

Why GAO Did This Study

In response to the recent serious recession, Congress enacted the Recovery Act to promote economic recovery, make investments, and minimize or avoid reductions in state and local government services. Approximately \$219 billion was distributed as grants for use in states and localities, making grants a major component of the act. These grants covered a broad range of areas including education, transportation, energy, infrastructure, the environment, health care, and housing.

GAO was asked to examine grant management lessons learned resulting from the Recovery Act. This report examines federal, state, and local experiences with implementing grants funded by the Recovery Act by identifying examples of good practices employed and challenges faced in meeting the act's accountability and transparency requirements. GAO reviewed relevant documents including OMB and Recovery Board guidance, relevant literature, and previous reports by GAO, federal inspectors general, and others. GAO also interviewed officials from OMB, the Recovery Board, four federal agencies, three state governments, and two local governments, among others. This report also draws on GAO's past bi-monthly reviews of selected states' and localities' use of Recovery funds.

What GAO Recommends

GAO is not making any recommendations in this report. We provided a draft of this report to relevant agencies for comment. They generally agreed with our findings and provided technical comments.

View [GAO-14-219](#). For more information, contact Stanley J. Czerwinski at (202) 512-6806 or czerwinkis@gao.gov.

RECOVERY ACT

Grant Implementation Experiences Offer Lessons for Accountability and Transparency

What GAO Found

Federal, state, and local officials responsible for implementing grants funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act) as well as the external oversight community reported lessons learned regarding both useful practices and challenges to ensuring accountability. Faced with aggressive timelines for distributing billions of dollars, they adopted a number of practices to foster accountability including (1) strong support by top leaders; (2) centrally-situated collaborative governance structures; (3) the use of networks and agreements to share information and work towards common goals; and (4) adjustments to, and innovations in, usual approaches to conducting oversight such as the increased use of up-front risk assessments, the gathering of "real time" information, earlier communication of audit findings, and the use of advanced data analytics. For example, in 2009, the Recovery Accountability and Transparency Board (Recovery Board) established the Recovery Operations Center which used advanced data analysis techniques to identify potential fraud and errors before and after payments were made. The Recovery Act's emphasis on accountability also presented challenges for several states and federal agencies. These included limited resources for oversight at the state and local levels, and the speed with which Recovery Act funds were distributed. One state addressed the challenge of limited resources by transferring funds from its central administration account to Recovery Act oversight. To facilitate the quick distribution of funds, maintenance-of-effort provisions concerning transportation projects (which prevented Recovery funds from being used for planned state projects) were rolled out before the Department of Transportation had time to issue sufficiently detailed definitions of what constituted "state funding." To address this challenge, the department had to issue clarifying guidance to states seven times during the first year of the Recovery Act.

Federal, state, and local officials also developed practices and encountered challenges related to the transparency of Recovery Act funds. An example of one good practice that was required by the Recovery Act was the creation of the [Recovery.gov](#) website. This site, as well as similar portals created by states and localities, demonstrated several leading practices for effective government websites. These included (1) establishing a clear purpose, (2) using social networking tools to garner interest, (3) tailoring the website to meet audience needs, and (4) obtaining stakeholder input during design. Efforts to increase transparency also led to challenges for several states and federal agencies. For example, some recipients lacked knowledge or expertise in using the data systems needed to report grant spending, while others faced challenges with reporting the same data to multiple systems. Early GAO reviews also found several problems with job reporting data including discrepancies in how full time equivalents were recorded and the capacity of recipients to meet reporting deadlines. The Office of Management and Budget (OMB) addressed these challenges by issuing additional guidance and providing technical support. Finally, agencies receiving Recovery Act funds were required to submit performance plans that identified measures on a program-by-program basis. The level of detail and the specificity of outcomes in these plans varied greatly for the agencies GAO examined, making it difficult to determine the extent to which some were making progress toward their goals and demonstrating results.