

Why GAO Did This Study

This testimony discusses GAO's plans to carry out its oversight role related to the American Recovery and Reinvestment Act of 2009 (Recovery Act). The Recovery Act funds are provided for purposes including: preserving and creating jobs and promoting economic recovery; assisting those most impacted by the recession; investing in transportation, environmental protection, and other infrastructure to provide long-term economic benefits; and stabilizing state and local government budgets.

The Recovery Act assigns GAO a range of responsibilities to help promote accountability and transparency. Some are recurring requirements such as providing bimonthly reviews of the use of funds by selected states and localities. Others include targeted studies in several areas such as small business lending, education, and trade adjustment assistance.

This statement discusses (1) GAO's plans to carry out its responsibilities under the Recovery Act, (2) how GAO's responsibilities relate to other oversight authorities, such as the Inspectors General (IG) and the Recovery Accountability and Transparency Board (Board), and (3) the challenges posed in ensuring accountability over the use of funds and associated lessons learned and best practices that can be helpful in addressing those challenges.

AMERICAN RECOVERY AND REINVESTMENT ACT

GAO's Role in Helping to Ensure Accountability and Transparency

What GAO Found

The Recovery Act delineates an important set of responsibilities for GAO and others in the accountability community. GAO's bimonthly reviews of selected states' and localities' uses of the Recovery Act funds will examine how funds are being used and achieving the stated purposes of the Recovery Act. GAO has selected a core group of 16 states to follow over the next few years to provide an ongoing longitudinal analysis of the use of funds under the Recovery Act. These states contain about 65 percent of the U.S. population and are estimated to receive about two-thirds of the intergovernmental grants funds available through the Recovery Act. In addition, GAO will sample localities within these states to provide a perspective on the use of funds at the local level. In addition to reporting on the core group of 16 states, GAO will be reviewing the recipient reports from all 50 states as part of its responsibilities to review these filings. Depending on those assessments and other risk-based analyses, GAO's reviews may include additional states, localities, or other recipients as implementation proceeds.

GAO is charged with reviewing the use of funds by selected states and localities. IGs across government are expected to audit the efforts of federal agencies' operations and programs related to the Recovery Act, both individually within their particular entities and collectively, as many of them are members of the Board. Because funding streams for the Recovery Act will flow to states and localities from different federal agencies, it is important for GAO to coordinate with the IGs and the Board, which is charged with coordinating and conducting oversight of Recovery Act funds in order to prevent fraud, waste, and abuse. Among other things, the Board is to review contracts and grants to ensure they meet applicable standards. It is also important for GAO to coordinate with the Office of Management and Budget, especially with regard to reporting requirements and other guidance to fund recipients and on what information should be collected in order to adequately evaluate how well the Recovery Act achieves its objectives.

There are many implementation challenges to ensuring adequate accountability and efficient and effective implementation of the Recovery Act. Experience tells us that the risk for fraud and abuse grows when billions of dollars are going out quickly, eligibility requirements are being established or changed, and new programs are being created. This suggests the need for a risk-based approach for targeting attention on specific programs and funding structures early on based on known strengths, vulnerabilities, and weaknesses such as a track record of improper payments or contracting problems. In that regard, the accountability community has, in recent years, produced a wide variety of best practices and related guides, which are available to agencies to assist them in ensuring they have the needed internal controls in place from the outset. These best practices and related guides cover such areas as fraud prevention, contract management, and grants accountability.