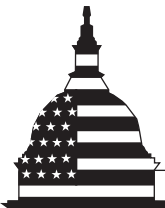


June 2011

RECOVERY ACT

Funding Used for Transportation Infrastructure Projects, but Some Requirements Proved Challenging



G A O

Accountability * Integrity * Reliability

Why GAO Did This Study

This report responds to two GAO mandates under the American Recovery and Reinvestment Act of 2009 (Recovery Act). It is the latest report on the uses of and accountability for Recovery Act funds in selected states and localities, focusing on the \$48.1 billion provided to the Department of Transportation (DOT) to invest in transportation infrastructure. This report also examines the quality of recipients' reports about the jobs created and retained with Recovery Act transportation funds.

This report addresses the (1) status, use, and outcomes of Recovery Act transportation funding nationwide and in selected states; (2) actions taken by federal, state, and other agencies to monitor and ensure accountability for those funds; (3) changes in the quality of jobs data reported by Recovery Act recipients of transportation funds over time; and (4) challenges faced and lessons learned from DOT and recipients. GAO analyzed DOT and recipient reported data; reviewed federal legislation, guidance, and reports; reviewed prior work and other studies; and interviewed DOT, state, and local officials.

What GAO Recommends

GAO updates the status of agencies' efforts to implement its previous recommendations but is making no new recommendations in this report.

DOT officials generally agreed with GAO's findings and provided technical comments, which were incorporated as appropriate.

View [GAO-11-600](#) or key components. For more information, contact Phil Herr at 202-512-2834 or herrp@gao.gov

RECOVERY ACT

Funding Used for Transportation Infrastructure Projects, but Some Requirements Proved Challenging

What GAO Found

As of May 31, 2011, nearly \$45 billion (about 95 percent) of Recovery Act transportation funds had been obligated for over 15,000 projects nationwide, and more than \$28 billion had been expended. Recipients continue to report using Recovery Act funds to improve the nation's transportation infrastructure. Highway funds have been primarily used for pavement improvement projects, and transit funds have been primarily used to upgrade transit facilities and purchase buses. Recovery Act funds have also been used to rehabilitate airport runways and improve Amtrak's infrastructure. The Recovery Act helped fund transportation jobs, but long-term benefits are unclear. For example, according to recipient reported data, transportation projects supported between approximately 31,460 and 65,110 full-time equivalents (FTE) quarterly from October 2009 through March 2011. Officials reported other benefits, including improved coordination among federal, state, and local officials. However, the impact of Recovery Act investments in transportation is unknown, and GAO has recommended that DOT determine the data needed to assess the impact of these investments.

Federal, state, and local oversight entities continue their efforts to ensure the appropriate use of Recovery Act transportation funds, and recent reviews revealed no major concerns. The DOT Inspector General found that DOT generally complied with Recovery Act aviation, highway, and rail program requirements. Similarly, state and local oversight entities' performance reviews and audits generally did not find problems with the use of Recovery Act transportation funds.

GAO's analysis of Recovery.gov data reported by transportation grant recipients showed that the number of FTEs reported, number of recipients filing reports, and portion of recipients reporting any FTEs decreased over the past two reporting quarters as an increasing number of projects approached completion or were awaiting financial closeout. The Federal Highway Administration performs automated checks to help ensure the validity of recipient reported data and observed fewer data quality issues than in previous quarters but does not plan to use the data internally.

Certain Recovery Act provisions proved challenging. For example, DOT and states faced numerous challenges in implementing the maintenance-of-effort requirement, which required states to maintain their planned level of spending or be ineligible to participate in the August 2011 redistribution of obligation authority under the Federal-Aid Highway Program. In January 2011, DOT reported that 29 states met the requirement while 21 states did not because of reductions in dedicated revenues for transportation, among other reasons. The economically distressed area provision also proved difficult to implement because of changing economic conditions. With regard to the high speed intercity passenger rail and Transportation Investment Generating Economic Recovery (TIGER) grant programs, GAO found that while DOT generally followed recommended grant-making practices, DOT could have better documented its award decisions.

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Abbreviations

| | |
|--------------|--|
| Caltrans | California Department of Transportation |
| DOT | Department of Transportation |
| FAA | Federal Aviation Administration |
| FHWA | Federal Highway Administration |
| FRA | Federal Railroad Administration |
| FTA | Federal Transit Authority |
| FTE | full-time equivalent |
| MARAD | Maritime Administration |
| MassDOT | Massachusetts Department of Transportation |
| OIG | Office of Inspector General |
| RADS | Recovery Act Data System |
| Recovery Act | American Recovery and Reinvestment Act of 2009 |
| TIGER | Transportation Investment Generating Economic Recovery |

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

June 29, 2011

Report to the Congress

The nation's transportation infrastructure plays a vital role in U.S. economic activity. In response to what is generally believed to be the country's worst economic downturn since the Great Depression, Congress enacted the American Recovery and Reinvestment Act of 2009 (Recovery Act).¹ The Recovery Act seeks to, among other things, preserve and create jobs, promote economic recovery, and invest in transportation and other infrastructure to provide long-term economic benefits.² We have noted that, given the nation's long-term fiscal challenges, an economic stimulus package should be timely, targeted, and temporary. The Recovery Act provided more than \$48 billion for transportation investments in early 2009 and stipulated that most funds be obligated by September 30, 2010. The act targeted the majority of those funds to be channeled through existing aviation, highway, rail, and transit programs. Some funds were provided for newly funded competitive grant programs, including the Federal Railroad Administration's (FRA) high speed intercity passenger rail program and the Transportation Investment Generating Economic Recovery (TIGER) grant program, which is administered by the Office of the Secretary of Transportation.³

The Recovery Act requires that we conduct bimonthly reviews of how Recovery Act funds are being used by selected states and localities.⁴ The Recovery Act also requires us to report and comment quarterly on estimates of job creation and retention as reported by recipients.⁵ In this

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

²As of June 3, 2011, the Department of the Treasury had paid out \$217.5 billion in Recovery Act funds for use in states and localities to promote economic recovery. For updates, see <http://gao.gov/recovery>.

³Recovery Act, div. A, title XII, 123 Stat., 203. The high speed intercity passenger rail and TIGER grant programs are discretionary grant programs. Traditionally, federal surface transportation funding has been primarily delivered through formula grant programs based on distributions prescribed by federal statute. In a discretionary grant program, agency officials generally have the authority to determine which eligible grant applicant will receive awards and how much each will be awarded.

⁴Recovery Act, div. A, title IX, § 901(a)(1), 123 Stat., 191.

⁵Recovery Act, div. A, title XV, § 1512(e), 123 Stat., 287. The reports submitted quarterly by recipients are referred to as "recipient reports."

report, we focus on the use of transportation funds and the quality of recipient reports.⁶ Specifically, we examined the (1) status, use, and outcomes of Recovery Act transportation funding nationwide and in selected states; (2) actions taken by federal, state, and other agencies to monitor and ensure accountability of Recovery Act transportation funds; (3) changes in the quality of jobs data reported by Recovery Act recipients of transportation funds over time; and (4) challenges faced and lessons learned from the Department of Transportation (DOT) and recipients. To address these objectives, we reviewed relevant federal laws and regulations, and federal agency guidance. We also analyzed DOT data on Recovery Act programs and expenditures as of May 31, 2011, and determined that the data were sufficiently reliable for our purposes. We interviewed program officials in DOT's Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Maritime Administration (MARAD), and we drew on two of our recent reports that discuss the high speed intercity passenger rail and TIGER grant programs.⁷ We also conducted interviews with FHWA division offices and state officials, including representatives of state audit agencies, in California, Indiana, Massachusetts, Texas, Virginia, and Washington.⁸ We visited Recovery Act-funded projects in selected states. We chose these states based on a number of criteria, including whether we had followed them in our prior Recovery Act work, the total

⁶This month we are also reporting on the status and use of Recovery Act funds for the clean and drinking water state revolving fund programs (see GAO, *Recovery Act: Funds Supported Many Water Projects, and Federal and State Monitoring Shows Few Compliance Problems*, [GAO-11-608](#) (Washington, D.C.: June 29, 2011). We last reported on the use of Recovery Act transportation funds in May 2011 and September 2010. See GAO, *Recovery Act: Use of Transportation Funds, Outcomes, and Lessons Learned*, [GAO-11-610T](#) (Washington, D.C.: May 4, 2011) and *Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds*, [GAO-10-999](#) (Washington, D.C.: Sept. 20, 2010). We continue, as in prior rounds, to perform edit checks and analyses on all prime recipient reports to assess data logic and consistency and identify unusual or atypical data.

⁷GAO, *Intercity Passenger Rail: Recording Clearer Reasons for Awards Decisions Would Improve Otherwise Good Grantmaking Practices*, [GAO-11-283](#) (Washington, D.C.: Mar. 10, 2011) and *Surface Transportation: Competitive Grant Programs Could Benefit from Increased Performance Focus and Better Documentation of Key Decisions*, [GAO-11-234](#) (Washington, D.C.: Mar. 30, 2011).

⁸Previously, we examined the use of Recovery Act funds in 16 states and the District of Columbia. For this study, we selected 3 states that we had previously tracked—California, Massachusetts, and Texas—and 3 states that we had not previously tracked—Indiana, Virginia, and Washington. These 6 states represent about 29 percent of the U.S. population and received approximately one-quarter of the highway funds made available through the Recovery Act.

Recovery Act highway funding apportioned to those states, the average obligation amount per highway project, as well as highway project status in those states, and geographic dispersion.⁹ During meetings with federal, state, and local officials, we discussed expected outcomes from the expenditure of Recovery Act funds, and challenges and lessons learned based on their experiences implementing the Recovery Act. In addition, we assessed Recovery Act transportation grantees' recipient reports for the quarter ending March 31, 2011, for completeness and accuracy and found them sufficiently reliable for the purposes of this report. We also analyzed those transportation grantees' reported full-time equivalent (FTE) jobs data from October 1, 2009, through March 31, 2011. See appendix I for more information on our scope and methodology.

Our oversight of programs funded by the Recovery Act has resulted in more than 100 related products with numerous recommendations since we began reporting on the Recovery Act.¹⁰ This report updates agency actions in response to recommendations from previous bimonthly and recipient reporting reviews that have not been fully implemented (referred to as open recommendations), including our prior recommendations regarding the use of Recovery Act transportation funds (see app. II).

We conducted this work from September 2010 through June 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

The vast majority of the Recovery Act funding for transportation programs went to FHWA, FRA, and FTA for highway, road, bridge, rail, and transit projects. More than half of all Recovery Act transportation funds were designated for the construction, rehabilitation, and repair of highways,

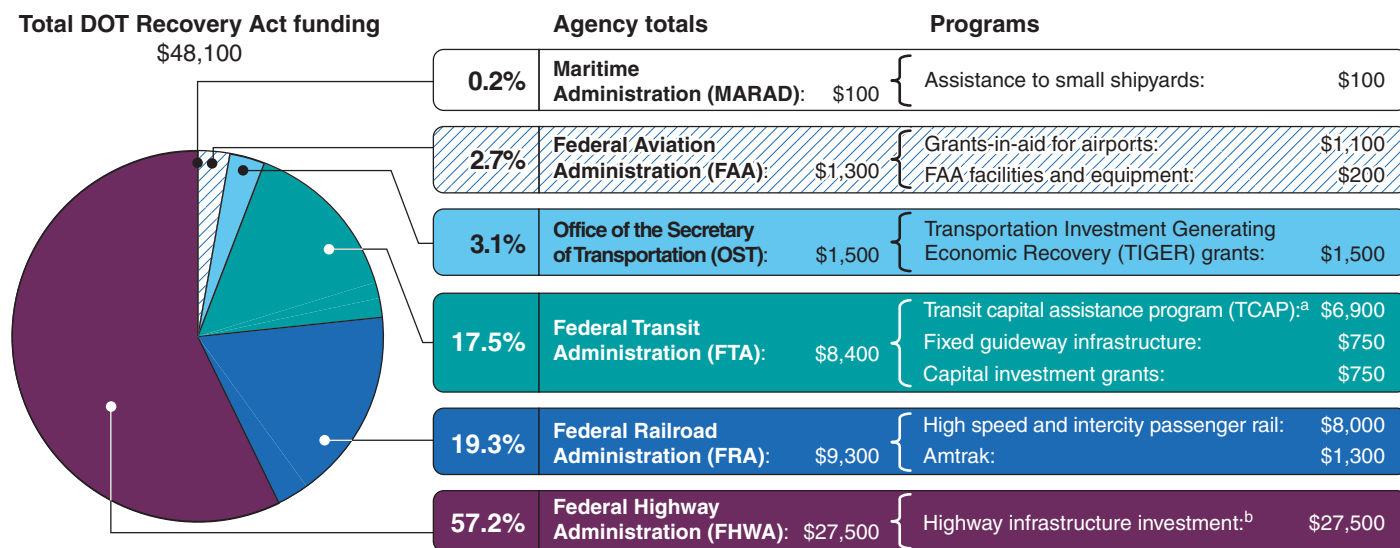
⁹While we assessed Recovery Act funds for all transportation programs, we chose to focus primarily on the status of Recovery Act highway funds because they represented about 57 percent of the total Recovery Act funding available to DOT.

¹⁰See <http://www.gao.gov/recovery/related-products/> for related GAO products.

roads, and bridges (see fig. 1). The remaining funds were allocated among other DOT operating administrations.¹¹

Figure 1: Recovery Act Funds Appropriated for DOT programs

Dollars in millions



Source: GAO analysis of DOT data.

^aTCAP includes nonurban and urban formula funds, tribal grants, funds transferred from FHWA, and Transit Investment for Greenhouse Gas and Energy Reduction grants.

^bOf the \$27.5 billion the Recovery Act made available to FHWA, FHWA apportioned \$26.6 billion to states for highway infrastructure investment and \$105 million for the Puerto Rico highway program. Of the remaining funds, \$550 million was allocated to Federal Lands and Indian Reservations, \$20 million for Highway Surface Transportation Technical Training, \$45 million for the Territorial Highway Program, and \$60 million for the Ferry Boat Discretionary Program, among others.

DOT administered most Recovery Act funds through existing transportation programs. For example, highway funds were distributed under rules governing the Federal-Aid Highway Program generally and the Surface

¹¹The total amount of Recovery Act funds allocated to each program does not equal the total funds distributed. Most operating administrations, as allowed by the Recovery Act, retained a small percentage of the funds for oversight and administrative costs, and some fund allocations included set asides for other programs or activities. The Recovery Act also provided \$20 million for salaries and expenses at the DOT Office of Inspector General to monitor DOT's Recovery Act programs and \$20 million for a bonding assistance program for disadvantaged business enterprises.

Transportation Program in particular.¹² As a result, officials at state departments of transportation were familiar with project eligibility and other federal requirements. Similarly, transit funds were primarily distributed through established transit programs, and project sponsors (typically transit agencies) were familiar with federal grant application processes. FAA distributed airport funds through the established Airport Improvement Program structure, and MARAD awarded grants through its existing Assistance to Small Shipyards Program. DOT established new grant processes to award high speed intercity passenger rail and TIGER grants. For these programs, DOT published selection criteria, solicited and reviewed applications, and awarded grants to applicants that it judged best met the criteria and complied with legislative and regulatory requirements.¹³

The Recovery Act provided 100 percent federal funding for most programs, which is a departure from the typical federally funded transportation programs.¹⁴ On the other hand, the Recovery Act did not alter the 75 percent of project cost the federal government would typically pay under the Assistance to Small Shipyards program administered by MARAD.¹⁵

The Recovery Act also included short deadlines for obligating most transportation funds, and it required preference be given to projects that could be started and completed expeditiously. Obligating funds in a timely manner is an important feature of the Recovery Act, as an economic stimulus package should, as we have previously reported, include projects that can be undertaken quickly enough to provide a timely stimulus to the economy.¹⁶ For example, Recovery Act highway and transit funds were to

¹²The majority of federal-aid highway infrastructure funding is distributed through seven major programs, often referred to as core highway programs. These programs are the Surface Transportation Program, National Highway System Program, Interstate Maintenance Program, Highway Bridge Program, Highway Safety Improvement Program, Congestion Mitigation and Air Quality Improvement Program, and the Equity Bonus Program.

¹³Another new competitive grant program was established to award funds to public transit agencies for capital investments to reduce either a transit system's greenhouse gas emissions or energy consumption.

¹⁴For example, the maximum federal fund share under the existing Federal-Aid Highway Program is generally 80 percent, and the regular Airport Improvement Program requires recipients to provide a match ranging from 5 to 25 percent.

¹⁵46 U.S.C. § 54101(e)(1).

¹⁶GAO, *Physical Infrastructure: Challenges and Investment Options for the Nation's Infrastructure*, [GAO-08-763T](#) (Washington, D.C.: May 8, 2008).

be obligated within 1 year of the date of apportionment and highway projects which could be completed within 3 years were to be given priority.¹⁷ After the March 2010 1-year obligation deadline for highway funds, states requested that FHWA deobligate \$1.25 million of these funds. We reported that deobligations from March 2 to June 7, 2010, were requested primarily because contracts were awarded for less than the original cost estimates.¹⁸ All of these funds were obligated by the September 2010 deadline. All TIGER funds must be obligated by September 30, 2011, and all high speed intercity passenger rail funds must be obligated by September 30, 2012.

The Recovery Act also introduced new requirements for existing programs to help ensure that funds add to states' and localities' overall economic activity, and are targeted to areas of greatest need. For example, the Recovery Act required state governors to certify that their states would maintain their planned levels of spending for the types of transportation projects funded by the act, from the date of enactment—February 17, 2009—through September 30, 2010. The Recovery Act also required that states give priority to highway projects in economically distressed areas.¹⁹

State and local agencies, contractors, and others that receive Recovery Act funds are also required to submit quarterly reports on the number of jobs created or retained, among other data. These job calculations are based on the total hours worked divided by the number of hours in a full-time schedule, expressed in FTEs—but they do not account for the total employment arising from the expenditure of Recovery Act transportation funds. That is, the data recipients report do not include employment at

¹⁷The Secretary of Transportation was to withdraw and redistribute to eligible states any amount that was not obligated by March 2, 2010, for highway infrastructure and by March 5, 2010, for public transit.

¹⁸See [GAO-10-999](#).

¹⁹Economically distressed areas are defined by the Public Works and Economic Development Act of 1965, as amended. 42 U.S.C. § 3161. To qualify as an economically distressed area, the area must (1) have a per capita income of 80 percent or less of the national average; (2) have an average unemployment rate that is, for the most recent 24-month period for which data are available, at least 1 percent greater than the national average; or (3) be an area the Secretary of Commerce determines has experienced or is about to experience a “special need” arising from actual or threatened severe unemployment or economic adjustment problems resulting from severe short- or long-term changes in economic conditions.

suppliers (indirect jobs) or in the local community (induced jobs).²⁰ In addition to reporting quarterly on the numbers of jobs created, states and other recipients are required to submit periodic reports on the amount of funds obligated and expended and the number of projects put out to bid, awarded, or for which work has begun or been completed, among other things. DOT is required to collect and compile this information for its reports to Congress that began in May 2009.²¹ Because it had not previously collected and reported this type of information, FHWA established the Recovery Act Data System (RADS) to allow for better oversight and tracking of Recovery Act transportation projects. FHWA uses RADS to compile data from states and existing DOT databases and generates reports to assist states in meeting their Recovery Act reporting requirements.

Most Recovery Act Transportation Funds Have Been Obligated and Expenditures for Infrastructure Continue to Increase, but Long-Term Outcomes Are Largely Unknown

According to DOT data, as of May 31, 2011, DOT had obligated nearly \$45 billion (about 95 percent) on over 15,000 projects and had expended more than \$28 billion (about 63 percent) of the \$48.1 billion it received under the Recovery Act (see table 1).²² More than 9,200 of the approximately 15,100 transportation projects have been completed, including more than 8,100 highway projects and most of the aviation projects.

²⁰Therefore, both the data reported by recipients and other macroeconomic data and methods are necessary to gauge the overall employment effects of the stimulus. The employment effects in any state will vary with labor market stress and fiscal conditions.

²¹DOT issued subsequent reports in September 2009 and May 2010. See DOT Secretary of Transportation, *Section 1201 (c) 180-Day Report* (Washington, D.C., Sept. 30, 2009) and DOT Secretary of Transportation, *Section 1201 (c) One-Year Report* (Washington, D.C., May 7, 2010).

²²Programs administered by DOT and funded by the Recovery Act typically required DOT review and approval of proposed projects submitted by the states or other applicants, resulting in an obligation of federal funds. States or other recipients then solicited and selected contractors to perform the work. Federal funds are expended when the state or other intended recipient submits invoices for completed work.

Table 1: Status of Recovery Act Transportation Projects, Obligations, and Expenditures, as of May 31, 2011

Dollars (in millions)

| Program | Number of projects | | Obligations | | Expenditures | |
|--|--------------------|--------------|---------------|--------------------------------|---------------|--------------------|
| | Awarded | Completed | Amount | Percent obligated ^a | Amount | Percent reimbursed |
| Federal Highway Administration | | | | | | |
| Highway infrastructure investment ^b | 12,931 | 8,124 | \$26,335 | 99.9% ^c | \$19,550 | 74.2% |
| Federal Railroad Administration | | | | | | |
| High speed intercity passenger rail | 78 | 0 | 5,671 | 71.1 | 200 | 3.5 |
| Amtrak | 154 | 110 | 1,291 | 100.0 | 1,291 | 100.0 |
| Federal Transit Administration^d | | | | | | |
| Transit capital assistance program (TCAP) ^e | 1,010 | 170 | 7,294 | 100.0 | 4,567 | 62.6 |
| Fixed guideway infrastructure | 51 | 24 | 743 | 100.0 | 468 | 63.0 |
| Capital investment grants | 11 | 11 | 743 | 100.0 | 743 | 100.0 |
| Office of the Secretary of Transportation | | | | | | |
| TIGER grants | 51 | 0 | 1,482 | 98.8 | 104 | 7.0 |
| Federal Aviation Administration | | | | | | |
| Grants-in-aid for airports | 372 | 365 | 1,086 | 98.9 ^c | 1,055 | 97.1 |
| FAA facilities and equipment | 399 | 381 | 198 | 99.0 | 143 | 72.2 |
| Maritime Administration | | | | | | |
| Assistance to small shipyards | 70 | 36 | 98 | 100.0 | 79 | 80.6 |
| Total | 15,127 | 9,221 | 44,941 | 95.0 | 28,200 | 62.7 |

Source: GAO analysis of DOT data.

Notes: For information on total federal outlays for all programs administered by states and localities under the Recovery Act, see <http://gao.gov/recovery>.

^aThe percentage obligated is not based on the total Recovery Act funds each agency received but on the amount agencies allotted for distribution to projects. In most cases, this amount was less than the total amount of Recovery Act funds the agency received because some funds were set aside for administrative and oversight expenses, as allowed by the act.

^bIncludes Puerto Rico and Washington, D.C., but not federal lands projects.

^cFHWA and FAA initially obligated 100 percent of their Recovery Act funds for highway infrastructure investments and grants-in-aid for airports, respectively, but a small percentage of those funds have been deobligated due to cost underruns as projects have financially closed out.

^dTotal transit obligations exceed the \$8.4 billion apportionment because of state-requested transfers of highway funds to transit accounts. States have the option to request that FHWA transfer Recovery Act highway funds to FTA to address states' public transit priorities, just as they do under the regular Federal-Aid Highway Program. Generally, FHWA has the authority pursuant to 23 U.S.C. § 104(k)(1) to transfer funds made available for transit projects to FTA. FTA data as of March 31, 2011, indicated that states had requested such transfers, totaling \$443 million for 26 projects. Nearly 45 percent of the transferred funds had been expended.

⁴The Supplemental Appropriations Act of 2009 allowed states to use up to 10 percent of their Recovery Act transit capital assistance funds to cover operating expenses in urbanized areas. According to FTA data, 181 recipients—or approximately 17 percent of Recovery Act transit recipients from state departments of transportation and transit agencies used about \$193.2 million (about 2.2 percent) of Recovery Act transit capital assistance funds for operating expenses. Pub. L. No. 111-32, §1202, 123 Stat. 1859, 1908 (2009).

The rate of expenditure for Recovery Act transportation funds has varied among programs and states, for several reasons, according to federal and state officials:

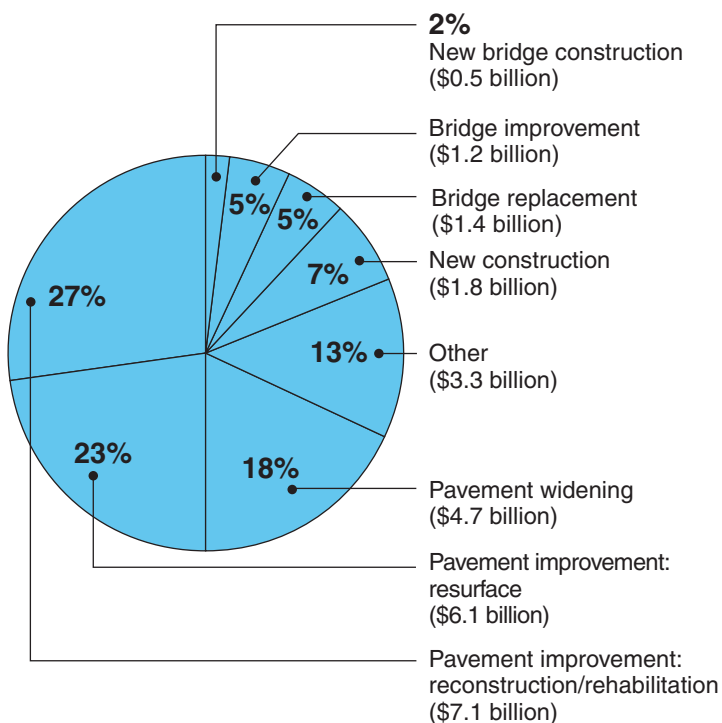
- First, obligation deadlines for newly funded competitive grant programs such as high speed intercity passenger rail and TIGER are later, so as of May 31, 2011, a much smaller percentage of those program funds had been obligated and expended.
- Second, as we have previously reported, the obligation and subsequent expenditure of highway funds suballocated for metropolitan, regional, and local use have lagged behind rates for state projects in some states. FHWA data as of May 31, 2011, indicated that this trend continued for reimbursements in 24 states, including two of the states we visited—Virginia and Texas. According to federal and state transportation officials, federal reimbursement can only occur after costs are incurred; however, localities varied in their approach to billing for reimbursement. For example, in California some localities choose to seek reimbursement for project costs after project completion in an effort to reduce the administrative costs of frequent invoicing. In comparison, localities in Indiana and Washington State bill regularly as expenses are incurred.
- Third, according to FHWA and state officials, northern states typically tend to have a reduced period of construction activity during the winter.
- Finally, large or new infrastructure projects may require additional reviews, such as environmental clearances, prolonging project time frames.

States and other recipients continue to report using Recovery Act funds to improve the condition of the nation's transportation infrastructure, as well as invest in new infrastructure. For example, according to DOT data, 68 percent of highway funds have been used for pavement improvement projects, such as resurfacing, reconstruction, and rehabilitation of existing roadways, and almost 75 percent of transit funds have been used for upgrading existing facilities and purchasing or rehabilitating buses (see fig. 2). According to FAA officials, Recovery Act funding was used to rehabilitate and reconstruct airport runways and taxiways, as well as to

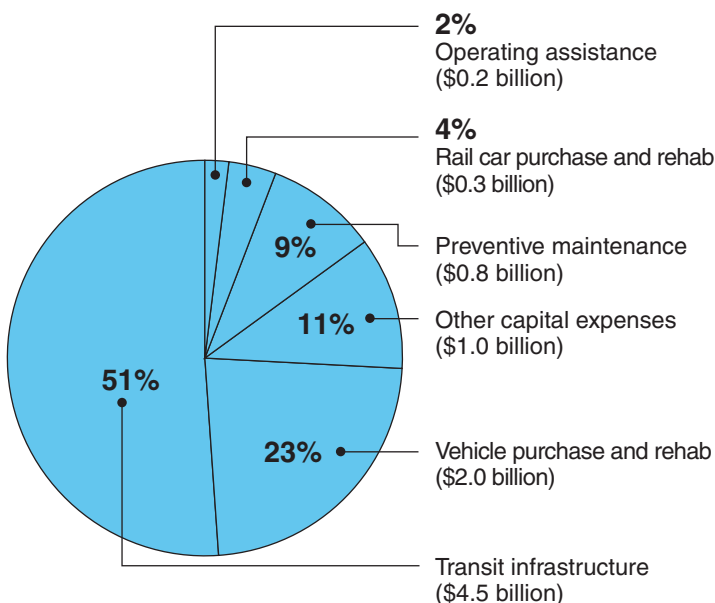
upgrade or purchase air navigation infrastructure such as air traffic control towers, engine generators, back-up batteries, and circuit breakers. The Recovery Act grant provided to Amtrak has been used to make infrastructure improvements and return cars and locomotives to service.

Figure 2: Highway and Transit Obligations, by Project Type

Highway obligations (\$26.2 billion)



Transit obligations (\$8.8 billion)



Source: GAO analysis of DOT data.

Notes: Percentages may not add to 100 because of rounding.

The highway category “other” includes safety projects, such as improving safety at railroad grade crossings, engineering, right-of-way purchases, and transportation enhancement projects, such as pedestrian and bicycle facilities. Highway data are as of June 3, 2011.





Transit obligations include Recovery Act funds that were transferred from FHWA to FTA. “Transit infrastructure” includes engineering and design, acquisition, construction, and rehabilitation and renovation activities. “Other capital expenses” includes leases, training, finance costs, mobility management project administration, and other capital programs. Usually, operating assistance is not an eligible expense for transit agencies within urbanized areas with populations of 200,000 or more. Most recipients did not use as high a percentage of funds for operating expenses, in part, because funds had already been obligated to projects before the Supplemental Appropriations Act was enacted, according to FTA officials. Transit data are as of May 6, 2011.

The high speed intercity passenger rail and TIGER programs were newly funded grant programs, and the Recovery Act allowed additional time for DOT to develop criteria, publish notices of funding availability, and award grants. As a result, projects selected for high speed intercity passenger rail and TIGER were announced about a year after enactment, and DOT has been making progress obligating Recovery Act funds for these programs. For example, DOT selected one intercity passenger rail project to rehabilitate track and provide service from Portland to Brunswick, Maine, at speeds up to 70 miles per hour. Another project was selected to initiate the first part of California's high speed rail system, which envisions service at more than 200 miles per hour between Los Angeles, San Francisco, and the Central Valley, and eventually San Diego. DOT TIGER grants funded projects across different surface transportation modes, including highways, transit, rail, and ports. For example, the California Green Trade Corridor/Marine Highway Project is a collaborative effort of three regional ports in California to develop and use a marine highway system as an alternative to existing truck and rail infrastructure for transporting consumer goods and agricultural products.

According to DOT data, a variety of Recovery Act projects have been completed. For example, FHWA reported that many of the completed highway projects involve pavement improvement. Completed transit projects generally included preventive maintenance activities, some bus purchases, and facility construction, according to FTA. Amtrak had also completed a variety of projects, including station upgrades, right-of-way improvements, communications and signaling systems installations, and aging bridge replacement projects, among other things. While no high speed intercity passenger rail projects had been completed as of May 31, 2011, 24 projects were under way, according to FRA. These projects, which represent more than 70 percent of the allotted funding, include track and signaling work to improve reliability and increase operating speeds, improvements to stations, and the environmental analysis and preliminary engineering required to advance projects to construction.

States we visited provided numerous examples of infrastructure improvements and other projects funded by the Recovery Act (see fig. 3).

Figure 3: Examples of Recovery Act Transportation Projects

| | Highway infrastructure | Transit | Grants-in-aid for airports | Assistance to small shipyards |
|------------------------|--|---|---|--|
| |  East entrance excavation of 4th bore |  Silver Line bus stop with new benches, trash barrels, and heating elements |  Northeast view of newly rehabilitated primary runway with tower in the background |  Icebreaker ship in dry dock for repairs |
| Project | Caldecott Tunnel expansion | Massachusetts Bay Transportation Authority system upgrades | Paine Field pavement improvements | Todd Pacific Shipyards ^a apprenticeship program implementation |
| Location | Oakland, CA | Boston, MA | Everett, WA | Seattle, WA |
| Description | Construction of a 990 meter tunnel (4th bore), which will include two 12-ft. traffic lanes with a 10-ft. shoulder in addition to the existing six traffic lanes in bores 1, 2, and 3 | Purchase paratransit vans; construct bicycle parking facilities at transit stations; provide bus stop/service enhancements; extend Silver Line bus rapid transit service to South Station, providing direct access to Amtrak, commuter rail, and subway service; improve ventilation at Back Bay Station and repair fencing along transit rights of way | Rehabilitation of runway 16R/34L and taxiway alpha | Implementation of an apprenticeship program for boilermakers, pipefitters, machinists, electricians, and carpenters |
| Cost and status | Recovery Act funds: \$176 million (34% expended as of 3/31/11) | Recovery Act funds: \$26.7 million (51% expended as of 3/31/11) | Recovery Act funds: \$11 million (100% expended as of 12/31/10) | Recovery Act funds: \$1.9 million (100% expended as of 6/30/10) |
| | Total project cost: \$420 million | Total project cost: \$26.7 million | Total project cost: \$11 million | Total project cost: \$1.9 million |
| | Status: Less than 50% complete | Status: More than 50% complete | Status: Complete | Status: Complete |
| Benefits | The new tunnel will increase capacity and remove bottlenecks. | The project will enhance services for customers by improving bus stop amenities; connecting bicycle, bus, and transit modes of transport; improving safety along transit lines; and providing more than 100 new paratransit vans. | The rehabilitations will allow for safe use of the runway and taxiway by larger aircraft, such as Boeing's new 747-8. | The company's apprenticeship participation increased from 4 to 54 workers. |

Sources: GAO (photographs); Recovery.gov (information); and Caltrans, Massachusetts Bay Transportation Authority, Paine Field, and Todd Pacific officials (information).

^aSince our visit, Todd Pacific Shipyards Corporation has been renamed Vigor Shipyards, Inc.

The Recovery Act Helped Fund Transportation Jobs, but Long-Term Benefits Are Unclear

Recovery Act funds helped pay for jobs across various transportation modes. At a time when the construction industry was experiencing historically high unemployment and many states could not afford to maintain existing infrastructure, transportation officials we met with told us that the Recovery Act helped to keep the transportation industry in operation while allowing states to tackle some of their infrastructure maintenance priorities. According to data filed by recipients,²³ Recovery Act transportation projects supported between 31,460 and 65,110 FTEs each reporting quarter from October 1, 2009, through March 31, 2011. Recipient-reported FTEs, however, cover only direct jobs funded by the Recovery Act. They do not include the employment impact of suppliers (indirect jobs) or on the local community (induced jobs).²⁴ According to DOT officials, the full impact on indirect and induced employment is likely to be significant because of supply chain employment effects. In addition, a certain amount of a project's cost is typically for materials and equipment, and the remainder pays for labor, reported as FTEs.²⁵

The number of transportation FTEs reported has declined over the past two reporting quarters as construction work on projects has been completed. On average, highway projects accounted for approximately 63 percent of the transportation FTEs reported from October 1, 2009, through March 31, 2011. Transit and "other" transportation projects²⁶ accounted for the remaining approximately 37 percent of transportation FTEs. However, the relatively low portion of FTEs reported for transportation projects

²³The reliability of recipient reported data and efforts taken by DOT and state officials to ensure data quality, as well as changes in the quality of recipient reported data over time, are discussed later in this report.

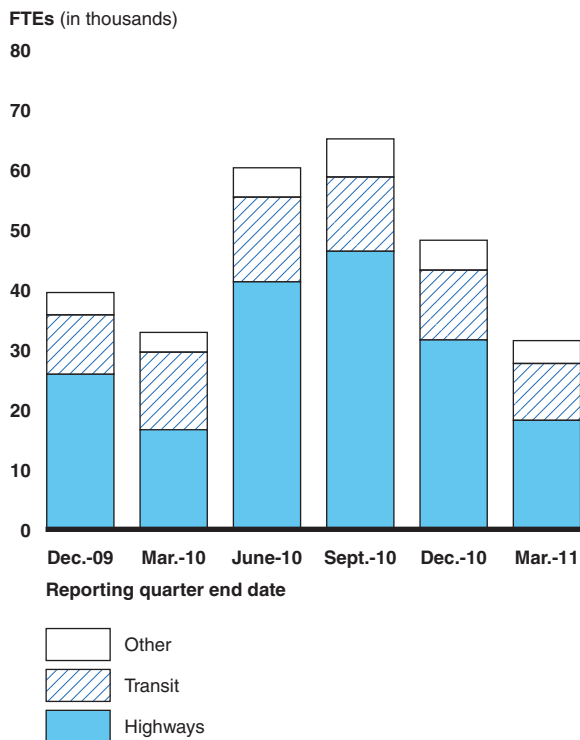
²⁴For further discussion of FTE data limitations, see GAO, *Recovery Act: Recipient Reported Jobs Data Provide Some Insight Into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, [GAO-10-223](#) (Washington, D.C.: Nov. 19, 2009). For further discussion of Recovery Act contract and grant recipients' unpaid federal tax information, see GAO, *Recovery Act: Thousands of Recovery Act Contract and Grant Recipients Owe Hundreds of Millions in Federal Taxes*, [GAO-11-485](#) (Washington, D.C.: Apr. 28, 2011).

²⁵For additional information on estimates of FTEs funded by the Recovery Act, see the Congressional Budget Office, *Estimated Impact of the American Recovery and Reinvestment Act on Employment and Economic Output from October 2010 Through December 2010* (Washington, D.C.: February 2011).

²⁶"Other" transportation projects include projects funded by FAA's grants-in-aid to airports; FRA's Amtrak grant and the high speed intercity passenger rail program; MARAD's Assistance to Small Shipyards Program; and the Office of the Secretary of Transportation's disadvantaged business bonding assistance program and TIGER grants.

other than highways and transit may increase in future quarters as more high speed intercity passenger rail and TIGER projects get under way. Transportation recipients reported the highest total FTE count during the quarter ending September 2010, owing to the large number of projects under way at that time (see fig. 4). During the most recent reporting quarter, which ended March 31, 2011, the number of transportation FTEs reported reached its lowest point since recipient reporting began—at about 31,460.

Figure 4: FTEs Reported for Highway, Transit, and All Other Transportation Projects for Quarters Ending December 2009 through March 2011



Source: GAO analysis of recipient reported data from Recovery.gov.

Note: “Highways” includes FHWA projects funded for highway planning and construction. “Transit” includes FTA projects funded with capital investment grants, metropolitan transportation planning grants, formula grants (including grants for other than urbanized areas), and the capital assistance program for reducing energy consumption and greenhouse gas emissions. “Other” includes projects funded by FAA’s grants-in-aid to airports; FRA’s Amtrak grant and the high speed intercity passenger rail program; MARAD’s Assistance to Small Shipyards Program; and the Office of the Secretary of Transportation’s disadvantaged business bonding assistance program and TIGER grants. We did not include data from the first reporting quarter in 2009 due to concerns about comparability.

In addition to the number of jobs funded by Recovery Act transportation funds, federal, state, and local officials describe the following other benefits:

- *Better coordination and streamlined processes:* DOT officials told us that the Recovery Act encouraged more efficient ways of working together at the federal, state, and local levels to select projects. According to DOT officials, the TIGER competitive grant program brought together various modal operating administrations to evaluate grant applications and consider multimodal projects. Generally, state officials told us that their working relationships with FHWA division offices and localities have improved while implementing Recovery Act programs, as has states' and localities' understanding of federal requirements. Some states improved their internal operational efficiency, including shortening their project review and approval processes. For example, the Massachusetts Department of Transportation (MassDOT) streamlined its 26-step bid process from 120 days to 44 days by coordinating the review process through regular meetings of key stakeholders.
- *Innovative communication practices:* DOT also implemented new ways to train and communicate with recipients. For instance, FHWA and FTA have used webinars to distribute guidance and host question-and-answer sessions to clarify program requirements. Officials said that the systems they developed to communicate with states have been used to disseminate guidance to states for non-Recovery Act programs and will continue to be used in the future.
- *Accelerated projects that might have otherwise gone unfunded:* Transportation officials in several states we visited told us that Recovery Act funds helped reduce backlogs of "shovel-ready" projects. For example, California funded its entire list of shovel-ready projects and began work on new construction projects. Other states reported being able to complete projects that had been planned but lacked sufficient funding. Specifically, Virginia started construction of an interchange on the Fairfax County parkway at Fair Lakes—a project that has been planned since the 1980s when the parkway was first built; Massachusetts started construction of a bike and pedestrian footbridge that had been promised as part of the Big Dig project of the 1990s; and Washington State accelerated work to provide congestion relief on I-405 and extend a high-occupancy-vehicle lane on I-5 near Tacoma.

However, the long-term impacts of Recovery Act investments in transportation are unknown at this point. Some states have efforts under way to report on Recovery Act benefits. For example, in 2011, state transportation officials in Washington produced a report that documented

the agency's progress delivering Recovery Act projects since 2009; the Texas Department of Transportation commissioned a study by the University of Texas to assess the Recovery Act impacts; and MassDOT officials established an Office of Performance Management and Innovation to determine program goals; measure program performance against those goals; and report publicly on progress to improve the effectiveness of transportation design and construction, service delivery and policy decision making. However, federal and state officials told us that attributing transportation benefits to Recovery Act funds can be difficult, particularly when projects are funded from multiple sources and historic performance data are not available for particular projects.

We recommended that DOT ensure that the results of Recovery Act projects are assessed and a determination is made about whether these projects produced long-term benefits, but DOT has not committed to assessing the long-term benefits of Recovery Act investments in transportation.²⁷ Specifically, in the near term, we recommended that FHWA and FTA determine the types of data and performance measures needed to assess the impact of the Recovery Act and the specific authority they may need to collect data and report on these measures. DOT officials told us that they expect to be able to report on Recovery Act outputs, such as miles of roads paved, bridges built or repaired, and transit vehicles purchased, which will help assess the act's impact.²⁸ However, they said that limitations in DOT's data systems, the costs associated with conducting such an analysis, and the fact that Recovery Act funds represented only about 1 year of additional funding for some transportation programs would make assessing the benefits of Recovery Act projects difficult. We continue to believe, however, that it is important for organizations to measure performance to understand the progress they are making toward their goals and to demonstrate results, particularly when the funding totals above \$48 billion and most funds were to be spent relatively quickly.

For the Recovery Act high speed intercity passenger rail and TIGER grant programs, DOT has set broad performance goals and required recipients to

²⁷GAO, *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).

²⁸FHWA officials have begun developing a geospatial interface to integrate information from Recovery Act projects with information contained in its Highway Performance Monitoring System and its National Bridge Inventory, but they expected that this effort would take several years.

identify potential project benefits. Specifically, FRA has outlined goals for developing high speed intercity passenger rail service in its strategic plan and national rail plan and evaluated grant proposals based on the potential project benefits they listed in their applications.²⁹ However, the identified goals are broad—such as improving transportation safety and economic competitiveness—and do not contain specific targets necessary to determine how or when FRA will realize intended benefits. DOT also incorporated performance measures tailored to each TIGER grant awardee based on the project design and the capacity of the recipient to collect and evaluate data. DOT is evaluating the best methods for measuring objectives and collecting data and is working collaboratively with applicants to weigh options for measuring performance. As many TIGER projects are just being initiated, the effectiveness of these measures will not be clear for several years.

Federal, State, and Local Auditors Continue to Review Use of Recovery Act Funds and No Major Issues Have Been Reported

Federal, state, and local oversight entities have continued their efforts to ensure appropriate use of Recovery Act transportation funds, and recently published reviews have not revealed major concerns. Since September 2010, the DOT Office of Inspector General (OIG) has issued three reports on Recovery Act aviation, highway, and rail programs.³⁰ These reports generally found that DOT had complied with Recovery Act requirements, and they identified several areas for improvement (see table 2 for selected OIG recommendations and DOT's response). The OIG has ongoing Recovery Act oversight work covering multiple transportation programs, including, for example, audits of the high speed intercity passenger rail and TIGER programs, as well as audits of transit and highway programs.³¹ Moreover, the OIG continues to investigate criminal and civil complaints related to Recovery Act transportation funds. As of March 31, 2011, the OIG had 51 open Recovery Act investigations, including 19 cases of false statements,

²⁹DOT, *Vision for High-Speed Rail in America* (Washington, D.C., Apr. 2009); FRA, *Preliminary National Rail Plan* (Washington, D.C., Oct. 2009); and FRA, *National Rail Plan—Moving Forward: A Progress Report* (Washington, D.C, Sept. 2010).

³⁰DOT, Office of Inspector General, *FAA Fulfilled Most ARRA Requirements in Awarding Airport Grants*, AV-2011-53 (Feb. 17, 2011); *Amtrak Made Significant Improvements in Its Long-Term Capital Planning Process*, CR-2011-036 (Jan. 27, 2011); and *Actions Needed to Strengthen the Federal Highway Administration's National Review Teams*, MH-2011-027 (Jan. 6, 2011).

³¹For additional information on the OIG's ongoing audits, see DOT, Office of Inspector General, *Ensuring ARRA Funds Are Spent Appropriately to Maximize Program Goals*, CC-2011-025 (May 4, 2011).

claims, or certifications; 17 cases of disadvantaged business enterprise fraud; and 1 case of corruption, among other allegations. According to the Chairman of the Recovery Accountability and Transparency Board, there has been an extremely low level of fraud involving Recovery Act funds. For instance, in June 2011, he noted that less than half a percent of all reported Recovery Act contracts, grants, and loans currently have open investigations, and to date there have been 144 convictions involving a little over \$1.9 million of total Recovery Act funds for all programs, including those in the transportation sector.³²

Table 2: Selected Recommendations and Agency Actions from Recent DOT Office of Inspector General Reports, as of May 31, 2011

| Operating administration | Program | Selected OIG recommendation | Agency response to recommendations |
|--------------------------|------------------------------------|--|---|
| FAA | Grants-in-aid to airports | Increase transparency by posting on its Recovery Act Web site specific justifications for why lower-scoring projects were selected. Comply with Office of Management and Budget (OMB) guidance by ensuring each Airport District Office applies sufficient oversight to high-risk grant recipients. | To increase transparency, the FAA will post on its Web site additional information about project selection. FAA stated that it is already in compliance with this recommendation and will continue to provide enhanced oversight to Recovery Act projects. |
| FHWA | Highway infrastructure investments | Improve national-level data analysis by using additional methods, such as content analysis, to help identify national trends and new risks. | FHWA concurred and has been conducting tracking and analysis of National Review Team information. |
| FRA | Capital grants to Amtrak | Amend the 2009 Recovery Act grant agreement to make the requirements for waiving the project completion deadlines less stringent. | FRA concurred and amended Amtrak's grant agreement to ensure that Recovery Act funds are well spent, and not just expended to meet the February 17, 2011, deadline. |

Source: GAO analysis of DOT Office of Inspector General reports.

Reviews conducted by auditors in the states that we visited have, in most cases, reported few significant problems with the use of Recovery Act transportation funds. State auditors in Massachusetts, for example, found no material weaknesses at MassDOT in its 2010 Single Audit. However, in our review of Single Audit reports for selected states, we found that state auditors identified some inconsistencies with state oversight of

³²The Honorable Earl E. Devaney, Chairman, Recovery Accountability and Transparency Board, Testimony before the Committee on Oversight and Government Reform, U.S. House of Representatives, June 14, 2011.

subrecipients and some challenges ensuring that award documentation met federal requirements (see table 3).³³

Table 3: Selected Single Audit Findings, Recommendations, and Agency Actions

| State | Finding | Recommendation and agency response |
|------------|--|--|
| California | California Department of Transportation (Caltrans) did not ensure that subrecipients submitted required audit reports and lacked procedures to impose sanctions. | Caltrans should continue to implement policies and procedures to ensure that subrecipients promptly submit required audit reports and impose sanctions on those that do not. Caltrans concurred and had drafted new policies and procedures to ensure that such oversight takes place. |
| Indiana | The audit found that the Indiana Department of Transportation reported in error, on two occasions, amounts of funds passed down to subrecipients for the Schedule of Federal Financial Assistance, but the errors had no effect on the department's Recovery Act funds for the 2009 fiscal year. | The Indiana Department of Transportation should follow internal written procedures in preparing the Schedule of Federal Financial Assistance to help ensure accurate, current, and complete disclosure of financial results. The Indiana Department of Transportation did not agree with the finding because it noted that there was ambiguity surrounding the definition for subrecipients. However, the department did submit a plan to address the finding and prevent future reporting discrepancies. |
| Texas | Texas Department of Transportation did not consistently comply with Recovery Act requirements with respect to subrecipients. | The Texas Department of Transportation should ensure existing award documentation and award documentation templates with subrecipients include all required award notification and information according to federal requirements. The Texas Department of Transportation stated that current templates contain applicable compliance requirements and additional steps will be implemented to ensure that the most current version of each template is always used. |
| Washington | Washington Department of Transportation does not have adequate controls to ensure that information the Recovery Act required to be reported for its highway program is accurate. | The State Auditor recommended that the Washington Department of Transportation should establish periodic independent monitoring to ensure that the Recovery Act information is being reported accurately. The Washington Department of Transportation did not agree with the audit finding. The State Auditor will review the status during the next audit. |

Source: GAO analysis of selected 2010 Single Audit reports.

We also reviewed performance audit reports of Recovery Act transportation programs in the states that we visited, and these reviews,

³³Congress passed the Single Audit Act, as amended, 31 U.S.C. ch. 75, in 1996 to promote, among other things, sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities. A Single Audit consists of (1) an audit and opinion 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; and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

generally, focused on compliance with Recovery Act program requirements. For example:

- The Massachusetts Office of the State Auditor published several reports that examined local transit agency controls over receipts and expenditures of Recovery Act funds and subrecipient monitoring to ensure compliance with reporting requirements.³⁴ Based on these reviews, the State Auditor found that each transit authority was generally in compliance with applicable laws, rules, and regulations for the areas tested.
- The California State Auditor's evaluation of the state's recipient reports on jobs created and retained found that the California Department of Transportation (Caltrans) did not ensure that complete jobs data were reported for the quarter ending June 30, 2010, and did not monitor its subrecipients to ensure that they reported the required data.³⁵ Caltrans officials told us that it is a challenge to ensure that all local agencies report FTE data because of turnover at the local level and the challenges associated with training local staff on the reporting requirements.

Finally, local auditors in states we visited that reviewed compliance with Recovery Act requirements did not find problems with city use of Recovery Act transportation funds. These reviews generally found that cities had taken various oversight actions to monitor the use of Recovery Act funds. For example, the city auditor of Dallas, Texas, reported in February 2011, that the city had taken action to implement internal control processes aimed at ensuring accountability and transparency of Recovery Act funds. Further, the Dallas city auditor found that although the recipients and uses of funds were reported clearly and in a timely manner, other federal requirements proved challenging for the city and reports were not always submitted accurately.³⁶ The city auditor of Arlington,

³⁴Massachusetts Office of the State Auditor, *Greater Attleboro Taunton Regional Transit Authority for the period July 1, 2009 through June 30, 2010*, 2010-1007-3R (Mar. 18, 2011); *Brockton Area Transit Authority for the period July 1, 2009 through September 30, 2010*, 2010-0881-3R (Mar. 18, 2011); *Independent State Auditor's Report on the Montachusett Regional Transit Authority's Use of American Recovery and Reinvestment Act Funds, March 1, 2009 to March 31, 2010*, 2010-1038-3R (Oct. 19, 2010).

³⁵California State Auditor, Bureau of State Audits, *High Risk Update – American Recovery and Reinvestment Act of 2009: The California Recovery Task Force and State Agencies Could Do More to Ensure the Accurate Reporting of Recovery Act Jobs*, 2010-601 (Dec. 21, 2010).

³⁶City of Dallas, Office of the City Auditor, *Audit of American Recovery and Reinvestment Act of 2009: October 1, 2009 to September 30, 2010*, 011-007 (Feb. 4, 2011).

Texas, also found that the city had generally complied with Recovery Act quarterly reporting and accountability provisions and the city had accurately calculated jobs created.³⁷ In Virginia, the city auditor of Virginia Beach examined the city's Recovery Act expenditures for supporting documentation and concluded that the sampled expenditures were properly supported, reasonable, and applicable to the purpose of the grants.³⁸ Another performance audit published in September 2010 by the Los Angeles Office of the Controller found that the Los Angeles Department of Transportation made a good faith effort in establishing processes to help ensure it meets Recovery Act requirements, but noted areas that could be improved, such as streamlining contracting processes to ensure that projects are started as quickly as possible and improving processes for reporting and billing to Caltrans.³⁹

Analysis of Seventh Round Recipient Reporting Data Shows Data Quality Remains Relatively Stable

To meet our mandate to comment on recipient reports, we continued to monitor recipient-reported data. For this report, we focused our review on the quality of data reported by transportation grant recipients and efforts made by FHWA to validate that data. Using transportation recipient data from the seventh reporting period, which ended March 31, 2011, we continued to check for errors or potential problems by repeating analyses and edit checks reported in previous reports. We reviewed data associated with 12,443 transportation recipient reports posted on Recovery.gov for the seventh reporting quarter.⁴⁰

We found few inconsistencies, and we are generally satisfied with the stability of the data quality. Additionally, our analysis of the data showed that there was a decrease of 759 recipient reports, or about a 5.7 percent drop from the previous quarter. Likewise, as described earlier, the total number of FTEs reported has also decreased over the past two reporting quarters. In the most recent quarter which ended March 31, 2011, for

³⁷City of Arlington, Tex, Office of the City Auditor, *American Recovery and Reinvestment Act Audit*, 10-08 (Dec. 17, 2010).

³⁸City of Virginia Beach, Office of the City Auditor, *American Recovery and Reinvestment Act Expenditure Audit* (Feb. 2, 2011).

³⁹City of Los Angeles, Office of the Controller, *ARRA Performance and Financial Audit of the Department of Transportation* (Sept. 16, 2010).

⁴⁰According to Recovery.gov, recipients reported on 201,779 awards across multiple program areas, and the Recovery Act funded approximately 571,383 FTEs during the quarter beginning January 1, 2011, and ending March 31, 2011.

example, the percentage of prime recipients of highway funds reporting any FTEs dropped from approximately 51 percent to approximately 39 percent. DOT officials said that the decreases in the number of recipients reporting any FTEs is likely due to several factors, including projects being completed or functionally complete and awaiting financial closeout. DOT officials noted that decreases in FTEs could also be due to such factors as a winter shutdown of projects in colder climates. We also observed a variety of patterns in the quarterly reporting of FTEs, including consecutive quarters of no FTE reporting. For example, for the 2010 calendar year, approximately 13.5 percent of the highway recipients and approximately 16.7 percent of the transit recipients that filed reports each quarter did not report any FTEs during the year. According to DOT officials, several additional factors that could extend reporting during periods of low job activity include projects awaiting final invoice from contractors, projects delayed in litigation, or recipients' withholding of final payments to cover periods of maintenance guarantees. They also noted that projects need to be considered on an individual basis and that recipients may use Recovery Act funds to purchase materials and use other funding sources to pay for labor.

DOT Continues to Perform Automated Checks to Help Improve Data but Is Not Planning to Use Recipient-Reported Data Internally

Each quarter, FHWA performs quality assurance steps on the data that recipients provide to FederalReporting.gov and officials reported that the data quality continues to improve. Based on these reviews and their interactions with recipients, FHWA officials reported that recipients now understand the reporting process and each reporting period has gone better than the previous one. One measure of recipients' understanding of the reporting process is in the number of noncompliant recipients.⁴¹ According to information available on Recovery.gov, the number of DOT-related noncompliant recipients decreased from 37 in the quarter ending September 30, 2010, to 13 in the quarter ending December 31, 2010, but it increased in the most recent quarter to 19 noncompliant recipients.⁴² FHWA officials told us that they routinely check for noncompliance, notify

⁴¹Noncompliant recipients are those recipients of Recovery Act funds that have not complied with the act's requirement to report quarterly about the status of their awards. Each reporting quarter, a list of noncompliant recipients is provided to the Recovery Accountability and Transparency Board by the Office of Management and Budget and the list is certified by the federal agencies.

⁴²The number of repeat DOT-related noncompliant recipients—those that have not filed reports for at least two reporting quarters—decreased from six in the quarter ending December 31, 2010, to zero in the quarter ending March 31, 2011.

noncompliant recipients of the projects that have not been reported, and follow up with noncompliant recipients to obtain corrective action plans and ensure that errors are corrected and subsequent reports are filed on time.

As in previous quarters, FHWA performed a number of automated checks to help ensure quality of highway and rail recipients' Recovery Act data. To support recipients' data quality, FHWA asks recipients of highway and rail Recovery Act funds to report each month into FHWA's RADS system. FHWA officials conduct two data verification steps in RADS to assess the quality of data submitted by recipients, including automated data verification and validation reports.

- The automated data verification tests occur when state departments of transportation upload monthly data into RADS. If a record does not satisfy one of FHWA's data verification rules, the state department of transportation is provided with a brief message listing the record and what data check failed. Data cannot be uploaded into RADS until the state department of transportation corrects the error. Examples of data verification rules include rules such as the federal project numbers must be entered without dashes or parentheses, and total cost estimates cannot be less than total Recovery Act estimates for the particular project.
- The data validation report highlights projects or awards that fail certain verification rules, such as whether the federal project number is in FHWA's Financial Management Information System, but not in RADS. FHWA also applies data checks based on assumptions about expenditures reported and FTEs reported.

FHWA officials reported they also check data quality for nearly 70 data fields each quarter by comparing the data in each recipient report against the corresponding RADS data. According to FHWA guidance, data that do not correspond to the recipient report are flagged for comment and review. Specifically, RADS runs automated quality checks to ensure that data provided by states into RADS match what the states are providing to FederalReporting.gov.⁴³ If inconsistencies are found, FHWA representatives work with state transportation officials to resolve

⁴³FHWA officials also provide guidance and technical assistance to prime recipients and run a series of about 50 automated data quality checks to ensure that data provided by recipients is accurate, complete, and timely. FHWA officials said that recipient report completion rates have been near 100 percent each quarter.

discrepancies by requiring states to amend or justify state-reported data. Some state transportation officials told us that the number of errors detected in their reports decreased as the reporting system was refined and guidance issued.

Finally, according to DOT officials, recipient-reported FTE data provide increased transparency on the use of transportation program funds, but DOT does not plan to use recipient-reported data internally for a variety of reasons. For example, recipient-reported data are only valid on a quarterly basis and cannot be used for monthly or cumulative analysis. In addition, agency officials told us that they prefer to use RADS data for most internal analysis because the RADS data are reported monthly and are more detailed than the recipient-reported data.

Recovery Act Requirements Proved Challenging for DOT and Some States, Leading to Several Lessons Learned

Federal, state, and local transportation officials we contacted reported that while Recovery Act transportation funds provided many positive outcomes, they also provided lessons learned that may be relevant as Congress considers the next surface transportation reauthorization.

Maintenance-of-Effort and Economically Distressed Area Requirements Proved Challenging

Certain Recovery Act provisions not typically required under existing DOT programs proved challenging for some states to meet. Our ongoing and past work indicates that it may have been difficult for states to meet these requirements for a number of reasons, including rapidly changing state economic conditions and confusion about how to interpret and apply the new requirements.

- *Maintenance of effort.* We have reported that there were numerous challenges for DOT and states in implementing the transportation maintenance-of-effort provision in the Recovery Act. This provision required the governor of each state to certify that the state would maintain its planned level of transportation spending from February 17, 2009, through September 30, 2010, to help ensure that federal funds would be used in addition to, rather than in place of, state funds and, thus, increase overall spending. A January 2011 preliminary DOT report indicated that 29 states met their planned levels of expenditure, and 21 states did not. States had a monetary incentive to meet their certified planned level of spending

in each transportation program area funded by the Recovery Act because those that fail would not be eligible to participate in the August 2011 redistribution of obligation authority under the Federal-Aid Highway Program.⁴⁴ States had until April 15, 2011, to verify their actual expenditures for transportation programs covered by the Recovery Act. DOT is reviewing this information to determine if any more states met their planned levels of spending.

The DOT preliminary report summarized reasons states did not meet their certified planned spending levels, such as experiencing a reduction in dedicated revenues for transportation due to a decline in state revenues or a lower-than-expected level of approved transportation funding in the state budget.⁴⁵ The preliminary report also identified a number of challenges DOT encountered in implementing the provision, such as insufficient statutory definitions of such terms as what constitutes “state funding” or how well DOT guidance on calculating planned expenditures would work in the many different contexts in which it would have to operate. As a result, many problems came to light only after DOT had issued initial guidance and states had submitted their first certifications. DOT issued guidance seven times during the first year after the act was signed to clarify how states were to calculate their planned or actual expenditures for their maintenance-of-effort certifications. The last guidance—issued February 9, 2010—communicated DOT’s decision that the maintenance-of-effort requirement would be applied to each of the program areas funded by the Recovery Act, rather than cumulatively for all the programs. The implication of this decision is that fewer states met the requirement.

DOT invested a significant amount of time and work to ensure consistency across states on how compliance with the maintenance-of-effort provision would be certified and reported. As a result, DOT is well-positioned to understand lessons learned—what worked, what did not, and what could be improved in the future. DOT and state officials told us that while the

⁴⁴As part of the Federal-Aid Highway Program, FHWA assesses the ability of each state to have its apportioned funds obligated by the end of the federal fiscal year (September 30) and adjusts the limitation on obligations for federal-aid highway and highway safety construction programs by reducing it for some states and increasing it for others. In fiscal year 2010, \$1.3 billion of obligation limitation was available to states for redistribution.

⁴⁵As of February 17, 2009, many states did not yet have an enacted budget for fiscal year 2010 and in response to anticipated changes in available funding, state legislatures adopted reduced budgets.

maintenance-of-effort requirement can be useful for ensuring continued investment in transportation, more flexibility to allow for differences in states and programs, and to allow adjustments for unexpected changes to states' economic conditions, should be considered for future provisions. For example, for the education maintenance-of-effort requirement, the Recovery Act allows the Secretary of Education to waive state maintenance-of-effort requirements under certain circumstances and allows states to choose the basis they use to measure maintenance of effort.⁴⁶ The maintenance-of-effort requirement for transportation programs proved difficult for states to apply across various transportation programs because of varying and complex revenue sources to fund the programs. Many states did not have an existing means to identify planned transportation expenditures for a specific period, and their financial and accounting systems did not capture that data. Therefore, according to DOT and some state officials, a more narrowly focused requirement applying only to programs administered by state DOTs or to programs that typically receive state funding could help address the maintenance-of-effort challenges.

- *Consideration of economically distressed areas.* Our previous reports have identified challenges DOT faced in implementing the Recovery Act requirement that states give priority to highway projects located in economically distressed areas. For example, while an economically distressed area is statutorily defined, we found that there was substantial variation in how some states identified economically distressed areas and the extent to which some states prioritized projects in those areas. We reported instances of states developing their own eligibility requirements for economically distressed areas using data or criteria not specified in the Public Works and Economic Development Act.⁴⁷ Three states—Arizona, California, and Illinois—developed their own eligibility requirements or interpreted the special-needs criterion in a way that overstated the number

⁴⁶See GAO, *Recovery Act: Planned Efforts and Challenges in Evaluating Compliance with Maintenance of Effort and Similar Provisions*, [GAO-10-247](#) (Washington, D.C.: Nov. 30, 2009).

⁴⁷In response to a recommendation we made, FHWA, in consultation with the Department of Commerce, issued guidance on August 24, 2009, that provided criteria for states to use for designating special-need areas for the purpose of Recovery Act funding. The criteria align closely with special-need criteria used by the Department of Commerce's Economic Development Administration in its own grant programs, including factors such as actual or threatened business closures (including job loss thresholds), military base closures, and natural disasters or emergencies. FHWA issued "questions and answers" on November 12, 2009, to further address implementation questions.

of eligible counties, and thus the amount of funds, directed to economically distressed areas.⁴⁸ Officials in these three states told us that they did so to respond to rapidly changing economic conditions. In May 2010, we recommended that DOT advise states to correct their reporting on economically distressed area designations, and in July 2010 FHWA instructed its division offices to advise states with identified errors to revise their economically distressed area designations. In September 2010, we recommended that DOT make these data publicly available to ensure that Congress and the public have accurate information on the extent to which Recovery Act funds were directed to areas most severely affected by the recession and the extent to which states prioritized these areas in selecting projects for funding. In March 2011, DOT posted an accounting of the extent to which states directed Recovery Act transportation funds to projects located in economically distressed areas on its Web site, and we are in the process of assessing these data.

According to officials in most states we visited, state transportation departments considered the requirement to prioritize projects in economically distressed areas in addition to other immediate and long-term transportation goals, as the Recovery Act required. For example, officials in Washington State said that they considered federally recognized economically distressed areas as one of several criteria when selecting projects. Other criteria included state economic data and projects that would be ready to proceed in a short amount of time. However, state officials were also uncertain what the economically distressed area requirement was intended to accomplish, such as whether it was intended to provide jobs to people living in those areas or to deliver new infrastructure to those areas. The economically distressed area provision proved difficult to implement because of changing economic conditions and the difficulty of targeting assistance to economically distressed areas, and it is unclear that it achieved its intended goal.

⁴⁸As part of our Recovery Act oversight, we previously tracked the uses of and accountability for Recovery Act funds in 16 states, including Arizona, California, and Illinois, and the District of Columbia.

Obligation Deadlines Ensured That Projects Were Identified Quickly, but Likely Influenced the Types of Projects Selected in Some States

We found that the Recovery Act requirement to obligate funds quickly likely influenced the types of projects selected for funding in some states. State and local officials we interviewed noted that the primary factor considered in project selection was to meet Recovery Act deadlines for obligating funds, which likely limited the types of projects that were selected for funding.⁴⁹ Federal and state officials also noted the tension between the purposes of the Recovery Act, which included preserving and creating jobs and promoting economic recovery, and investing in infrastructure to provide long-term economic benefits, among other Recovery Act goals. For example, the Recovery Act provided a relatively quick infusion of federal funding for highway and transit programs, but as we noted earlier, the majority of projects selected for highway and transit funding were pavement rehabilitation and bus purchases. State and local officials told us that to meet the act's obligation deadlines they prioritized projects that had already progressed significantly through the project development and design process and could move to construction. In some cases, state officials told us that this prohibited other, potentially-higher priority projects from being selected for funding. As a result, many Recovery Act highway projects selected for funding did not require extensive environmental clearances, were quick to design, and were quickly obligated, bid, and completed. Several states told us that their mix of highway projects would likely have been different had the obligation deadlines been longer. For example, officials in California told us that had the Recovery Act timelines been longer they would have likely pursued more large-scale projects. According to Texas transportation officials, projects that had already progressed significantly through the project development process were preferred. However, transportation officials in Virginia and Washington State said that the Recovery Act funding allowed their states to select projects that would meet the obligation time frames while also addressing state priorities, such as investing in infrastructure with potential long-term economic impacts and addressing preservation and safety needs.

⁴⁹In addition to the deadlines for obligating Recovery Act transportation funds, states could also select projects to be funded using regularly appropriated or apportioned funds (i.e., funds from non-Recovery Act federal sources), which also were available to be obligated.

Better Documentation Could Reduce Challenges to the Integrity of Selection Decisions for High Speed Intercity Passenger Rail and TIGER Grant Programs

We have reported that allocating federal funding for surface transportation based on performance in general, and directing some portion of federal funds on a competitive basis to projects of national or regional significance in particular, can more effectively address certain challenges facing the nation's surface transportation programs. In our recent reports on the high speed intercity passenger rail and TIGER programs, we found that while DOT generally followed recommended grantmaking practices, DOT could have documented more information about its award decisions.⁵⁰ Both the high speed intercity passenger rail and TIGER programs represent important steps toward investing in projects of regional and national significance through a merit-based, competitive process. We noted a natural tension between providing funds based on merit and performance and providing funds on a formula basis to achieve equity among the states. A formula approach can potentially result in projects of national or regional significance that cross state lines and involve more than one transportation mode not competing well at the state level for funds. Given that the Recovery Act was intended to create and preserve jobs and promote economic recovery nationwide, Congress believed it important that TIGER grant funding be geographically dispersed. As we noted in our recent report discussing the TIGER grant program, when Congress considers future DOT discretionary grant programs, it may wish to consider balancing the goals of merit-based project selection with geographic distribution of funds and limit, as appropriate, the influence of geographic considerations.

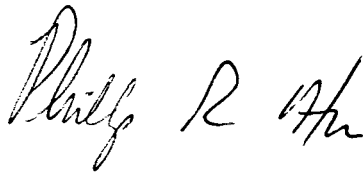
Agency Comments

We provided a draft of this report to DOT for review and comment. DOT generally agreed with our findings and provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to congressional committees with responsibilities for transportation issues, the Secretary of Transportation, and the Director of the Office of Management and Budget. The report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

⁵⁰GAO-11-234 and GAO-11-283.

If you or your staffs have any questions about this report, please contact me at (202) 512-2834 or herrp@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

A handwritten signature in black ink that reads "Phillip R. Herr". The signature is written in a cursive style with a large initial "P" and a stylized "H".

Phillip R. Herr
Director, Physical Infrastructure

Congressional Committees

The Honorable Daniel K. Inouye
Chairman
The Honorable Thad Cochran
Vice Chairman
Committee on Appropriations
United States Senate

The Honorable Harold Rogers
Chairman
The Honorable Norman D. Dicks
Ranking Member
Committee on Appropriations
House of Representatives

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Darrell E. Issa
Chairman
The Honorable Elijah Cummings
Ranking Member
Committee on Oversight and Government Reform
House of Representatives

The Honorable Barbara Boxer
Chairwoman
The Honorable James M. Inhofe
Ranking Member
Committee on Environment and Public Works
United States Senate

The Honorable John L. Mica
Chairman
The Honorable Nick J. Rahall
Ranking Member
Committee on Transportation and Infrastructure
House of Representatives

Appendix I: Objectives, Scope, and Methodology

The objectives of this report were to determine the (1) status, use, and outcomes of the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ transportation funding nationwide and in selected states; (2) actions taken by federal, state, and local agencies to monitor and ensure accountability of Recovery Act transportation funds; (3) changes in the quality of jobs data reported by Recovery Act recipients of transportation funds over time; and (4) challenges faced and lessons learned from the Department of Transportation (DOT) and recipients.

To address these objectives, we obtained and analyzed data provided to us from the Federal Aviation Administration (FAA), Federal Highway Administration (FHWA), Federal Transit Administration (FTA), and Maritime Administration (MARAD), as well as data we obtained from the operating administrations' Recovery Act Web sites. For the highway and transit programs, these data included the amount of funds obligated and the amount reimbursed by FHWA and FTA through May 31, 2011. These data also included funds awarded by project type, outlays for all regular Federal-Aid Highway Program funds through September 2010, and maintenance-of-effort certification data. For the aviation programs, FAA provided a listing of airport improvement and facilities and equipment grants, including award data, project amount, project description, and project completion dates. For the small shipyard grants, MARAD provided us with data for each grant, including award amount, project description, amount obligated, and outlays to date. We assessed the reliability of the program data we used by reviewing DOT documentation and Inspector General reports on DOT's financial management system and interviewing knowledgeable DOT officials about the quality of the data and controls in place to ensure data accuracy. We determined the data were sufficiently reliable for our purposes.

In addition, to familiarize ourselves with all the transportation programs and track their ongoing status, we reviewed program documentation, both publicly available online and internal documents provided by the agencies; reviewed prior GAO reports on the Recovery Act transportation programs; and reviewed reports published by the DOT Office of Inspector General (OIG). We also interviewed DOT officials from FAA, FHWA, FTA, MARAD, and the Office of the Secretary who were involved in managing Recovery Act programs. During these interviews, we discussed the status of expenditures, challenges facing states or recipients in spending the funds,

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

and the expected impacts from the funds. We also met with representatives from the American Association of State Highway and Transportation Officials.

We conducted site visits to six states: California, Indiana, Massachusetts, Texas, Virginia and Washington. In each of the states, we met with representatives of the FHWA division office, state department of transportation, and a local metropolitan planning organization. We also visited Recovery Act transportation projects in each state, except Virginia. In several of these states, we met with officials representing Governors' offices overseeing Recovery Act-funded programs. Our criteria for selecting these states included total FHWA funding available, number of projects selected and average obligation per project. Our selected states represent about 25 percent, or \$6.9 billion of the \$27.5 billion, available to states for Recovery Act highway investments, and we selected states with a range of allotted funding, including four that were above the national average and two that were below it. We also considered the Recovery Act highway project status and selected states with a range of underway and completed projects. In selecting our state sample, we also considered geographic dispersion and a mix of more and less populous states, as well as obtaining a mixture of states GAO had previously tracked as part of our prior Recovery Act oversight (California, Massachusetts, and Texas) and states that we had not visited previously to discuss Recovery Act transportation issues (Indiana, Virginia, Washington). This selection of states enabled us to maintain continuity on issues that GAO had previously reported on, such as economically distressed areas, and to speak with transportation officials who were able to provide fresh perspectives on the lessons learned from the Recovery Act transportation experience in their state.

To determine the actions, if any, federal, state, and local oversight entities were taking to monitor and ensure accountability of Recovery Act transportation funds, we reviewed OIG reports on various Recovery Act transportation topics and interviewed OIG staff to learn more about their findings and coordinate our audit work. In each of the six states we visited, we contacted state auditors to learn about any efforts at the state level to monitor Recovery Act transportation funding. In those states where the state auditor had conducted performance audits on Recovery Act transportation programs, we interviewed state audit representatives to better understand their ongoing oversight work, challenges faced by recipients in using funds and transportation-related audit findings, and any lessons learned. We also reviewed Single Audit reports for fiscal year 2010 in each of our six sample states. At the local level, we reviewed reports prepared by local government auditors for the six states we visited. We

obtained these reports from the Association of Local Government Auditors' Web site.

The recipient reporting section of this report responds to the Recovery Act's mandate that we comment on the estimates of jobs created or retained by direct recipients of Recovery Act funds. For our review of the seventh submission of recipient reports, covering the period January 1 to March 31, 2011, we continued our monitoring of errors or potential problems by repeating many of the analyses and edit checks reported in our six prior reviews covering the period February 2009 through December 31, 2010.² To examine how the quality of jobs data reported by recipients of Recovery Act transportation funds has changed over time, we compared the seven quarters of recipient reporting data that were publicly available at Recovery.gov on April 30, 2011.³ We performed edit checks and other analyses on the transportation recipient-reported data which included matching DOT-provided funding data from the Financial Management Information System with recipient-reported funding data and reviewing FTE reporting patterns. Our match showed a high degree of agreement between DOT recipient funding information and the information reported by recipients directly to FederalReporting.gov.

We also examined the reliability of recipient-reported data, and we reviewed FHWA's efforts to ensure reliability of the recipient-reported data by comparing it with data contained in DOT's Recovery Act Data System (RADS). Our assessment activities included reviewing documentation of system processes, conducting logic tests for key variables, and assessing data for out-of-range values. We reviewed agency documentation for the RADS and FHWA's guidance for validating recipient-reported data in that system. We also reviewed a February 2010 OIG report assessing the Recovery Act recipient data oversight at DOT and other agencies.⁴ In general, we consider the data used to be sufficiently reliable for purposes of this report. The results of our FTE analyses are

²As with the prior rounds, these checks and analyses were performed on all prime recipient reports and were done to assess data logic and consistency and identify unusual or atypical data. For this seventh round of reporting, we continued to see similar results with minor variations in the number or percentage of reports appearing atypical or showing some form of data discrepancy.

³We selected for analysis those prime recipients who entered the Catalog of Federal Domestic Assistance numbers for Recovery Act transportation programs.

⁴DOT, Office of Inspector General, *Recovery Act Data Quality: Errors in Recipient Reports Obscure Transparency* (Washington, D.C., Feb. 23, 2010).

limited to the transportation programs and time periods reviewed and are not generalizable to FTE reporting for any other program.

To update the status of open recommendations from previous bimonthly and recipient report reviews, we obtained information from agency officials on actions taken in response to recommendations.

We conducted this performance audit from September 2010 to June 2011 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Status of Prior Open Recommendations and Matters for Congressional Consideration

In this appendix, we update the status of agencies' efforts to implement the 26 open recommendations, and 2 newly implemented recommendations from our previous bimonthly and recipient reporting reviews.¹ Recommendations that were listed as implemented or closed in a prior report are not repeated here. Lastly, we address the status of our Matters for Congressional Consideration.

Department of Energy

Open Recommendations²

Given the concerns we have raised about whether program requirements were being met, we recommended in May 2010 that the Department of Energy (DOE), in conjunction with both state and local weatherization agencies, develop and clarify weatherization program guidance that

- clarifies the specific methodology for calculating the average cost per home weatherized to ensure that the maximum average cost limit is applied as intended.
- accelerates current DOE efforts to develop national standards for weatherization training, certification, and accreditation, which is currently expected to take 2 years to complete.

¹GAO, *Recovery Act: As Initial Implementation Unfolds in States and Localities, Continued Attention to Accountability Issues Is Essential*, [GAO-09-580](#) (Washington, D.C.: Apr. 23, 2009); *Recovery Act: States' and Localities' Current and Planned Uses of Funds While Facing Fiscal Stresses*, [GAO-09-829](#) (Washington, D.C.: July 8, 2009); *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed*, [GAO-09-1016](#) (Washington, D.C.: Sept. 23, 2009); *Recovery Act: Recipient Reported Jobs Data Provide Some Insight into Use of Recovery Act Funding, but Data Quality and Reporting Issues Need Attention*, [GAO-10-223](#) (Washington, D.C.: Nov. 19, 2009); *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability*, [GAO-10-231](#) (Washington, D.C.: Dec. 10, 2009); *Recovery Act: One Year Later, States' and Localities' Uses of Funds and Opportunities to Strengthen Accountability*, [GAO-10-437](#) (Washington, D.C.: Mar. 3, 2010); *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); *Recovery Act: Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds*, [GAO-10-999](#) (Washington, D.C.: Sept. 20, 2010); *Recovery Act: Head Start Grantees Expand Services, but More Consistent Communication Could Improve Accountability and Decisions about Spending*, [GAO-11-166](#) (Washington, D.C.: Dec. 15, 2010); and *Recovery Act: Energy Efficiency and Conservation Block Grant Recipients Face Challenges Meeting Legislative and Program Goals and Requirements*, [GAO-11-379](#) (Washington, D.C.: Apr. 7, 2011).

²[GAO-11-379](#), 48-50.

- develops a best practice guide for key internal controls that should be present at the local weatherization agency level to ensure compliance with key program requirements.
- sets time frames for development and implementation of state monitoring programs.
- revisits the various methodologies used in determining the weatherization work that should be performed based on the consideration of cost-effectiveness and develops standard methodologies that ensure that priority is given to the most cost-effective weatherization work. To validate any methodologies created, this effort should include the development of standards for accurately measuring the long-term energy savings resulting from weatherization work conducted.

In addition, given that state and local agencies have felt pressure to meet a large increase in production targets while effectively meeting program requirements and have experienced some confusion over production targets, funding obligations, and associated consequences for not meeting production and funding goals, we recommended that DOE clarify its production targets, funding deadlines, and associated consequences while providing a balanced emphasis on the importance of meeting program requirements.

Agency Actions

DOE generally concurred with these recommendations and has made some progress on implementing them. For example, to clarify the methodology for calculating the average cost per home, DOE has developed draft guidance to help grantees develop consistency in their average cost per unit calculations. The guidance further clarifies the general cost categories that are included in the average cost per home. DOE anticipates issuance of the guidance in June 2011.

DOE has also taken steps to address our recommendation that it develop and clarify guidance to generate a best practice guide for key internal controls. DOE distributed a memorandum dated May 13, 2011 to grantees reminding them of their responsibilities to ensure compliance with internal controls and the consequences of failing to do so. This memo is currently under internal review and DOE anticipates it will be released in May 2011.

Open Recommendations³

To better ensure that Energy Efficiency and Conservation Block Grant (EECBG) funds are used to meet Recovery Act and program goals, we recommended in April 2011 that DOE, take the following actions:

- Explore a means to capture information on the monitoring processes of all recipients to make certain that recipients have effective monitoring practices.
- Solicit information from recipients regarding the methodology they used to calculate their energy-related impact metrics and verify that recipients who use DOE’s estimation tool use the most recent version when calculating these metrics.

Agency Actions

DOE generally concurred with these recommendations, stating that “implementing the report’s recommendations will help ensure that the Program continues to be well managed and executed.” DOE also provided additional information on steps it has initiated or planned to implement. In particular, with respect to our first recommendation, DOE elaborated on additional monitoring practices it performs over high dollar value grant recipients, such as its reliance on audit results obtained in accordance with the Single Audit Act and its update to the EECBG program requirements in the Compliance Supplement to OMB Circular No. A-133. However, these monitoring practices only focus on larger grant recipients, and we believe that the program could be more effectively monitored if DOE captured information on the monitoring practices of all recipients. With respect to our second recommendation, DOE officials said that in order to provide a reasonable estimate of energy savings, the program currently reviews energy process and impact metrics submitted each quarter for reasonableness, works with grantees to correct unreasonable metrics, and works with grantees through closeout to refine metrics. In addition, DOE officials said that they plan to take a scientific approach to overall program evaluation during the formal evaluation process at the conclusion of the program, which will occur in December 2012. However, DOE has not yet identified any specific plans to solicit information from recipients regarding the methodology they used to calculate their energy-related impact metrics or to verify that recipients who use DOE’s estimation tool use the most recent version when calculating.

³[GAO-11-379](#), 36-47.

Environmental Protection Agency

Newly Implemented Recommendation⁴

We recommended that the Environmental Protection Agency (EPA) Administrator work with the states to implement specific oversight procedures to monitor and ensure subrecipients' compliance with the provisions of the Recovery Act-funded Clean Water and Drinking Water State Revolving Fund (SRF) program.

Agency Actions

In part in response to our recommendation, EPA provided additional guidance to the states regarding their oversight responsibilities, with an emphasis on enhancing site-specific inspections. Specifically, in June 2010, the agency developed and issued an oversight plan outline for Recovery Act projects that provides guidance on the frequency, content, and documentation related to regional reviews of state Recovery Act programs and regional and state reviews of specific Recovery Act projects. We found that EPA regions have reviewed all 50 states' Clean and Drinking Water SRF programs at least once since the Recovery Act was enacted, and have generally carried out the oversight instructions in EPA's plan. For example, regional officials reviewed files with state documents and information to ensure proper controls over Davis-Bacon, Buy American, and other Recovery Act requirements. Regional staff also visited one drinking water project in every state, but did not meet this goal for clean water projects due to time and budget constraints. We also found that EPA headquarters officials have been reviewing the regions' performance evaluation reports for states, and the officials said that they implemented a 60-day time frame for completing these reports. In the nine states that we reviewed in this report, program officials described their site visits to projects and the use of the EPA inspection checklist (or state equivalent), according to EPA's oversight plan. State officials told us that they visit their Recovery Act projects at least once during construction and sometimes more frequently depending on the complexity of the project. We consider these agency actions to have addressed our recommendation.

⁴[GAO-10-604](#), 246-247.

Department of Health and
Human Services: Office of
Head Start

Open Recommendation⁵

To oversee the extent to which grantees are meeting the program goal of providing services to children and families and to better track the initiation of services under the Recovery Act, we recommended that the Director of the Office of Head Start (OHS) should collect data on the extent to which children and pregnant women actually receive services from Head Start and Early Head Start grantees.

Agency Actions

The Department of Health and Human Services (HHS) disagreed with our recommendation. OHS officials stated that attendance data are adequately examined in triennial or yearly on-site reviews and in periodic risk management meetings. Because these reviews and meetings do not collect or report data on service provision, we continue to believe that tracking services to children and families is an important measure of the work undertaken by Head Start and Early Head Start service providers.

Open Recommendation⁶

To help ensure that grantees report consistent enrollment figures, we recommended that the Director of OHS should better communicate a consistent definition of “enrollment” to grantees for monthly and yearly reporting and begin verifying grantees’ definition of “enrollment” during triennial reviews.

Agency Actions

OHS issued informal guidance on its Web site clarifying monthly reporting requirements to make them consistent with annual enrollment reporting. While this guidance directs grantees to include in enrollment counts all children and pregnant mothers who have received a specified minimum of services, it could be further clarified by specifying that counts should include only those children and pregnant mothers. According to HHS officials, OHS is considering further regulatory clarification.

⁵GAO-10-604, 184.

⁶GAO-11-166, 39.

Open Recommendation⁷

To provide grantees consistent information on how and when they will be expected to obligate and expend federal funds, we recommended that the Director of OHS should clearly communicate its policy to grantees for carrying over or extending the use of Recovery Act funds from one fiscal year into the next.

Agency Actions

HHS indicated that OHS will issue guidance to grantees on obligation and expenditure requirements, as well as improve efforts to effectively communicate the mechanisms in place for grantees to meet the requirements for obligation and expenditure of funds.

Open Recommendation⁸

To better consider known risks in scoping and staffing required reviews of Recovery Act grantees, we recommended that the Director of OHS should direct OHS regional offices to consistently perform and document Risk Management Meetings and incorporate known risks, including financial management risks, into the process for staffing and conducting reviews.

Agency Actions

HHS reported that OHS is reviewing the risk management process to ensure it is consistently performed and documented in its centralized data system and that it has taken related steps, such as requiring the Grant Officer to identify known or suspected risks prior to an on-site review.

Newly Implemented
Recommendation⁹

To facilitate understanding of whether regional decisions regarding waivers of the program's matching requirement are consistent with Recovery Act grantees' needs across regions, we recommended that the Director of OHS should regularly review waivers of the nonfederal matching requirement and associated justifications.

Agency Actions

HHS reports that it has taken actions to address our recommendation. For example, HHS reports that OHS has conducted a review of waivers of the

⁷GAO-11-166, 39.

⁸GAO-11-166, 39.

⁹GAO-10-604, 184.

nonfederal matching requirement and tracked all waivers in the Web-based data system. HHS further reports that OHS has determined that they are reasonably consistent across regions.

Department of Housing and Urban Development

Open Recommendation¹⁰

Because the absence of third-party investors reduces the amount of overall scrutiny Tax Credit Assistance Program (TCAP) projects would receive and the Department of Housing and Urban Development (HUD) is currently not aware of how many projects lacked third-party investors, we recommended that HUD should develop a risk-based plan for its role in overseeing TCAP projects that recognizes the level of oversight provided by others.

Agency Actions

HUD responded to our recommendation by saying it will identify projects that are not funded by the HOME Investment Partnerships Program (HOME) funds and projects that have a nominal tax credit award. However, HUD said it will not be able to identify these projects until it could access the data needed to perform the analysis, and it does not receive access to those data until after projects have been completed. HUD currently has not taken any action on this recommendation because it only has data on the small percentage of projects completed to date. It is too early in the process to be able to identify projects that lack third-party investors. The agency will take action once they are able to collect the necessary information from the project owners and the state housing finance agencies.

¹⁰[GAO-10-999](#), 189.

Department of Labor

Open Recommendations¹¹

To enhance the Department of Labor's (Labor) ability to manage its Recovery Act and regular Workforce Investment Act (WIA) formula grants and to build on its efforts to improve the accuracy and consistency of financial reporting, we recommended that the Secretary of Labor take the following actions:

- To determine the extent and nature of reporting inconsistencies across the states and better target technical assistance, conduct a one-time assessment of financial reports that examines whether each state's reported data on obligations meet Labor's requirements.
- To enhance state accountability and to facilitate their progress in making reporting improvements, routinely review states' reporting on obligations during regular state comprehensive reviews.

Agency Actions

Labor agreed with both of our recommendations and has begun to take some actions to implement them. To determine the extent of reporting inconsistencies, Labor awarded a contract in September 2010 to perform an assessment of state financial reports to determine if the data reported are accurate and reflect Labor's guidance on reporting of obligations and expenditures. Since then, Labor has completed interviews with all states and is preparing a report of the findings. To enhance states' accountability and facilitate their progress in making improvements in reporting, Labor has drafted guidance on the definitions of key financial terms such as "obligations," which is currently in final clearance. After the guidance is issued, Labor plans to conduct a systemwide webinar and interactive training on this topic to reinforce how accrued expenditures and obligations are to be reported.

Open Recommendation¹²

Our September 2009 bimonthly report identified a need for additional federal guidance in defining green jobs and we made the following recommendation to the Secretary of Labor:

¹¹GAO-10-604, 244.

¹²GAO-09-1016, 78.

- To better support state and local efforts to provide youth with employment and training in green jobs, provide additional guidance about the nature of these jobs and the strategies that could be used to prepare youth for careers in green industries.

Agency Actions

Labor agreed with our recommendation and has begun to take several actions to implement it. Labor's Bureau of Labor Statistics has developed a definition of green jobs which was finalized and published in the *Federal Register* on September 21, 2010. In addition, Labor continues to host a Green Jobs Community of Practice, an online virtual community available to all interested parties. As part of this effort, in December 2010, Labor hosted its first Recovery Act Grantee Technical Assistance Institute, which focused on critical success factors for achieving the goals of the grants and sustaining the impact into the future. The department also hosted a symposium on April 28-29, 2011, with the green jobs state Labor Market Information Improvement grantees. Symposium participants shared recent research findings, including efforts to measure green jobs, occupations, and training in their states. In addition, the department released a new career exploration tool called "mynextmove" (www.mynextmove.gov) in February 2011. This Web site includes the Occupational Information Network (O*NET) green leaf symbol to highlight green occupations. Furthermore, Labor's implementation study of the Recovery Act-funded green jobs training grants is still ongoing. The interim report is expected in late 2011.

Executive Office of the President: Office of Management and Budget

Open Recommendation

To leverage Single Audits as an effective oversight tool for Recovery Act programs, we recommended that the Director of the Office of Management and Budget (OMB)

1. provide more direct focus on Recovery Act programs through the Single Audit to help ensure that smaller programs with higher risk have audit coverage in the area of internal controls and compliance;¹³

¹³[GAO-09-829](#), 127.

2. take additional efforts to provide more timely reporting on internal controls for Recovery Act programs for 2010 and beyond;¹⁴
3. evaluate options for providing relief related to audit requirements for low-risk programs to balance new audit responsibilities associated with the Recovery Act;¹⁵
4. issue Single Audit guidance in a timely manner so that auditors can efficiently plan their audit work;¹⁶
5. issue the OMB Circular No. A-133 Compliance Supplement no later than March 31 of each year;¹⁷
6. explore alternatives to help ensure that federal awarding agencies provide their management decisions on the corrective action plans in a timely manner;¹⁸ and
7. shorten the timeframes required for issuing management decisions by federal agencies to grant recipients.¹⁹

Agency Actions

(1) To provide more direct focus on Recovery Act programs through the Single Audit to help ensure that smaller programs with higher risk have audit coverage in the area of internal controls and compliance, the OMB Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organizations 2010 Compliance Supplement (Compliance Supplement) required all federal programs with expenditures of Recovery Act awards to be considered as programs with higher risk when performing standard

¹⁴GAO-10-604, 247.

¹⁵GAO-09-829, 127.

¹⁶GAO-10-604, 247.

¹⁷GAO-10-999, 194.

¹⁸GAO-10-604, 247-248.

¹⁹GAO-10-999, 194.

risk-based tests for selecting programs to be audited.²⁰ The auditor's determination of the programs to be audited is based upon an evaluation of the risks of noncompliance occurring that could be material to an individual major program. The Compliance Supplement has been the primary mechanism that OMB has used to provide Recovery Act requirements and guidance to auditors.²¹ One presumption underlying the guidance is that smaller programs with Recovery Act expenditures could be audited as major programs when using a risk-based audit approach. The most significant risks are associated with newer programs that may not yet have the internal controls and accounting systems in place to help ensure that Recovery Act funds are distributed and used in accordance with program regulations and objectives. Since Recovery Act spending is projected to continue through 2016, we believe that it is essential that OMB provide direction in Single Audit guidance to help to ensure that smaller programs with higher risk are not automatically excluded from receiving audit coverage based on their size and standard Single Audit Act requirements.

In May 2011, we spoke with OMB officials and reemphasized our concern that future Single Audit guidance provide instruction that helps to ensure that smaller programs with higher risk have audit coverage in the area of internal controls and compliance. OMB officials agreed and stated that such guidance is included in the 2011 Compliance Supplement which was to be issued by March 31, 2011. On June 1, 2011, OMB issued the 2011 Compliance Supplement which contains language regarding the higher-risk status of Recovery Act programs, requirements for separate reporting of findings, and a list of Recovery Act programs to aid the auditors. We will continue to monitor OMB's efforts to provide more direct focus on

²⁰Congress passed the Single Audit Act, as amended, 31 U.S.C. ch. 75, to promote, among other things, sound financial management, including effective internal controls, with respect to federal awards administered by nonfederal entities. 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.

²¹In addition to the annual edition of the Compliance Supplement, OMB may issue Compliance Supplement addendums during the year to update or provide further Recovery Act guidance.

Recovery Act programs through the Single Audit to help ensure that smaller programs with higher risk have audit coverage in the area of internal controls and compliance.

(2) To address the recommendation for taking additional efforts to encourage more timely reporting on internal controls for Recovery Act programs for 2010 and beyond, OMB commenced a second voluntary Single Audit Internal Control Project (project) in August 2010 for states that received Recovery Act funds in fiscal year 2010.²² Fourteen states volunteered to participate in the second project. One of the project's goals is to achieve more timely communication of internal control deficiencies for higher-risk Recovery Act programs so that corrective action can be taken more quickly. Specifically, the project encourages participating auditors to identify and communicate deficiencies in internal control to program management 3 months sooner than the 9-month time frame currently required under OMB Circular No. A-133. Auditors were to communicate these through interim internal control reports by December 31, 2010. The project also requires that program management provide a corrective action plan aimed at correcting any deficiencies 2 months earlier than required under statute to the federal awarding agency. Upon receiving the corrective action plan, the federal awarding agency has 90 days to provide a written decision to the cognizant federal agency for audit detailing any concerns it may have with the plan. Each participating state was to select a minimum of four Recovery Act programs for inclusion in the project.

We assessed the results of the first OMB Single Audit Internal Control Project for fiscal year 2009 and found that it was helpful in communicating internal control deficiencies earlier than required under statute. We reported that 16 states participated in the first project and that the states selected at least two Recovery Act programs for the project. We also reported that the project's dependence on voluntary participation limited its scope and coverage and that voluntary participation may also bias the project's results by excluding from analysis states or auditors with practices that cannot accommodate the project's requirement for early reporting of control deficiencies. Overall, we concluded that although the project's coverage could have been more comprehensive, the analysis of

²²OMB's second project is similar to its first Single Audit Internal Control project which started in October 2009. Sixteen states participated in the first project. We assessed the results of the project and reported them in [GAO-10-999](#).

the project's results provided meaningful information to OMB for better oversight of the Recovery Act programs selected and information for making future improvements to the Single Audit guidance.

OMB's second Single Audit Internal Control Project is in progress and its planned completion date is June 2011. OMB plans to assess the project's results after its completion date. The 14 participating states have met the milestones for submitting interim internal control reports by December 31, 2010 and their corrective action plans by January 31, 2011. By April 30, 2011, the federal awarding agencies were to provide their interim management decisions to the cognizant agency for audit. We discussed the preliminary status of these interim management decisions with OMB officials and, as of May 24, 2011, only 1 of the 10 federal awarding agencies had submitted some management decisions on the auditees' corrective action plans as required by the project's guidelines. On May 24, 2011, officials from the cognizant agency for audit, HHS, reemphasized to the federal awarding agencies their responsibilities for providing management decisions in accordance with the project's due dates. In our review of the 2009 project, we noted similar concerns that federal awarding agencies submitted management decisions on proposed corrective actions in an untimely manner and made recommendations in this area, which are discussed later in this report. We will continue to monitor the status of OMB's efforts to implement this recommendation and believe that OMB needs to continue taking steps to encourage timelier reporting on internal controls through Single Audits for Recovery Act programs.

(3) We previously recommended that OMB evaluate options for providing relief related to audit requirements for low-risk programs to balance new audit responsibilities associated with the Recovery Act. OMB officials have stated that they are aware of the increase in workload for state auditors who perform Single Audits due to the additional funding to Recovery Act programs and corresponding increases in programs being subject to audit requirements. OMB officials stated that they solicited suggestions from state auditors to gain further insights to develop measures for providing audit relief. However, OMB has not yet put in place a viable alternative that would provide relief to all state auditors that conduct Single Audits. For state auditors that are participating in the second OMB Single Audit Internal Control Project, OMB has provided some audit relief by modifying the requirements under Circular No. A-133 to reduce the number of low-risk programs to be included in some project participants' risk assessment requirements.

OMB is taking initiatives to examine the Single Audit process. OMB officials have stated that they have created a workgroup which combines the Executive Order 13520—Reducing Improper Payments Section 4 (b) Single Audit Recommendations Workgroup (Single Audit Workgroup), and the Circular No. A-87—Cost Principles for State, Local, and Indian Tribal Governments Workgroup (Circular No. A-87 Workgroup). The Single Audit Workgroup is comprised of representatives from the federal audit community; federal agency management officials involved in overseeing the Single Audit process and programs subject to that process; representatives from the state audit community; and staff from OMB. OMB officials tasked the Single Audit Workgroup with developing recommendations to improve the effectiveness of Single Audits of nonfederal entities that expend federal funds in order to help identify and reduce improper payments. In June 2010, the Single Audit Workgroup developed recommendations, some of which are targeted toward providing audit relief to auditors who conduct audits of grantees and grants that are under the requirements of the Single Audit Act. OMB officials stated that the recommendations warrant further study and that the workgroup is continuing its work on the recommendations. OMB officials also stated that the Circular No. A-87 Workgroup has also made recommendations which could impact Single Audits and that the workgroups have been collaborating to ensure that the recommendations relating to Single Audit improvements are compatible and could improve the Single Audit process. The combined workgroups plan to issue a report to OMB by August 29, 2011. We will continue to monitor OMB’s progress to achieve this objective.

(4) (5) With regard to issuing Single Audit guidance in a timely manner, and specifically the OMB Circular No. A-133 Compliance Supplement, we previously reported that OMB officials intended to issue the 2011 Compliance Supplement by March 31, 2011.²³ In December 2010, OMB provided to the American Institute of Certified Public Accounts (AICPA) a draft of the 2011 Compliance Supplement which the AICPA published on its Web site. In January 2011, OMB officials reported that the production of the 2011 Compliance Supplement was on schedule for issuance by March 31, 2011. OMB issued the 2011 Compliance Supplement on June 1, 2011. We spoke with OMB officials regarding the reasons for the delay of this important guidance to auditors. OMB officials stated that its efforts were

²³The Compliance Supplement is updated annually. The 2010 Compliance Supplement was issued in July 2010 and is applicable to audits of fiscal years beginning after June 30, 2009.

refocused toward priorities relating to the expiration of several continuing resolutions²⁴ that temporarily funded the federal government for fiscal year 2011, and the Department Of Defense And Full-Year Continuing Appropriations Act, 2011, which was passed by the Congress in April 2011, averting a governmentwide shutdown. OMB officials stated that, as a result, although they had taken steps to issue the 2011 Compliance Supplement by the end of March, such as starting the process earlier in 2010 and giving agencies strict deadlines for program submissions, they were only able to issue it on June 1, 2011. We will continue to monitor OMB's progress to achieve this objective.

(6) (7) In October 2010, OMB officials stated that, based on their assessment of the results of the project, they had discussed alternatives for helping to ensure that federal awarding agencies provide their management decisions on the corrective action plans in a timely manner, including possibly shortening the time frames required for federal agencies to provide their management decisions to grant recipients.²⁵ However, OMB officials have yet to decide on the course of action that they will pursue to implement this recommendation. OMB officials acknowledged that the results of the 2009 OMB Single Audit Internal Control Project confirmed that this issue continues to be a challenge. They stated that they have met individually with several federal awarding agencies that were late in providing their management decisions in the 2009 project to discuss the measures that the agencies will take to improve the timeliness of their management decisions. Earlier in this report, we discussed that preliminary observations of the results of the second project have identified that several federal awarding agencies' management decisions on the corrective actions that were due April 30, 2011, have also not been issued in a timely manner.

²⁴Continuing resolutions (also known as "CRs") are appropriations acts that provide budget authority for federal agencies, specific activities, or both to continue in operation when Congress and the President have not completed action on the regular appropriations acts by the beginning of the fiscal year. A CR may be enacted for the full year, up to a specified date, or until regular appropriations are enacted.

²⁵The project's guidelines called for the federal awarding agencies to complete (1) performing a risk assessment of the internal control deficiency and identify those with the greatest risk to Recovery Act funding and (2) identifying corrective actions taken or planned by the auditee. OMB guidance requires this information to be included in a management decision that the federal agency was to have issued to the auditee's management, the auditor, and the cognizant agency for audit.

In March 2010, OMB issued guidance under memo M-10-14, item 7, (http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m1014.pdf) that called for federal awarding agencies to review reports prepared by the Federal Audit Clearinghouse regarding Single Audit findings and submit summaries of the highest-risk audit findings by major Recovery Act program, as well as other relevant information on the federal awarding agency's actions regarding these areas. In May 2011, we reviewed selected reports prepared by federal awarding agencies that were titled *Use of Single Audit to Oversee Recipient's Recovery Act Funding*. These reports were required by memo M-10-14 for reports from the Federal Audit Clearinghouse for fiscal year 2009. The reports were developed for entities where the auditor issued a qualified, adverse, or disclaimer audit opinion. The reports identified items such as (1) significant risks to the respective program that was audited; (2) material weaknesses, instances of noncompliance, and audit findings that put the program at risk; (3) actions taken by the agency; and (4) actions planned by the agency. OMB officials have stated that they plan to use this information to identify trends that may require clarification or additional guidance in the Compliance Supplement.

OMB officials also stated that they are working on a metrics project with the Recovery Accountability and Transparency Board to develop metrics for determining how federal awarding agencies are to use information available in the Single Audit and which can serve as performance measures. We attended a presentation of the OMB Workgroup that is working with the Recovery Accountability and Transparency Board in developing the metrics project in May 2011 and note that it is making progress. OMB officials have stated that the metrics could be applied at the agency level, by program, to allow for analysis of Single Audit findings, along with other uses to be determined. One goal of the metrics project is to increase the effectiveness and timeliness of federal awarding agencies' actions to resolve single audit findings. We will continue to monitor the progress of these efforts to determine the extent that they improve the timeliness of federal agencies' actions to resolve audit findings so that risks to Recovery Act funds are reduced and internal controls in Recovery Act programs are strengthened.

Department of
Transportation

Open Recommendations²⁶

To ensure that Congress and the public have accurate information on the extent to which the goals of the Recovery Act are being met, we recommended that the Secretary of Transportation direct FHWA to take the following two actions:

- Develop additional rules and data checks in the Recovery Act Data System, so that these data will accurately identify contract milestones such as award dates and amounts, and provide guidance to states to revise existing contract data.
- Make publicly available—within 60 days after the September 30, 2010, obligation deadline—an accurate accounting and analysis of the extent to which states directed funds to economically distressed areas, including corrections to the data initially provided to Congress in December 2009.

Agency Actions

In its response, DOT stated that it implemented measures to further improve data quality in the Recovery Act Data System, including additional data quality checks, as well as providing states with additional training and guidance to improve the quality of data entered into the system. DOT also stated that as part of its efforts to respond to our draft September 2010 report in which we made this recommendation on economically distressed areas, it completed a comprehensive review of projects in these areas, which it provided to GAO for that report. DOT recently posted an accounting of the extent to which states directed Recovery Act transportation funds to projects located in economically distressed areas on its Web site, and we are in the process of assessing these data.

Open Recommendation²⁷

To better understand the impact of Recovery Act investments in transportation, we believe that the Secretary of Transportation should ensure that the results of these projects are assessed and a determination made about whether these investments produced long-term benefits. Specifically, in the near term, we recommended that the Secretary direct FHWA and FTA to determine the types of data and performance measures

²⁶ [GAO-10-999](#), 187-188.

²⁷ [GAO-10-604](#), 241-242.

they would need to assess the impact of the Recovery Act and the specific authority they may need to collect data and report on these measures.

Agency Actions

In its response, DOT noted that it expected to be able to report on Recovery Act outputs, such as the miles of road paved, bridges repaired, and transit vehicles purchased, but not on outcomes, such as reductions in travel time, nor did it commit to assessing whether transportation investments produced long-term benefits. DOT further explained that limitations in its data systems, coupled with the magnitude of Recovery Act funds relative to overall annual federal investment in transportation, would make assessing the benefits of Recovery Act funds difficult. DOT indicated that, with these limitations in mind, it is examining its existing data availability and, as necessary, would seek additional data collection authority from Congress if it became apparent that such authority was needed. DOT plans to take some steps to assess its data needs, but it has not committed to assessing the long-term benefits of Recovery Act investments in transportation infrastructure. We are therefore keeping our recommendation on this matter open.

Matters for Congressional Consideration

Matter²⁸

To the extent that appropriate adjustments to the Single Audit process are not accomplished under the current Single Audit structure, Congress should consider amending the Single Audit Act or enacting new legislation that provides for more timely internal control reporting, as well as audit coverage for smaller Recovery Act programs with high risk.

We continue to believe that Congress should consider changes related to the Single Audit process.

Matter²⁹

To the extent that additional coverage is needed to achieve accountability over Recovery Act programs, Congress should consider mechanisms to provide additional resources to support those charged with carrying out the Single Audit Act and related audits.

²⁸ [GAO-09-829](#), 128.

²⁹ [GAO-09-829](#), 128.

Matter³⁰

We continue to believe that Congress should consider changes related to the Single Audit process.

To provide housing finance agencies (HFA) with greater tools for enforcing program compliance, in the event the Section 1602 Program is extended for another year, Congress may want to consider directing the Department of the Treasury to permit HFAs the flexibility to disburse Section 1602 Program funds as interest-bearing loans that allow for repayment.

We continue to believe that Congress should consider directing the Department of the Treasury to permit HFAs the flexibility to disburse Section 1602 Program funds as interest-bearing loans that allow for repayment.

³⁰ [GAO-10-604](#), 251.

Appendix III: GAO Contact and Staff Acknowledgments

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Staff Acknowledgments

In addition to the contact named above, Thomas Beall, Jonathan Carver, Andrew Ching, John Healey, Sharon Hogan, Thomas James, Bert Japikse, Delwen Jones, Heather MacLeod, SaraAnn Moessbauer, Josh Ormond, Carol Patey, Beverly Ross, Jonathan Stehle, and Pamela Vines made key contributions to this report.

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