

December 2009

RECOVERY ACT

Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Ohio)



GAO

Accountability * Integrity * Reliability

Appendix XV: Ohio

Overview

This appendix summarizes GAO's work on the fourth of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act) spending in Ohio. The full report on all of our work, which covers 16 states and the District of Columbia, is available at <http://www.gao.gov/recovery>.

What We Did

GAO's work in Ohio focused on specific programs funded under the Recovery Act, as well as general issues involving the effect of Recovery Act funds. We selected the Weatherization Assistance Program for detailed review primarily because it was in full operation across the state. To continue our ongoing longitudinal analysis of the use of the Recovery Act funds, we also updated funding information on the U.S. Department of Transportation's (DOT) Highway Infrastructure Investment Program; the Department of Housing and Urban Development's (HUD) Public Housing Capital Fund; and three U.S. Department of Education (Education) Recovery Act education programs—the State Fiscal Stabilization Fund (SFSF); Title I, Part A, of the Elementary and Secondary Education Act of 1965 (ESEA), as amended; and Part B of the Individuals with Disabilities Education Act (IDEA), as amended. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-232SP](#). In addition to specific Recovery Act programs, we also reviewed general issues involving state and local budget stabilization and the state's efforts to report on the use and effect of the Recovery Act funds by program.

Recovery Act Funds Provide Some Needed Support to Local Governments in Ohio

The state and some local governments in Ohio continue to face budgetary challenges. As we reported, the state's biennial budget for fiscal years 2010-2011 relies on about \$851 million in proceeds from the video lottery terminals to balance its biennial budget. According to a senior official with the state budget office, the Ohio Supreme Court recently ruled that a statewide referendum was needed before these terminals could go into operation. The earliest such a referendum could be held, this official said, was November 2010. The state had planned to have the terminals in operation a year earlier in order to begin collecting revenues. This delay will force the state to take other actions to keep its budget balanced.

GAO visited four localities in Ohio—the City of Athens, the City of Cincinnati, the City of Toledo, and Putnam County—to review their use of Recovery Act funds.

Athens, Ohio

See tables 1 and 2 for demographic information on and sources of Recovery Act funding for the City of Athens.

Table 1: Demographics for Athens, Ohio

Population	Locality type	Unemployment rate
22,088	City	8.6%

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

Table 2: Sources of Recovery Act Funding to Athens City Government

Area for funding	Source of funding
Public safety	Edward Byrne Memorial Justice Assistance Grant (JAG) – \$104, 531
Infrastructure	Federal Transit Administration Transit Capital Assistance Non-Urbanized Area Formula (Section 5311) Grant – \$179,216
	Drinking Water State Revolving Fund – \$320,000

Sources: Ohio Department of Public Safety, U.S. Department of Justice, Ohio Department of Transportation, and Ohio Environmental Protection Agency.

Recovery Act funds helpful, but not integral to current budget.

According to city officials, a 1.5 percent reduction was made in February 2009 to the city’s budget. As a result of this reduction, raises for nonunion employees were delayed, and nine reserve and part-time police officers were temporarily laid off. The city also consolidated some positions, and canceled some unfilled positions, including a police officer position. However, city officials said that their fiscal year 2009 finances are better than those of many other cities in the state. In fiscal year 2009, city revenues increased and surpassed expectations. City officials said that Athens’ largest employer, Ohio University, has been offering early retirement packages, which have increased income tax revenues due to augmented taxpayer incomes.¹ City officials are guarded about future revenue growth as these one-time revenues and incomes could go down as payrolls shrink.

¹According to city officials, the Athens income tax is paid by individuals who either live or work in the city.

Recovery Act funds have been provided additional public safety and infrastructure.

- *Public safety:* The JAG funds will go toward, among other things, mobile computer data terminals for nine police vehicles that will provide additional capabilities to officers in the field.
- *Infrastructure:* Recovery Act funds have allowed Athens' transit system to fund upgrades and to purchase a new bus. The upgrades also made it possible for a contractor to retain a bus maintenance mechanic position. The city's Department of Engineering and Public Works applied for 12 Recovery Act grants but received only one. City officials said that the drinking water funds will help Athens save operating costs and avoid additional debt. According to officials, the water project was needed but it would not have been done immediately otherwise; without Recovery Act funds, repairs could have sustained the facility for a while.

Cincinnati, Ohio

See tables 3 and 4 for demographic information on and sources of Recovery Act funding for the City of Cincinnati.

Table 3: Demographics for Cincinnati, Ohio

Population	Locality type	Unemployment rate
333,336	City	9.3%

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

Table 4: Sources of Recovery Act Funding to Cincinnati City Government

Area for funding	Source of funding
Community development and social services	Community Development Block Grant – Recovery Act Funds (CDBG-R) – \$3,490,694 Homelessness Prevention and Rapid Re-Housing Program (HPRP) Grant – \$5,339,182
Public safety	Edward Byrne Memorial Justice Assistance Grant (JAG) – \$3,419,570 COPS Hiring Recovery Program (CHRP) Grant – \$13,570,400
Infrastructure	Federal Highway Administration (FHWA) – Highway Infrastructure Investment Program – \$4,500,000 Energy Efficiency & Conservation Block Grant (EECBG) – \$3,520,600

Sources: U.S. Department of Housing and Urban Development, Ohio Department of Public Safety, U.S. Department of Justice, Ohio Department of Development, and Cincinnati, Ohio, government officials.

Future budget problems are not resolved. According to city officials, fiscal year 2009 general fund tax revenues will be down \$28 million from original estimates and are expected to continue falling in fiscal year 2010. To keep the fiscal year 2009 budget in balance, city officials pursued several actions that included employee layoffs, furloughs, wage concessions, city service cutbacks and drawing down funds held in reserve. In addition, city officials stated that even with all the staffing and service cuts made during the current year, a \$51 million dollar structural deficit will have to be resolved next year.

Recovery Act funds have provided additional services and saved jobs in community development and social services, public safety, and infrastructure.

- *Community development and social services:* A city official said Recovery Act funding received under the CDBG-R program prevented the elimination of a private lot abatement initiative and nine other human service initiatives totaling more than \$700,000. The remaining \$8.1 million will be used to start eight new initiatives and pay administrative expenses.
- *Public safety:* City officials said that Recovery Act funding will save approximately 79 city police officer positions and create three new staff positions. Approximately \$1.4 million in Byrne JAG funds will finance 27 officer positions through the end of fiscal year 2009. Officials with the city budget office and the police department said that they will have to make choices about whether they can continue to

fund those positions with city revenues during next year’s budget deliberations. Another \$1.6 million in Byrne JAG funds is being subgranted by Cincinnati to 14 different local governments for law enforcement activities to support several other officer positions and pay for new equipment. The remaining Byrne JAG funds are slated to retain 2 officers in the city’s Sex Offenders Unit, create 2 new crime analyst positions, and allow the city law department to hire 1 additional prosecutor. The CHRP grant will also fund personnel-related costs by supporting 50 officer positions from fiscal years 2009 through 2012.

- *Infrastructure:* Cincinnati will administer two projects totaling \$4.5 million that were approved through the local area metropolitan planning organization (MPO). The city will also receive a \$3.5 million formula grant allocation under the EECBG program that will fund eight different projects.

Toledo, Ohio

See tables 5 and 6 for demographic information on and sources of Recovery Act funding for the City of Toledo.

Table 5: Demographics for Toledo, Ohio

Population	Locality type	Unemployment rate
316,851	City	12.1%

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are a revised estimate from July 1, 2007. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rate is a percentage of the labor force. Estimates are subject to revision.

Table 6: Sources of Recovery Act Funding to Toledo City Government

Area for funding	Source of funding
Social services	Community Development Block Grant – Recovery Act Funds (CDBG-R) – \$2,141,045
	Homelessness Prevention and Rapid Re-Housing Program (HPRP) Grant – \$3,275,494
Public safety	Edward Byrne Memorial Justice Assistance Grant (JAG) – \$2,504,046
	STOP Violence Against Women Act Formula Grant – \$40,193
	COPS Hiring Recovery Program (CHRP) Grant – \$7,149,437
Infrastructure	Federal Highway Administration (FHWA) – Highway Infrastructure Investment Program – \$13,357,522
	Energy Efficiency & Conservation Block Grant (EECBG) – \$3,083,600
	Assistance to Firefighters Fire Station Construction Grant – \$2,995,602
	U.S. Environmental Protection Agency Brownfields Program – \$940,000
	Clean Water State Revolving Fund – \$805,200

Sources: U.S. Department of Housing and Urban Development, Ohio Department of Public Safety, U.S. Department of Justice, Ohio Department of Transportation, Ohio Department of Development, U.S. Department of Homeland Security's Federal Emergency Management Agency, U.S. Environmental Protection Agency, Ohio Environmental Protection Agency, and Toledo, Ohio, government officials.

Recovery Act funds provide some relief to budget crisis but fund mostly project-based activities. According to a city official, Toledo revised its fiscal year 2009 budget to recognize a revenue shortfall of \$24 million. City officials said that they renegotiated several city employee union contracts that included several concessions and 2-year wage freezes, placed some city employees on a 32-hour work week, and laid off others, including 75 police officers in May 2009. Toledo officials do not anticipate revenues returning to pre-2009 levels for several years, making for tough budget decisions in the future. Additionally, city officials that we spoke to expressed concerns that much of the Recovery Act funding is restricted to specific project-based activities, leaving Toledo little discretion to apply such funding to other priorities that are facing cutbacks as a result of the city's current budget crisis.

Recovery Act funds have provided additional services and saved jobs in social services, public safety and infrastructure.

- *Social services:* Toledo plans to initiate nine different community projects to improve local neighborhoods and alleviate homelessness. For example, \$500,000 in Recovery Act funding received under the CDBG-R program will be used to complete necessary home repairs for persons who would not otherwise qualify to receive home weatherization services that are also available under the Recovery Act. In addition, the Recovery Act funding for HPRP will be allocated to several subgrantees to provide housing relocation, case management, legal services, and rental payments to eligible persons.
- *Public safety:* A city official described how the \$9.7 million in Recovery Act funding for the public safety programs listed in table 6 will allow the city to rehire laid off staff and avoid other planned layoffs. For example, the \$7.1 million in funding for the CHRP grant permitted Toledo to recall 31 officers who were laid off in May 2009. These officers' salaries and benefits will be funded through 2012. Other police department layoffs were avoided and city assistant prosecutor positions were added with the approximately \$1.4 million in Byrne JAG and Violence Against Women program funds Toledo is receiving as a subgrantee of Lucas County. In addition, Toledo will use approximately \$698,000 in Byrne JAG funds to recall 6 civilian 911 emergency call center staff previously laid off in 2009.
- *Infrastructure:* Under the Highway Infrastructure Investment program, the city will administer six road projects totaling \$6.9 million that were approved by the local area MPO. Additionally, \$6.5 million will be obligated for projects under the same FHWA program to double the capacity of an existing rail yard and create future economic development opportunities.

Putnam County, Ohio

See tables 7 and 8 for demographic information on and sources of Recovery Act funding for Putnam County.

Table 7: Demographics for Putnam County, Ohio

Population	Locality type	Unemployment rate
34,543	County	9.0%

Sources: U.S. Census Bureau and U.S. Department of Labor.

Notes: Population data are from July 1, 2008. Unemployment rates are preliminary estimates for September 2009 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revision.

Table 8: Sources of Recovery Act Funding to Putnam County Government

Area for funding	Source of funding
Public safety	Edward Byrne Memorial Justice Assistance Grant (JAG) – \$351,497
	Assistance to Rural Law Enforcement to Combat Crime and Drugs Grant – \$703,200
Social services	Workforce Investment Act – \$178,000
	Child Care and Development Block Grant – \$38,000
	Supplemental Nutrition Assistance Program – \$12,000
	Title IV-E Adoption Assistance and Foster Care Programs – \$12,000
	Impact on Child Support Incentives Program – \$8,000

Sources: Ohio Department of Public Safety, U.S. Department of Justice, and Putnam County, Ohio, government officials.

Recovery Act funds to address some reductions made to the county’s budget. County officials approved a revised budget in May 2009 that included \$1 million decreases to both revenues and expenditures for the current fiscal year. According to a county official, expenditure cuts were made across the board except for mandated services and nonnegotiable items such as debt repayments to maintain a balanced budget. These cuts included reducing administrative expenses, wage freezes, and not replacing retiring staff. In addition, the Sheriff’s Office laid off 6 full-time staff and 10 part-time staff and reduced the work week for all full-time hourly employees from 40 to 32 hours.

Recovery Act funds have provided additional services and saved jobs in public safety and social services.

- *Public safety:* County officials applied for both a Byrne JAG grant through the state and a federal Bureau of Justice Assistance Rural Law Enforcement grant. Both grant applications, totaling \$1.1 million, were successful, but the Sheriff’s Office applied to bring back the same full-time road patrol deputies with each of these two grants. Now that both grants have been awarded, the Sheriff’s Office asked for approval to use the Byrne JAG funding award for a different purpose—to bring back an additional 2 full-time and 10 part-time staff members and return all full-time hourly staff to a 40-hour work week. By October 16, 2009, the Sheriff’s Office request had been approved.
- *Social services:* A Putnam County official said that the county used Recovery Act funding to provide additional services and support to

eligible individuals. The county did not use these funds to hire or retain additional staff or to pay for contractor support.

Recovery Act Funds Are Being Used to Weatherize Homes

The State of Ohio has been allocated \$266.8 million² in Recovery Act funds for its Home Weatherization Assistance Program (HWAP). Of this amount, the Ohio Department of Development (ODOD) has obligated all of the \$133.4 million that the U.S. Department of Energy (DOE) has so far provided. States were authorized to start using Recovery Act funds to weatherize homes on July 1, 2009. As of November 5, 2009, ODOD reported that it had drawn down \$37.5 million to weatherize 4,708 homes.

Davis-Bacon Act Provisions Are Established; Ohio Is Making Adjustments

The wage rates set for weatherization work on residential homes under the Recovery Act were subject to provisions of the Davis-Bacon Act. On September 3, 2009, the U.S. Department of Labor (Labor) published county-by-county residential wage rates. These rates represented the minimum rate that weatherization workers could be paid when Recovery Act funds were used. To aid in monitoring these provisions, all grantees and contractors working on the Recovery Act projects were required by ODOD to maintain accurate records and complete weekly certified payrolls on Recovery Act-funded projects. As the prime recipient of the state's weatherization Recovery Act funds, ODOD is responsible for obtaining, maintaining, reviewing, and monitoring all Davis-Bacon Act certified payroll records.

Ohio began weatherizing residential homes before Labor issued its guidance on Davis-Bacon wage rates. Ohio officials told us that the state wanted to ensure that it met production targets and, therefore, decided to proceed quickly. Effective July 1, 2009, ODOD directed its 34 grantees³ that perform the weatherization work to set their own wage rates based on similar positions within their counties and be prepared to make adjustments once the Davis-Bacon rates were finalized. It turned out that some of the Davis-Bacon rates were higher than expected, but grantees are making adjustments. Of the three grantees we visited, one grantee will be

²U.S. Department of Energy (DOE) officials told us that on September 22, 2009, they obligated all the funds allocated to the states but had limited the states' access to 50 percent of these funds. DOE currently plans to make the remaining funds available to the states once 30 percent of the housing units identified in the state plans are weatherized.

³Three of these grantees use 24 local agencies—called delegates—to provide weatherization services.

making additional payments (back pay) of at least \$85,817 to 31 weatherization employees. The second grantee will pay \$1,225 to two contractor employees. The third grantee will not have to make adjustments because it already paid a wage equal to, or higher than, the Davis-Bacon wage rates.

While uncertainty over Davis-Bacon wage rates did not slow residential projects in Ohio, it has caused difficulties for buildings considered commercial. ODOD officials said that the state considers all multifamily buildings with four stories or more to be commercial structures; however, Labor has not provided wage rates for commercial projects. According to ODOD officials, the absence of a commercial wage rate for weatherization projects caused some grantees to delay projects in larger, multifamily buildings until they could better estimate the costs of those projects. ODOD officials stated that new guidance issued by DOE on November 10, 2009, has addressed their concerns and they would now be able to move forward on commercial projects. DOE's November guidance states that grantees may use Labor's residential weatherization wage rates in lieu of commercial rates in estimating the cost-effectiveness of weatherization measures in high-rise buildings.

As Initial Program Implementation Unfolds, Additional Monitoring Efforts, Early in the Process, Are Essential for Program Effectiveness

To understand how the program was being implemented, we met with state officials and visited grantees that perform the weatherization work. We met with ODOD officials responsible for managing HWAP to gain an understanding of how the state plans to monitor the program. ODOD plans to enhance its existing monitoring approach by conducting both administrative and technical monitoring on an annual basis and assessing grantee performance on a quarterly basis. As of October 31, 2009, ODOD officials told us that it had conducted site visits to 8 of its provider network of 34 grantees and reviewed 3 percent of production. ODOD had not yet reviewed the administrative functions of any of its grantees. However, state officials said ODOD is revising its monitoring program to better align it to Recovery Act guidance.

We conducted site visits to three grantees selected to provide a mix of (1) crew-based and contractor-based service providers, (2) rural and urban service providers, and (3) direct grantee or delegate service providers. During our site visits, we reviewed files of about 10 percent of homes weatherized using Recovery Act funds from July 1, 2009, through

September 30, 2009.⁴ We reviewed file documentation to determine whether the grantee had (1) assessed applicant eligibility, (2) conducted an initial inspection to determine where and how much energy is being lost, and (3) conducted a final quality assurance inspection to ensure that the project was completed according to Weatherization Assistance Program standards. We also conducted site visits of an ongoing project and a project scheduled for final inspection at all three grantees. In addition, we reviewed the most recent Single Audit reports for these grantees.

Our file reviews of the three grantees we visited identified the following concerns:

- **Inconsistent grantee practices for monthly reporting of the number of homes completed.** We identified a number of inconsistencies in how grantees defined completed homes, resulting in varying practices for counting and reporting monthly unit production to ODOD. Our file review showed that only 34 percent of the homes were reported as completed in the correct month. According to Ohio's state plan, no home will be reported as completed until the grantee has performed a final inspection and certified that all planned work was done. We found that none of the three grantees consistently followed ODOD's state plan.
- **Recovery Act funds were used to weatherize homes before July 1, 2009.** In our file review at one grantee, we found homes that were weatherized in April and June 2009 and were paid for with Recovery Act funds. These homes were weatherized before Ohio's July 1, 2009, target date for Recovery Act production. This is not permitted under Ohio's Recovery Act State Plan.⁵

⁴At the time of our review in early October 2009, one of the grantees we visited had not finalized its September 2009 monthly production report; therefore, we were unable to test homes completed for that month. For the other two, we reviewed production for all three months.

⁵In order to promote separate accountability of Recovery Act funds from the DOE Base Allocation funds, and to comply with the DOE directive that Recovery Act production cannot commence without an approved comprehensive state plan, Ohio will implement the two sources of funding in sequence. HWAP production before July 1, 2009, will be funded with base allocation dollars, and HWAP production from July 1, 2009, forward will be funded with Recovery Act fund.

- **Recovery Act funds used to weatherize home of an ineligible applicant.** In our file review at one grantee, we found that an ineligible applicant had received over \$2,300 of weatherization services, yet the applicant had an income that was above the income eligibility limit.⁶ Although failure to verify eligibility was identified as a significant deficiency in the grantee's fiscal year 2008 Single Audit report and the grantee agreed to implement a corrective action plan, our review found that existing controls are still weak, leading to Recovery Act funds being spent on an ineligible applicant.
- **Varying practices for documenting callbacks.** We identified inconsistent practices for documenting callbacks—a process where the weatherization workers are called back to complete additional work identified during the final inspection. Two grantees told us that they documented all callbacks and their resolution, while one grantee had a more informal process for tracking callbacks. Without an effective tracking process, it would be difficult for grantees to keep track of whether a callback issue has been sufficiently addressed and whether work was completed in accordance with program and safety requirements.

We provided the Governor of Ohio with a draft of this appendix. Ohio officials said they would take a number of actions to address the findings we reported above. First, to ensure that grantees prepare their monthly production reports more consistently and in accordance with program requirements, ODOD officials said they will review the inconsistencies found with all grantees and provide additional technical assistance to those grantees who need it. Second, to correct the use of Recovery funds before July 1, 2009, ODOD officials told us the provider will cancel the expenses charged to Recovery Act funds and cover the expenses with non-Recovery Act HWAP funds. Third, to address using Recovery Act funds to weatherize the home of an ineligible applicant, ODOD officials told us they will seek reimbursement from the grantee and will communicate to the grantee the need to verify eligibility, provide technical assistance on how to strengthen internal controls, and how to monitor the implementation of these controls. Finally, to provide a more consistent practice for

⁶Eligibility for the Recovery Act Weatherization Assistance Program is generally limited to households with income levels at or below 200 percent of the federal poverty level or households whose income levels are the basis for receiving cash assistance payments under Titles IV and XVI of the Social Security Act or local law during the 12-month period preceding the determination of eligibility for weatherization assistance. 42 U.S.C. § 6862(7).

documenting callbacks, ODOD officials acknowledge that an effective callback tracking process is needed and will design a process for grantees to use.

Ohio's Reported Expenditures May Not Reflect Funds Spent Weatherizing Homes

In June 2009, in accordance with DOE's guidance on the use of Recovery Act funds, ODOD provided grantees with 10 percent of their allocated funds in order to start up their programs through activities such as training staff and purchasing equipment. ODOD officials said that these funds may not be spent, in large part, because of the burden of getting approvals from DOE for new equipment purchases. ODOD officials said that it reimburses grantees monthly for production and expects the grantees to use the 10 percent allocation over the life of the grant; grantees will have to submit claims against it before the end of the 3-year grant cycle. As a result, some of the initial allocation passed to grantees may not have been spent even though it was reported spent under the first Recovery Act recipient report. For example, as of November 5, 2009, ODOD said it had drawn down \$37.5 million in Recovery Act funds from the U.S. Treasury; however, this includes the 10 percent for start up activities allocated in June 2009. ODOD officials said that as of November 5, 2009, grantees have spent \$25.7 million. State officials said that Ohio followed the Office of Management and Budget's (OMB) guidance on reporting expenditures under section 1512 of the Recovery Act and accurately reported the state's disbursement of Recovery Act funds to ODOD; however, they said they did not report the expenditure of those funds by HWAP grantees.

Recipient Reporting on Weatherization Assistance Program Is Inconsistent with Federal Guidance

Ohio's recipient reports on HWAP underreported actual program progress because data are only provided through August 2009. ODOD issued guidance on September 14, 2009, directing its grantees to provide data only through August 31, 2009. As a result, Ohio's weatherization data for the first Section 1512 report omit data from September 2009. An ODOD official explained that because grantees submit data 10 days following the end of the month, ODOD could not provide data through September 30, 2009, the required reporting date. ODOD plans to report data from September through November in the next quarterly report, in January 2010. A senior ODOD official acknowledged that ODOD's practices are not consistent with the guidance issued by the OMB that requires prime recipients to report on a quarterly basis, with the first quarter ending on September 30, 2009. This may result in reports that do not accurately reflect the number of jobs created or retained and funds expended in Ohio's weatherization program in the reported time period.

Furthermore, data reported on jobs do not appear to have been reported consistent with OMB guidance. OMB guidance requires that total hours worked be converted to full-time equivalents to calculate the number of jobs created by the Recovery Act. However, for the first recipient report ODOD used the results of a labor survey completed in July 2009 that required grantees to estimate the number of jobs that could potentially be created with Recovery Act funds. This inconsistency between reporting potential positions and actual hours worked could result in an inaccurate reporting of jobs created. For example, one of the grantees we visited reported 36 jobs created, but officials told us that they had filled only 20 positions at the time of our visit. Another grantee used contractors to provide weatherization services. While this grantee reported 14 agency and 8 contractor jobs created, an official with this grantee confirmed that only 6 agency and 7 contractor positions had been filled.

Conclusion

Ohio's HWAP will grow significantly under the Recovery Act. In addition, there is an expectation that services be delivered fast to inject funds into the economy quickly. As a result, the program is at heightened risk for waste, fraud, and abuse. Real-time monitoring and early assessments of grantees activities could help avoid waste, fraud, and abuse and help ensure program success. Although ODOD has a monitoring plan in place that meets DOE requirements, given the discrepancies we found during our site visits, HWAP may benefit from earlier and more frequent monitoring to ensure that grantees are in compliance with program and Recovery Act requirements. In addition, ODOD should clarify its guidance to grantees on subrecipient reporting for Recovery Act programs to better align it to the state and OMB requirements and time frames.

In response to our findings, the Ohio Office of Budget and Management (OBM) issued general guidance to all state agencies on November 20, 2009, to create more uniform state-issued guidance regarding Recovery Act reporting requirements and to reinforce the importance of early monitoring and data assurance review of all Recovery Act-funded programs. Specifically, to ensure consistency OBM will review all updated or new state agency guidance and post all federal guidance on one web site. The state says that this centralized approach could help state agencies take advantage of best practices for reporting requirements and for developing guidance. In order to provide consistency in reporting the number of jobs created, the state will develop a jobs calculator, which will be based on OMB's jobs calculation guidance. This new guidance also asks state agencies to evaluate their monitoring plans to anticipate additional

needs or changes in order to ensure full compliance with Recovery Act requirements.

With regard to our findings on Ohio's Home Weatherization Assistance Program, state officials recognized that providing data through August 31, 2009, is less than ideal, but that reporting accurate and complete grantee data within 10 days of the end of the quarter is not possible using the current HWAP reporting processes. According to state officials, OBM and ODOD will review the current process and consult with OMB on how to proceed. Similarly, OBM will provide ODOD with its jobs calculator to calculate jobs based on the number of actual hours worked during a quarter. Finally, ODOD said it planned to add staff to begin administrative monitoring in December 2009 and will begin fiscal monitoring in January 2010.

Ohio Continues to Use Recovery Act Funds and Award Highway Contracts Below the State's Estimated Cost

The U.S. Department of Transportation's FHWA apportioned about \$936 million in Recovery Act funds to Ohio. Of this apportionment, about \$655 million was allocated to the Ohio Department of Transportation (ODOT) and the remaining funds, about \$281 million, were directly suballocated to Ohio's metropolitan, regional, and local areas. As of October 31, 2009, FHWA had obligated about \$475 million of the \$936 million in funds apportioned to Ohio and had reimbursed the state \$62 million. This is about 51 percent of the total funding apportioned to Ohio in March 2009 compared to 41 percent as of June 25, 2009. According to ODOT, the main reason for this slow increase in obligating funds was that FHWA deobligated funds totaling over \$40 million because contract awards came in below the state's estimated cost. While lower-than-estimated project costs reduced the obligation rate, they also allowed ODOT to fund more projects than originally planned. We reported in our July 2009 report that ODOT had identified 210 transportation projects; as of November 23, 2009, the number of projects increased to 244. ODOT officials told us that the increase in the number of funded transportation projects was directly related to contracts being awarded below the state's estimated project cost. Table 9 compares total highway program obligations as of June 25, 2009, and October 31, 2009.

Table 9: Comparison of Highway Obligations for Ohio as of June 25, 2009, and October 31, 2009

Dollars in millions

	Obligations					
	Total obligations		Statewide (70 percent of funds)		Suballocated (30 percent of funds)	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
	\$936	100	\$655	100	\$281	100
Obligations as of June 25, 2009	384	41	339	52	46	16
Obligations as of October 31, 2009	475	51	315	48	160	57
Difference	91		24		114	

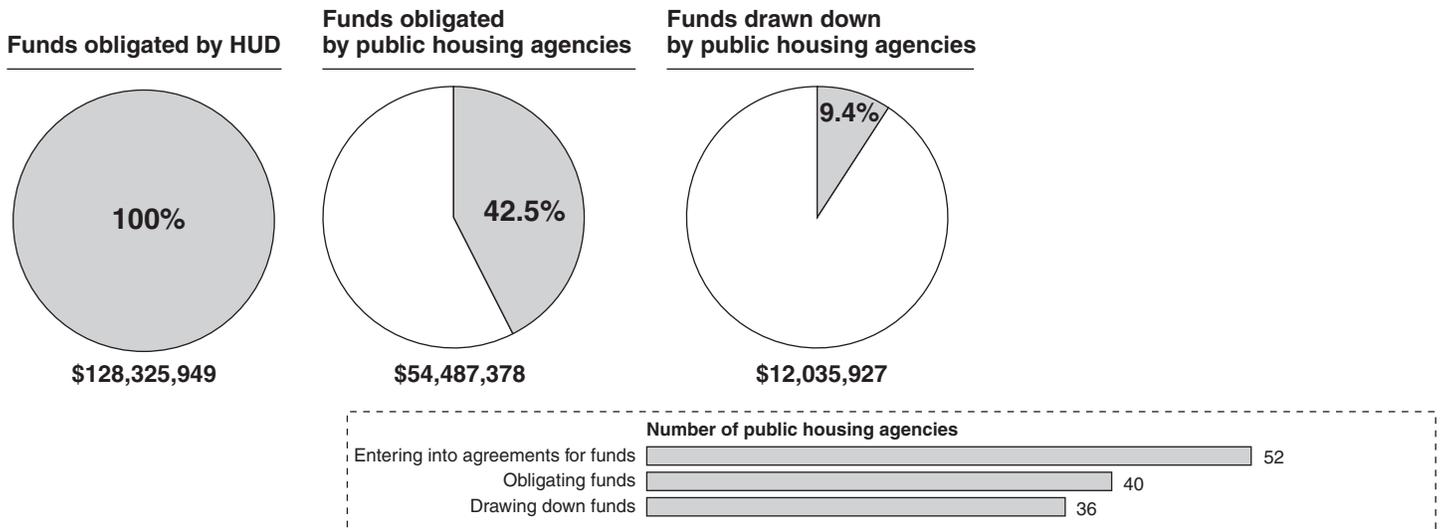
Source: GAO analysis of Federal Highways Administration data.

As of November 20, 2009, ODOT had awarded 175 contracts valued at \$467 million. Generally, contract bids are coming in under the state’s estimated cost; however, several contract bids have exceeded the state’s estimated cost. For example, on one project, the winning contract bid was 41.9 percent, or \$64,000 below the state’s estimated cost and on another project, the winning contract bid was 10.4 percent, or \$151,383, above the state’s estimated cost. Overall, the ratio of bids under the estimated cost versus those bids that exceed the state’s estimated cost is about five to one. In those cases where the contract is awarded at a cost below the state’s cost estimate, ODOT submits a modification request to FHWA to deobligate the funds from one project and obligate the funds to another project.

Ohio’s Use of Public Housing Capital Fund Grants Is Increasing

Ohio has 52 public housing agencies that have received Recovery Act formula grants. In total, these public housing agencies received about \$128.3 million in Public Housing Capital Fund formula grants. Figure 1 shows the funds allocated by HUD that have been obligated and drawn down by Ohio public housing agencies as of November 14, 2009.

Figure 1: Percentage of Public Housing Capital Funds Allocated by HUD That Have Been Obligated and Drawn Down in Ohio, as of November 14, 2009



Source: GAO analysis of HUD data.

As of November 14, 2009, 40 of Ohio’s 52 public housing agencies have obligated about \$54.5 million. Of the 40 public housing agencies that have obligated funds, 36 agencies have drawn down more than \$12.0 million. On average, housing agencies in Ohio are obligating funds somewhat slower than housing agencies nationally. We previously visited the following three housing agencies: the Columbus Metropolitan Housing Authority, Cuyahoga Metropolitan Housing Authority, and London Metropolitan Housing Authority. We will provide updated information on these housing agencies in a future report.

Ohio’s Disbursement of Recovery Act Funds for Education Programs Is Increasing

Ohio’s disbursement of the ESEA Title I, IDEA Part B, and SFSF funds allocated under the Recovery Act has increased in the last several months. In September 2009, we reported that Ohio had allocated almost all Recovery Act funds made available for ESEA Title I, IDEA Part B, and SFSF but that limited funds had been disbursed. As of November 6, 2009, Ohio has increased its disbursements of Recovery Act funding for these programs. Table 10 compares the level of subrecipient drawdown of available funding for each of the education programs as of September 15, 2009, and November 6, 2009.

Table 10: Comparison of Funds Drawn Down for ESEA Title I, IDEA, and SFSF Programs as of September 15, 2009, and November 6, 2009

Education program	Recovery Act funds allocated to Ohio	Funds drawn down by subrecipients (September 15, 2009)	Percentage of funds drawn down (September 15, 2009)	Funds drawn down by subrecipients (November 6, 2009)	Percentage of funds drawn down (November 6, 2009)
ESEA Title I, Part A	\$372,673,474	\$2,751,435	.78	\$24,437,748	7.00
IDEA, Part B	451,095,410	4,049,994	.90	35,140,981	8.00
SFSF	980,685,675	110,900,000	11.31	246,874,558	25.00

Source: GAO analysis of data from the U.S. Department of Education.

As of November 6, 2009, subrecipients had drawn down \$24,437,748 in ESEA Title I funds—an increase of more than \$21.7 million over the amount drawn down as of September 15, 2009. Ohio subrecipients had drawn down \$35,140,981 in IDEA Part B funds—an increase of nearly \$31.1 million since September 15, 2009—and \$246,874,558 in SFSF funds—an increase of nearly \$136.0 million.

We surveyed a representative sample of local educational agencies (LEA)—generally school districts—nationally and in Ohio about their use of Recovery Act funds made available for three education programs: (1) Title I, Part A of ESEA, as amended; (2) Part B of IDEA, as amended; and (3) SFSF. Table 11 shows Ohio and national GAO survey results on the estimated percentages of LEAs that (1) plan to use more than 50 percent of their Recovery Act funds from three education programs to retain staff, (2) anticipate job losses even with SFSF moneys, and (3) reported a total funding decrease of 5 percent or more since last school year.

Table 11: Selected Results from GAO Survey of LEAs

Responses from GAO survey	Estimated percentages of LEAs	
	Ohio	Nation
Plan to use more than 50 percent of Recovery Act funds to retain staff		
IDEA funds	15	19
Title I funds	11	25
SFSF funds	46	63
Anticipate job losses, even with SFSF funds	13	32
Reported total funding decrease of 5 percent or more since last year	4	17

Source: GAO survey of LEAs.

Note: Percentage estimates for Ohio have margins of error, at the 95 percent confidence level, of plus or minus 11 percentage points or less. The nationwide percentage estimates have a margin of error of plus or minus 5 percentage points.

Ohio’s Initial Recipient Reporting Was Successful, but Improvements Are Planned

Under Section 1512(c) of the Recovery Act, direct recipients of Recovery Act funds, including state and local entities, are required to report quarterly the detailed information on the projects and activities funded by the act. As we discussed in our September report⁷ OBM developed a new information system called the Ohio American Recovery and Reinvestment Act Hub to centrally collect and report this information from state agencies to OMB’s FederalReporting.gov Web site. OBM serves as a conduit for information from state agencies; it relies on those agencies to validate the accuracy of the data they submit to OBM.

According to OBM officials, the overall recipient reporting for state agencies was successful. They stated that no material omissions or significant reporting errors were found. However, changing guidance from federal agencies caused some confusion about the proper recipient reporting method to be used—whether to report by award or by specific project. This confusion resulted in improper data submissions that required correction. Other minor issues arose during the reporting process, but all were resolved during the 10-day period for submitting revisions. For example, for some highway projects, ODOT reported two or

⁷GAO, *Recovery Act: Funds Continue to Provide Fiscal Relief to States and Localities, While Accountability and Reporting Challenges Need to Be Fully Addressed* (Appendixes), [GAO-09-1017SP](#) (Washington, D.C.: Sept. 23, 2009).

more North American Industry Classification System codes when the FederalReporting.gov software would only accept one code. As we noted earlier, we identified a number of inconsistencies in the way one state agency, ODOD, reported data on expenditures and employment information during the September 2009 reporting cycle. OBM officials said that to their knowledge, ODOD was the only state agency that did not provide information as of September 30, 2009. Other state agencies also provided inaccurate information to OBM that was submitted prior to October 10, 2009, to FederalReporting.gov, in error, before being corrected. For example, some agencies reported (1) the wrong project description data, (2) projects that were less than 50 percent complete as “not started,” and (3) invalid or improperly registered Data Universal Numbering System numbers.

OBM officials told us that they plan to make number of changes to the processes they use to collect data from state agencies before the next reporting cycle, including

- increasing training and communication on reporting requirements with state agencies sooner in the reporting cycle, especially those agencies that did not have to report in the initial cycle;
- establishing an advisory group with representatives from state agencies to discuss future recipient reporting changes; and
- supporting recipients with a centralized guidance repository, reviewing state agency-issued guidance, and interpreting federal guidance.

On November 20, 2009, OBM issued new guidance to subrecipients implementing changes to the current reporting process.

Local governments that are direct recipients of Recovery Act funds must report on those funds directly to the federal government. Officials in the localities we visited told us that for the most part, they were able to report in accordance with federal requirements. Officials in two of the localities we visited said they took advantage of training opportunities that enabled them to report on time and correctly. For example, a Putnam County official who attended training on Recovery Act reporting for Department of Justice grants said that county officials would not have been able to comply with the reporting requirements if they had not attended the training. Cincinnati developed a Web-based Recovery Act reporting application to collect the required recipient reporting information from subgrantees and contractors. Cincinnati’s system was designed to interface with the FederalReporting.gov Web site, and city officials said

that they were able to upload all the required data easily into the federal reporting system on time.

However, several of the local government officials we spoke with said there was confusion about reporting because of the overlapping requirements. This occurred because many of the programs themselves had separate reporting requirements and systems in addition to the FederalReporting.gov system. For example, Athens officials told us that the federal JAG reporting requirements were much more complicated than requirements of the Ohio Criminal Justice Services. Toledo officials said they experienced a troublesome reporting burden under multiple state and federal reporting systems associated with HUD funding. Also, while Cincinnati requires all subgrantees and contractors to maintain records to support the information they submit, the city does not have a process to verify that the submissions are accurate.

State Comment on This Summary

We provided the Office of the Governor of Ohio with a draft of this appendix on November 19, 2009, and representatives of the Governor's office responded on November 23, 2009.

In general, they agreed with our findings and provided technical suggestions that were incorporated, as appropriate. They also provided specific comments on our analysis of the state's weatherization program. We incorporated those comments in that section of the appendix, as appropriate.

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