homelessness through programs such as rental and utility assistance	$24.3	21

[71] According to the city recovery office, quasi-city governmental and partner agencies—such as the local workforce investment board and local weatherization agency—also received $67.2 million.

[72] A $6.3 million Broadband II award received on July 1, 2010, was awaiting approval by the City Council as of August 27, 2010.

Agency	Select grants by category	Award (Dollars in millions)	Percentage expended
Public safety			
U.S. Department of Justice	COPS Hiring Recovery Program (CHRP)—to hire 50 police officers	$10.9	9
	Edward Byrne Memorial Justice Assistance Grant (JAG)—to retain 52 jobs in the Philadelphia municipal court, provide crime-fighting resources such as Tasers and collapsible batons to the police department, and provide crime prevention and reentry services	$13.5	39
Transportation and infrastructure			
Department of Homeland Security	Transportation Security Administration Inline Baggage Screening—to build two new baggage-screening systems at Philadelphia International Airport	$26.6	6
Other awards	Includes road repaving, airport runway rehabilitation, and water and sewer replacement	$71.3	8
Total for Recovery Act funding for Philadelphia		**$252.1**	**11**

Source: GAO analysis of data from City of Philadelphia

Notes: The table highlights some of the largest grants received by the City of Philadelphia. The city provides a complete list of Recovery Act grants on its Website http://www.phila.gov/recovery.

[a]One of Philadelphia's CDBG-R affordable housing projects—Presser Senior Apartments—also received TCAP funds and is discussed earlier in this report.

[b]Grant awarded in 2010.

[c]Philadelphia's use of the EECBG formula grant funds is discussed separately in this report.

On the basis of GAO observations about potential risks in monitoring the city's various grants, Philadelphia officials now use the city's accounting system to track key grant deadlines to ensure funds are not forfeited because of missed timeframes. For example, Philadelphia has been tracking its Community Services Block Grant and, according to a Recovery Act office official, the city expects to meet the grant's September 30, 2010 deadline to complete services. For the COPS Hiring Recovery Program grant, the city faces a requirement that the police department maintain force strength for at least 1 year beyond the grant terms or return the funds. Given the recent cancellation of two police academy classes, city officials are closely monitoring police staffing to ensure compliance.

Although Recovery Act funds allowed the city to fund onetime projects and provide additional services that it would not have been able to do otherwise, city officials said these funds had little effect on Philadelphia's fiscal condition because of the stipulations on their use. Philadelphia used JAG funds to avoid disbanding the city community courts, but in general, Recovery Act funding is specifically targeted for select projects or services and cannot be used for other funding gaps or needs identified by the city. To address a budget shortfall in Philadelphia's $3.85 billion fiscal year 2011 budget due to declining revenues, the city, among other actions, has reduced its prison and police budgets and has reduced service at selected firehouses on a rotating basis, but was unable to use Recovery Act funds to offset these reductions.[73]

Philadelphia's Recovery Act efforts are coordinated through the city's Recovery Office. In August 2010, the Recovery Office published its first quarterly update on Recovery Act funds received.[74] Also in August, the city's Inspector General and the Chief Integrity Officer issued a compliance and control program guide[75] and a risk assessment checklist to help identify and manage risks associated with Recovery Act projects. According to city Recovery officials, the risk assessments have been completed by the city agencies and will help target oversight attention to the highest risk projects. In addition, the city Controller's office reviews transactions to ensure compliance with grant guidelines and conducts the City's Single Audit review. Officials said the 2009 report was not issued by the March 31, 2010 deadline because of limited staff.[76] According to city officials, the Controller's office has contracted with a private accounting firm to help prepare the report. Officials expect the accounting firm to provide its report to the Controller's office by September 30, 2010, and the Controller's office will issue the Single Audit report shortly thereafter.

Pennsylvania Comments on This Summary

We provided the Governor of Pennsylvania with a draft of this appendix on August 18, 2010. The Chief Implementation Officer responded for the Governor on August 23, 2010, generally agreed with the draft and provided technical comments that we incorporated where appropriate. We also provided the Auditor General's staff with portions of the draft that addressed the Auditor General's past work and plans related to Single Audit review of Recovery Act funding. They provided technical comments that we incorporated as appropriate. We also provided portions of the

[73]The city's fiscal year is July 1 to June 30.

[74]City of Philadelphia, *Stimulus at Work in Philadelphia: The Mayor's Quarterly Update on the Recovery Act to the Citizens of Philadelphia* (August 2010).

[75]*The Recovery Act in Philadelphia, ARRA Compliance and Control Guide Phases I-V* (August 2010) is available at www.phila.gov/recovery.

[76]Philadelphia's 2008 Single Audit report was issued in October 2009.

draft to the City of Philadelphia and the County of Berks and incorporated their technical comments as appropriate.

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