

G A O  
Accountability · Integrity · Reliability

# Highlights

Highlights of [GAO-10-231](#), a report to the Congress

## Why GAO Did This Study

This report, the fourth in a series responding to a mandate under the American Recovery and Reinvestment Act of 2009 (Recovery Act), addresses objectives including: (1) selected states' and localities' uses of Recovery Act funds and (2) the approaches taken by the selected states and localities to ensure accountability for Recovery Act funds. GAO's work continues to focus on 16 states and certain localities in those jurisdictions, as well as the District of Columbia (District)—representing about 65 percent of the U.S. population and two-thirds of the intergovernmental federal assistance available under the Recovery Act. GAO collected and analyzed documents and interviewed state and local officials. GAO also analyzed federal agency guidance and spoke with officials at the federal agencies overseeing Recovery Act programs, including the Office of Management and Budget (OMB) and the Departments of Education (Education), Transportation (DOT), Health and Human Services, Homeland Security, Housing and Urban Development (HUD), and Energy (DOE).

## What GAO Recommends

GAO updates the status of agencies' efforts to implement prior GAO recommendations to help address a range of accountability issues as well as matters for congressional consideration. No new recommendations are being made at this time. OMB provided technical comments that have been incorporated, as appropriate.

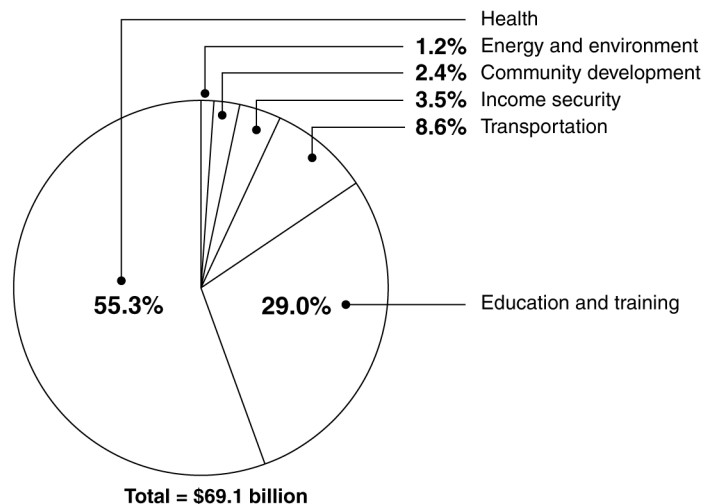
View [GAO-10-231](#) or [key components](#). For state summaries, see [GAO-10-232SP](#). For more information, contact J. Christopher Mihm at (202) 512-6806 or [mihmj@gao.gov](mailto:mihmj@gao.gov).

## RECOVERY ACT

### Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability

## What GAO Found

As of November 27, 2009, \$69.1 billion, or about one quarter of the approximately \$280 billion of total Recovery Act funds for programs administered by states and localities, had been paid out. Health, education, and training accounted for almost 85 percent of Recovery Act outlays to date for programs administered by states and localities (see figure). The largest programs within these areas were the Medicaid Federal Medical Assistance Percentage (FMAP), the State Fiscal Stabilization Fund (SFSF) for education and other purposes, and highways.



Source: GAO analysis of data from Recovery.gov.

### Increased Medicaid FMAP Funding

Of their increased FMAP grant awards for federal fiscal year 2009, the 16 states and the District had drawn down about \$22.3 billion, or 97 percent of the funds available, as of November 30, 2009. As of the same date, they had drawn down about \$3.6 billion, or 54 percent of the funds available for the first quarter of federal fiscal year 2010. From April to September 2009, nearly all states and the District experienced Medicaid enrollment growth, most of which was due to the increasing enrollment of children—a population group that is sensitive to economic downturns. States and the District reported using or planning to use state funds freed up by the increased FMAP for various purposes such as financing general state budget needs. All but one of the states and the District expressed concern about the sustainability of their Medicaid programs when the availability of increased FMAP funds ends in January 2011. GAO estimates that the 16 states' and the District's share of Medicaid payments will increase an average of 36 percent in January 2011 compared with the first quarter of federal fiscal year 2010, although the effect of this increase will vary depending on changes in Medicaid enrollment. Some states and the District have begun considering options for reducing Medicaid programs in fiscal year 2011.

Highway Infrastructure Investment and Transit Funding

Through November 16, 2009, in the 16 states and the District, \$11.9 billion (76 percent) of Recovery Act highway funds had been obligated for nearly 4,600 projects and \$1.9 billion (16 percent) had been reimbursed. Nationally, \$20.4 billion (77 percent) had been obligated for over 8,800 projects and \$4.2 billion (20 percent) had been reimbursed. Reimbursements have increased considerably since we last reported in September. As highway projects progress, almost half of Recovery Act obligations, both nationally and in the 16 states and the District, have been for pavement improvements—resurfacing, rehabilitating, and reconstructing roadways. Both state and federal officials believe the states are on track to meet the Recovery Act's requirement that all highway funds be obligated by March 2010. Of the \$7.5 billion in Recovery Act formula funding made available nationally for transit projects, \$6.7 billion (88 percent) had been obligated through November 5, 2009. Most of these obligations are being used to upgrade transit facilities, such as upgrading power substations or installing enhanced bus shelters, improving bus fleets and light rail systems, and conducting preventive maintenance. Transit agencies continue to express confusion about how to calculate the numbers of jobs created and saved, as required by the Recovery Act. GAO previously recommended that OMB work with recipients to enhance understanding of the reporting process and that DOT continue its outreach to state departments of transportation and transit agencies. Both agencies are implementing these recommendations, which will be key to addressing the continued lack of understanding.

Education

As of November 6, 2009, of the Recovery Act funds available to them, the 16 states and the District had drawn down, in total, about \$8.4 billion (46 percent) in SFSF; \$735 million (11 percent) in Elementary and Secondary Education Act Title I, Part A funds; and \$755 million (10 percent) in Individuals with Disabilities Education Act (IDEA), Part B funds. GAO surveyed a nationally representative sample of local educational agencies (LEA) about their planned uses of Recovery Act funds and found (1) retaining jobs is the primary planned use, with 63 percent planning to use over 50 percent of their SFSF funds to retain jobs—however, even with SFSF funds, an estimated 32 percent expect to lose jobs; (2) other planned uses include nonrecurring items such as equipment; and (3) most report placing great importance on educational goals and reform in planning the use of Recovery Act funds. In response to GAO's prior recommendation that Education take action to ensure states understand and fulfill their SFSF subrecipient monitoring responsibility, Education officials said they will collect and review states' subrecipient monitoring plans. GAO will continue to follow implementation of this initiative.

Other Selected Recovery Act Programs

HUD has entered into funding agreements with 3,121 public housing agencies and made available nearly all of the almost \$3 billion in public housing formula grant funds provided under the Recovery Act. Overall, as of November 14, these agencies had reported obligating about half of the funds HUD had made available, but the progress toward obligating all funds by March 2010 varied by housing agency. For example, over 1,000 housing agencies had reported obligating all of their funds, but more than 500 housing agencies had reported obligating no funds. HUD is beginning to focus on helping housing agencies meet the Recovery Act's March 2010 deadline to obligate all of their funds. Housing agencies GAO visited are using Recovery Act funds to replace roofs, windows, floors, and heating systems; upgrade kitchens and baths; and renovate rental units and common areas. HUD continues to make progress in monitoring housing agencies and is including in its on-site reviews housing agencies with relevant open Single Audit findings, as GAO recommended. Regarding the Weatherization Assistance Program, nationally, the states reported that, as of September 30, 2009, they had spent about \$113 million (2 percent) of the \$5 billion in Recovery Act funding and had completed weatherizing about 7,300 (1 percent) of the 593,000 housing units planned for weatherization. Many weatherization contracts between state and local weatherization agencies have been delayed, in part because of continuing concerns regarding prevailing wage rates. The Recovery Act also included a \$100 million appropriation for the Emergency Food and Shelter Program. Local recipient organizations in the 16 states and the District were awarded almost \$66.2 million and plan to use the funds primarily for "other food" services such as food banks and pantries, food vouchers and food-only gift certifications, and rent and mortgage assistance.

Accountability

GAO has recommended that OMB take actions to realize the Single Audit Act's full potential as an effective oversight tool for Recovery Act programs. In response to GAO's recommendations, OMB implemented a Single Audit Internal Control Project to encourage earlier reporting, and 16 states have volunteered to participate. While its coverage could be more comprehensive, OMB's analysis of the project's results could provide meaningful information for improving future use of the Single Audit Act for Recovery Act programs. GAO has also suggested two matters for congressional consideration relating to the Single Audit Act. GAO continues to believe that Congress should consider (1) amending the Single Audit Act to provide for more timely internal control reporting and audit coverage for smaller high-risk Recovery Act programs and (2) developing mechanisms for providing additional resources to support those charged with carrying out the Single Audit Act and related audits.