Recipent Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention

**What GAO Found**

As of September 30, 2009, approximately $173 billion of the $787 billion—or about 22 percent—of the total funds provided by the Recovery Act had been paid out by the federal government. Nonfederal recipients of Recovery Act-funded grants, contracts, and loans are required to submit reports with information on each project or activity, including the amount and use of funds and an estimate of jobs created or retained. Of the $173 billion in funds paid out, about $47 billion—a little more than 25 percent—is covered by this recipient report requirement. Neither individuals nor recipients receiving funds through entitlement programs, such as Medicaid, or through tax programs are required to report. In addition, the required reports cover direct jobs created or retained as a result of Recovery Act funding; they do not include the employment impact on materials suppliers (indirect jobs) or on the local community (induced jobs). (See figure.)

- **Fiscal Year 2009 Recovery Act Funds Paid Out and Recipient Reporting Coverage**
  - Recovery Act funds paid out, end of fiscal year 2009 (in billions)
  - Potential employment effects of Recovery Act contracts, grants and loans

On October 30, www.recovery.gov (the federal Web site on Recovery Act spending) reported that more than 100,000 recipients reported hundreds of thousands of jobs created or retained. Given the national scale of the recipient reporting exercise and the limited time frames in which it was implemented, the ability of the reporting mechanism to handle the volume of data from a wide variety of recipients represents a solid first step in moving toward more transparency and accountability for federal funds. Because this effort will be an ongoing process of cumulative reporting, GAO’s first review represents a snapshot in time.

**Data Reporting and Quality**

While recipients GAO contacted appear to have made good faith efforts to ensure complete and accurate reporting, GAO’s fieldwork and initial review and analysis of recipient data from www.recovery.gov, indicate that there are a range of significant reporting and quality issues that need to be addressed.
For example, GAO's review of prime recipient reports identified the following:

**Erroneous or questionable data entries that merit further review:**
- 3,978 reports that showed no dollar amount received or expended but included more than 50,000 jobs created or retained;
- 9,247 reports that showed no jobs but included expended amounts approaching $1 billion, and
- Instances of other reporting anomalies such as discrepancies between award amounts and the amounts reported as received which, although relatively small in number, indicate problematic issues in the reporting.

**Coverage:** While OMB estimates that more than 90 percent of recipients reported, questions remain about the other 10 percent.

**Quality review:** While less than 1 percent were marked as having undergone review by the prime recipient, over three quarters of the prime reports were marked as having undergone review by a federal agency.

**Full-time equivalent (FTE) calculations:**
Under OMB guidance, jobs created or retained were to be expressed as FTEs. GAO found that data were reported inconsistently even though significant guidance and training was provided by OMB and federal agencies. While FTEs should allow for the aggregation of different types of jobs—part time, full time or temporary—differing interpretations of the FTE guidance compromise the ability to aggregate the data.

To illustrate, in California, two higher education systems calculated FTE differently. In the case of one, officials chose to use a 2-month period as the basis for the FTE performance period. The other chose to use a year as the basis for the FTE. The result is almost a three-to-one difference in the number of FTEs reported for each university system in the first reporting period. Although the Department of Education provides alternative methods for calculating an FTE, in neither case does the guidance explicitly state the period of performance of the FTE.

Although there were problems of inconsistent interpretation of the guidance, the reporting process went relatively well for highway projects. Transportation had an established procedure for reporting prior to enactment of the Recovery Act. In the cases of Education and Housing, which do not have this prior reporting experience, GAO found more problems. Some of these have been reported in the press. State and federal officials are examining these problems and have stated their intention to deal with them.

GAO will continue to monitor and review the data reporting and quality issues in its bimonthly reviews and fieldwork on the use of funds in the 16 states and the District of Columbia, and in GAO's analysis of future quarterly recipient reporting.

**Recommendations for Executive Action**
To improve the consistency of FTE data collection and reporting, OMB should (1) clarify the definition and standardize the period of measurement for FTEs and work with federal agencies to align this guidance with OMB's guidance and across agencies; (2) given its reporting approach, consider being more explicit that "jobs created or retained" are to be reported as hours worked and paid for with Recovery Act funds; and (3) continue working with federal agencies and encourage them to provide or improve program-specific guidance to assist recipients, especially as it applies to the full-time equivalent calculation for individual programs.

OMB should also work with the Recovery Accountability and Transparency Board and federal agencies to re-examine review and quality assurance processes, procedures, and requirements in light of experiences and identified issues with this round of recipient reporting and consider whether additional modifications need to be made and if additional guidance is warranted.

**Employment Effects**
Even if the data quality issues are resolved, it is important to recognize that the FTEs in recipient reports alone do not reflect the total employment effects of the Recovery Act. As noted, these reports solely reflect direct employment arising from the expenditure of less than one-third of Recovery Act funds. Therefore, both the data reported by recipients and other macroeconomic data and methods are necessary to gauge the overall employment effects of the stimulus. The Recovery Act includes entitlements and tax provisions, which also have employment effects. The employment effects in any state will vary with labor market stress and fiscal condition, as discussed in this report.