United States Government Accountability Office

GAO

Report to the Congress

September 2010

RECOVERY ACT

Opportunities to Improve Management and Strengthen Accountability over States' and Localities' Uses of Funds (Georgia)

GAO

Accountability * Integrity * Reliability

GAO-10-1000SP

Appendix VI: Georgia

Overview

The following summarizes GAO's work on the seventh of its bimonthly reviews of American Recovery and Reinvestment Act of 2009 (Recovery Act)[1] spending in Georgia. The full report on our work, which covers 16 states and the District of Columbia, is available at http://www.gao.gov/recovery.

What We Did

We reviewed the following programs funded under the Recovery Act—the Early Head Start Program, the Energy Efficiency and Conservation Block Grant Program, the Weatherization Assistance Program, the Tax Credit Assistance Program, the Grants to States for Low-income Housing Projects in Lieu of Low-income Housing Credits Program under section 1602 of division B of the Recovery Act (Section 1602 Program), and the Public Housing Capital Fund. We began work on the Early Head Start Program because significant funds had been obligated and on the Energy Efficiency and Conservation Block Grant Program because it was funded for the first time by the Recovery Act. We continued our work on the Weatherization Assistance Program, the Tax Credit Assistance and Section 1602 Programs, and the Public Housing Capital Fund to update the status of these programs. For descriptions and requirements of the programs covered in our review, see appendix XVIII of GAO-10-1000SP. In addition, we focused on Georgia's efforts to ensure accountability over funds and the use of Recovery Act funds by selected localities.

What We Found

Following are highlights of our review.

- **Early Head Start Program.** Under the Recovery Act, the Office of Head Start designated approximately $19 million for the expansion of the Early Head Start program in Georgia. For example, the Clarke County School District, which received an Early Head Start expansion grant of about $2.2 million, used the funds in part to construct new classrooms and hire additional staff, allowing it to serve 84 additional clients. Enrichment Services Program, Inc. received an Early Head Start expansion grant of about $1.5 million, which it used to make a down payment on a new facility and hire new staff, among other things. The funding allowed it to provide Early Head Start services for the first time to 72 clients. The two grantees defined enrollment

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

differently than each other when reporting to the Office of Head Start, but had similar processes in place to determine client eligibility.

- **Energy Efficiency and Conservation Block Grant Program.** The U.S. Department of Energy (DOE) allocated a total of about $67.2 million in formula grants to the State of Georgia—approximately $45.6 million directly to 17 cities and 10 counties and about $21.6 million to the state. The recipients we interviewed—the Georgia Environmental Finance Authority (GEFA), Cobb County, the Columbus Consolidated Government, and the City of Warner Robins—had just begun to spend funds on projects such as a revolving loan fund for improvements to commercial buildings, retrofits to government buildings, and improvements to a wastewater treatment plant. All of the recipients we interviewed were putting monitoring strategies and plans in place and developing methodologies for measuring energy savings.

- **Weatherization Assistance Program.** DOE allocated about $125 million in Recovery Act weatherization funding to Georgia for a 3-year period. As of the end of June 2010, the 22 service providers in the state had completed 3,017 (about 22 percent) of the 13,617 homes to be weatherized with these funds by March 2012. GEFA and the three providers we interviewed have taken steps to address issues with prioritizing clients for service and awarding contracts that we identified in our May 2010 report.[2]

- **Tax Credit Assistance and Section 1602 Programs.** Georgia received about $54.5 million in Tax Credit Assistance Program funds and approximately $195.6 million in Section 1602 Program funds. As of July 31, 2010, the state had committed about $228 million (approximately 91 percent) under both programs for 39 projects, including the construction of 52 units for persons over age 55 in Sandersville, Georgia. The state expects to commit the remainder of its funds by the end of September 2010. The state has processes in place to conduct oversight of the projects during construction and is developing processes designed to ensure their long-term viability after completion.

[2]GAO, *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (Georgia)*, GAO-10-605SP (Washington, D.C.: May 26, 2010).

- **Public Housing Capital Fund.** The U.S. Department of Housing and Urban Development (HUD) allocated about $113 million in Recovery Act formula funding to 184 public housing agencies in Georgia to improve the physical condition of their properties. As of August 7, 2010, these agencies had obligated all of their funds and drawn down about $62 million (approximately 55.1 percent). The housing agencies we visited in Athens, Atlanta, and Macon had made progress on projects funded with formula grants. For example, the Athens Housing Authority was close to completing the renovation of 25 scattered site housing units. HUD also awarded about $14 million in Recovery Act competitive funding to five public housing agencies in Georgia. HUD expects all five agencies to meet the Recovery Act requirement to obligate their funds within 1 year of the date they were made available.

- **Accountability efforts.** The State Auditor's fiscal year 2010 Single Audit will include audits of Recovery Act programs. The internal audit departments of several state agencies have plans to audit or are already auditing Recovery Act funds. For example, GEFA conducts fiscal audits that focus on the contractual, administrative, and accounting aspects of the Weatherization Assistance Program. In addition, the State Accounting Office is implementing an internal control initiative to enhance accountability for Recovery Act funds. The initiative began in June 2010 and provided internal control training to 28 state agencies. These agencies will be required to certify that all necessary controls are in place by the end of fiscal year 2011.

- **Selected localities' use of Recovery Act funds.** The Columbus Consolidated Government and the Unified Government of Athens-Clarke County had been awarded about $17.5 million and $13.3 million, respectively, as of August 6, 2010. These localities received funds for purposes such as improving energy efficiency and preventing homelessness.

Grantees in Georgia Are Using Early Head Start Funds to Serve Additional Children and Create Additional Infrastructure

In Georgia, 12 organizations operated an Early Head Start program prior to the Recovery Act.[3] Eight of these organizations and seven new organizations received a total of approximately $19 million in Recovery Act Early Head Start expansion grants to serve approximately 1,300 new clients. As of July 16, 2010, these agencies had drawn down about $7.4 million (39 percent).

Despite a Delayed Start, Georgia Grantees Have Begun Providing Early Head Start Services

We visited two grantees—Clarke County School District (CCSD) and Enrichment Services Program, Inc. (ESP).[4] CCSD had operated an Early Head Start program prior to receiving its Recovery Act funding. ESP had operated a Head Start Program but did not previously have an Early Head Start program. Both grantees used the Recovery Act funds to offer three different program options for their clients—center-based services, home-based services, and a combination of the two.[5]

Clarke County School District

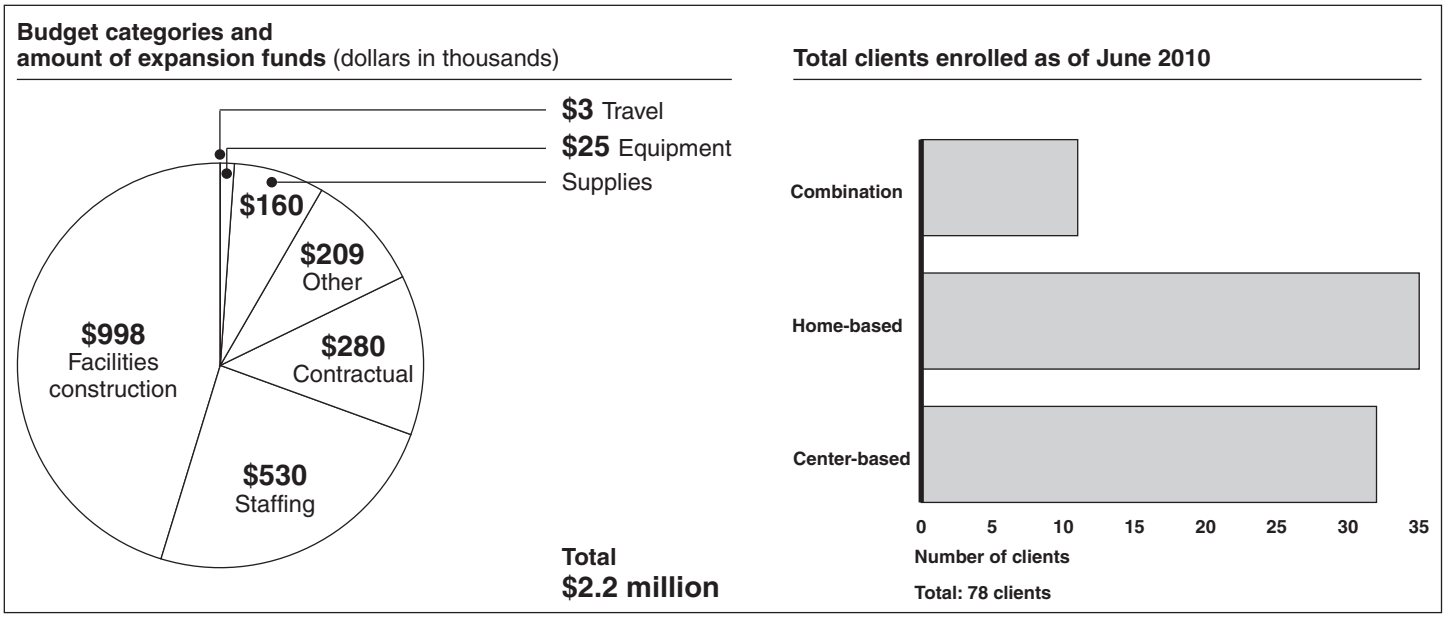
CCSD was awarded about $2.2 million in Recovery Act Early Head Start expansion grants (see fig. 1). As of July 16, 2010, CCSD had drawn down about $1.2 million (55 percent). With this funding, CCSD plans to serve 84 additional clients through three program options. It began to serve these clients on March 1, 2010, and as of the end of June 2010, had enrolled 78 clients. The district used about $1 million for an addition to a new building that includes classrooms for Early Head Start and program support areas for Early Head Start and Head Start. In accordance with its grant application, CCSD plans to use the remaining funds to hire additional staff, for professional development, to improve playgrounds, and to purchase program and instruction supplies.

[3]These organizations include school systems and community action agencies.

[4]Clarke County School District is located in Athens, Georgia. Enrichment Services Program, Inc. is located in Columbus, Georgia. We selected these two grantees because they represented two of the types of organizations that operate the program—school districts and community action agencies. We also wanted to visit a grantee that had operated an Early Head Start program previously (CCSD) and one that had not (ESP), as well as grantees that received grants that were larger than the median for Georgia.

[5]Center-based services refer to child development services that are provided in a child care center. These services are full- or part-day for 4 or 5 days a week. With home-based services, families receive weekly home visits and bimonthly group socialization experiences. A combination program incorporates center- and home-based services.

Figure 1: Overview of Clarke County School District's Early Head Start Expansion Grant



Source: Office of Head Start and Clarke County School District data.

Because CCSD previously operated an Early Head Start program, it also received about $43,000 in Recovery Act quality improvement funds.[6] CCSD plans to use some of these funds for playground improvements. The remaining funds will be used for supplies and professional development, among other things. Figure 2 shows the new building that was partially constructed with Recovery Act funds and one of the playgrounds to be improved.

[6]Quality improvement funds are used for purposes such as facility upgrades, improving compensation, and increasing the hours of operation.

Figure 2: Examples of Clarke County School District's Plans for Its Early Head Start Funds

New building partially constructed with Recovery Act funds

Playground to be improved

Source: GAO.

CCSD experienced some delays in implementing its Recovery Act Early Head Start expansion grant.[7] According to CCSD officials, they originally expected to receive their Financial Assistance Award in September 2009.[8] However, CCSD did not receive its award until December 2009. Officials stated the delay affected the time line for hiring and training staff, preparations for facilities and playgrounds, purchasing of supplies, and completion of the addition to the new building and subsequently delayed the opening date for some of its center-based programming by about 4 months. Despite this delay, officials said they were on target to expend

[7]In our May report, we stated that the Office of Head Start did not meet its initial goal to award Early Head Start expansion grants by the end of fiscal year 2009 due to several factors, contributing to a low drawdown (spending) rate and shortened start-up periods for some grantees. See GAO, *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).

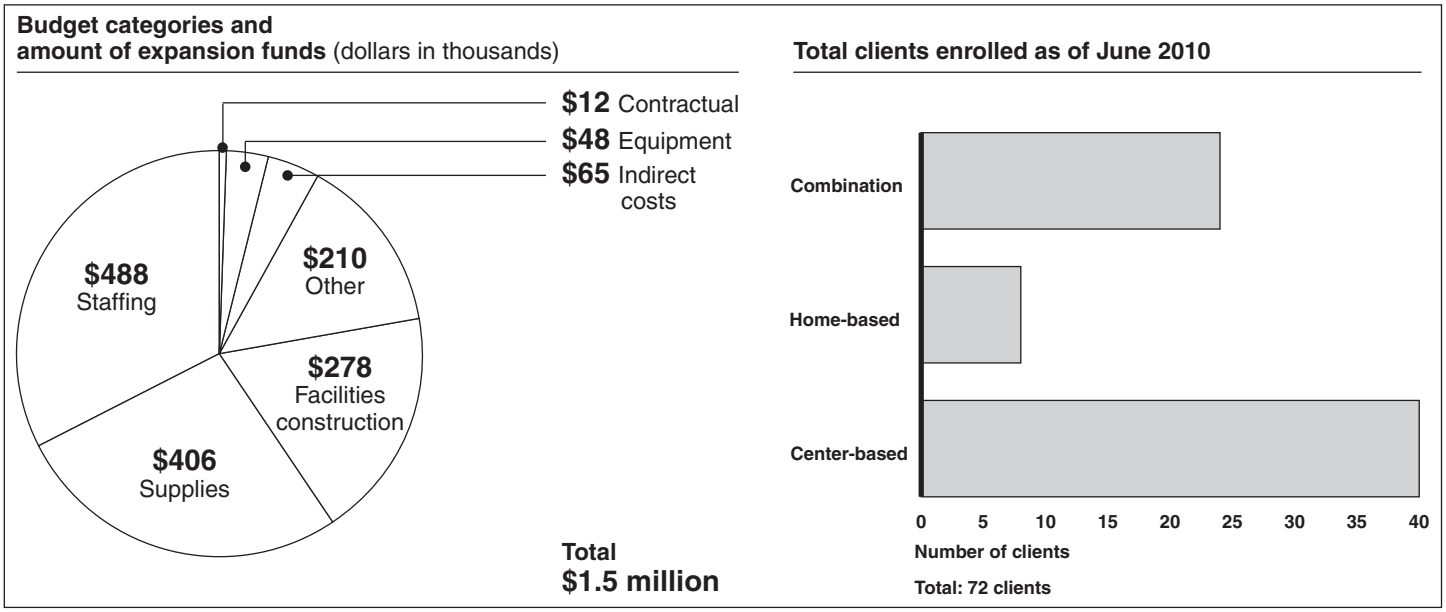
[8]The Office of Head Start regional offices allocate Early Head Start expansion awards among budget categories through a Financial Assistance Award document. Financial Assistance Awards are legally binding and outline how grantees are expected to spend their funds. The document states the terms and conditions of the grants, provides each grantee a grant number and total award amount, and allocates the funds to budget categories representing different program elements, such as supplies.

their first year awards by the end of fiscal year 2010.[9] Once its Recovery Act expansion funding expires at the end of September 2011, CCSD plans to continue to provide expanded services to infants and toddlers by applying for additional federal grants.[10] If funding is made available through the Office of Head Start for continuing the Early Head Start expansion programming, then CCSD will apply to continue Early Head Start services.

Enrichment Services Program

ESP was awarded approximately $1.5 million in Recovery Act Early Head Start expansion grants (see fig. 3). As of July 16, 2010, ESP had drawn down about $958,000 (64 percent). According to ESP officials, the funds allowed the agency to start providing Early Head Start services, which had been a goal for them and other entities in the community. ESP began serving 72 clients through three program options on April 15, 2010.

Figure 3: Overview of Enrichment Services Program's Early Head Start Expansion Grant



Source: Office of Head Start and Enrichment Services Program, Inc. data.

[9]The Office of Head Start requires that grantees forfeit first-year program funds they have not obligated by September 29, 2010, unless grantees obtain Office of Head Start approval to carry over funds into the next program year.

[10]CCSD officials rely on multiple grants from the U.S. Department of Education to fund many of their current programs.

ESP used about $278,000 of its Recovery Act funding to make a down payment on a facility and approximately $488,000 for personnel costs (see fig. 4). It intends to use the remaining funds to make minor renovations to the facility and to purchase additional supplies, among other things.

Figure 4: Facility that Enrichment Services Program Purchased with Early Head Start Funds

Newly purchased building

Community room

Source: GAO.

Similar to CCSD, ESP officials stated that the implementation of their Early Head Start program was delayed. First, ESP did not receive its award until December 2009. Second, ESP faced additional delays because the agency had to make modifications to its proposed program. For instance, ESP had to find an alternate location to hold some of its Early Head Start classes because the originally proposed property was found to be unacceptable because of health and safety concerns. As a result, ESP postponed its original opening date by 2 months to May 2010. Despite this delay, officials expected to expend their first year awards by the end of fiscal year 2010. ESP officials have identified options to extend the services to infants and toddlers once their Recovery Act funds are no longer available. They are presently working on obtaining the required licensing for their newly purchased facility to participate in Georgia's subsidized childcare program.

Grantees We Visited Differ in Their Definition of Enrollment but Have Similar Processes in Place to Determine Client Eligibility

The two grantees we visited define enrollment differently when reporting to the Office of Head Start, but had similar processes in place to determine client eligibility.

Enrollment

For the Head Start and Early Head Start programs, enrollment is defined by regulation as the official acceptance of a family by a program and the completion of all procedures necessary for a child and family to begin receiving services.[11] The Office of Head Start's guidance states that, for monthly enrollment reporting, grantees should "report the total number of children and/or pregnant women enrolled on the last operating day of the month. [They should] report the total number of enrollees, not the number in attendance."[12] In our May 2010 report, we concluded that, due to this guidance, the Office of Head Start lacks assurance that grantees actually serve the numbers of children in each program they report having enrolled, and for which they are receiving funds.[13] We noted that under the current regulatory definition of "enrollment," grantees—particularly those experiencing obstacles in start-up—could reasonably report full enrollment, while some classrooms sat empty, perhaps due to licensure or other delays.

The two Early Head Start grantees we visited were defining "enrollment" differently than one another when reporting to the Office of Head Start. While both grantees use similar processes to enroll students, they consider the client to be "enrolled" at different points during the process.[14] CCSD officials stated they consider a child enrolled on the day the required paperwork is approved. For example, if a client completes the required paperwork on June 1 but does not receive Early Head Start services until

[11]45 C.F.R. § 1305.2(b).

[12]Office of Head Start, "Enrollment Frequently Asked Questions" (grantee guidance on enrollment reporting, last updated on April 22, 2010).

[13]GAO-10-604.

[14]Both grantees require a client who has expressed interest in participating in the Early Head Start program to complete an application. If the client meets eligibility requirements, the client is asked to complete the enrollment packet, which includes forms and waivers. Upon completion and approval of the required paperwork, the client can begin to receive services.

July 1, CCSD reports the client as enrolled as of June 1. In contrast, ESP told us it considers a client enrolled on the day the client begins to receive services. Using the above example, ESP would report the same client as enrolled as of July 1.

Client Eligibility

Our review of 20 files and other documentation during site visits to the two grantees found that all 20 files included a form to document that the client's income eligibility was assessed.[15] The form required the grantee's staff to review documentation—such as tax returns, pay stubs, written statements from employers, or documentation showing receipt of public assistance—and record the determination of eligibility. The Office of Head Start's guidance does not require grantees to maintain documentation supporting their eligibility determinations.[16] Consistent with this guidance, we did not find the original documentation used to assess income eligibility in any of the files we reviewed. Both of the grantees we visited indicated that if required to maintain documentation, they could do so without the need for additional resources. However, one noted that the immigrant population it serves could have concerns about how the documents would be used if they were retained.

Grantees Have Submitted Required Recipient Reports

Both grantees we visited have submitted the quarterly recipient reports required under the Recovery Act.[17] These reports include the amount of funds expended and the number of jobs funded by Recovery Act awards. To determine the number of jobs funded, both grantees told us they rely on payroll information from their accounting systems. CCSD also relied on information from vendors to calculate the full-time equivalents (FTE) associated with the addition to the new building. Both grantees stated they have procedures in place to review the data before it is submitted to FederalReporting.gov, the system through which recipients report information on the projects and activities funded by Recovery Act awards. For example, at CCSD, a fiscal specialist prepares the recipient report and sends it to the Early Head Start coordinator to review before submission. At ESP, the Early Head Start coordinator prepares the recipient report,

[15]We selected a simple random sample of Early Head Start clients who were being served with Recovery Act funds.

[16]"Income Eligibility for Enrollment in Head Start and Early Head Start Programs," memorandum from the Director of the Office of Head Start, May 10, 2010.

[17]Recovery Act, div. A, § 1512(c), 123 Stat. at 287–88.

and then the financial staff and Executive Director review it prior to submission.

Recipients in Georgia Have Begun to Implement the Energy Efficiency and Conservation Block Grant Program

The Energy Efficiency and Conservation Block Grant (EECBG) Program, funded for the first time by the Recovery Act, was established for the purpose of assisting states and communities to develop and implement projects to improve energy efficiency and reduce energy use and fossil fuel emissions.[18] The Recovery Act provides approximately $3.2 billion for the program. DOE administers the program through competitive and formula grants for local and state governments and Indian tribes. Formula grants were awarded directly to states and larger communities within each state.[19]

EECBG Recipients Have Developed Plans to Use Their Funds, but Most Projects Have Just Begun

DOE allocated a total of about $67.2 million in formula grants to the State of Georgia—approximately $45.6 million directly to 17 cities and 10 counties and about $21.6 million to the state. We visited GEFA, the state agency that administers the program, and three communities that received formula grants directly from DOE—Cobb County, the Columbus Consolidated Government, and the City of Warner Robins.[20]

GEFA

GEFA was awarded about $21.6 million on September 14, 2009. As of July 30, 2010, the agency had been reimbursed by DOE for about $237,000. GEFA plans to use the majority of its funds to implement the following three programs:[21]

[18]EECBG's statutory authorization lists 14 eligible activities for the EECBG program.

[19]The following communities were eligible for direct grants from DOE: (1) cities with populations of at least 35,000 or which are one of the 10 highest-populated cities of the state in which they are located and (2) counties with a population of more than 200,000 or which are one of the 10 highest-populated counties of the state in which they are located.

[20]We selected the three localities we visited based on the amount of their EECBG allocation. We also made the selection based on the type of government (that is, city, county, or consolidated city and county).

[21]GEFA plans to use the remainder of the funds ($1.3 million) for the administration and oversight of the grant.

- **Competitive grants.** $13.3 million to local governments for activities such as energy-efficiency conservation and renewable energy technology.[22]

- **On-bill financing.** $5 million to three utility companies that plan to administer a loan program to homeowners to make energy-efficiency upgrades.

- **Georgia Cities Revolving Loan Fund.** $2 million for a revolving loan fund to support energy-efficiency improvements in commercial buildings located in downtowns of cities.

To select the competitive grant recipients, GEFA issued a request for proposals from communities outlining projects in the eight eligible activities upon which the agency had decided to focus, including energy-efficiency retrofits, renewable energy technologies in government buildings, and energy-efficiency conservation for building and facilities.[23] GEFA received 84 applications and selected communities using a panel that scored and ranked each application. The final award of 58 grants to 69 communities was approved by the GEFA board. The following are examples of projects that GEFA funded:

- The City of Brunswick was awarded $300,000 to implement energy-efficiency retrofits for government and nonprofit buildings. The city's proposed retrofits include higher-efficiency lighting, efficiency improvements to heating and air conditioning systems, and programmable thermostats.

- The City of Kingsland, as lead applicant for multiple local governments, was awarded $500,000 to implement energy-efficiency retrofits for local government and nonprofit buildings, among other things.

[22]DOE required states to award at least 60 percent of their allocation to communities that did not meet the size requirements to receive formula funds directly.

[23]Other eligible activities that GEFA was willing to fund included the development of an Energy Efficiency and Conservation Strategy, technical assistance, residential and commercial building energy audits, financial incentive programs, and building codes and inspections updates. GEFA decided to limit its awards to 8 of the 14 eligible activities for EECBG, based on a survey of communities and its assessment of projects that would have the greatest return on investment and a small amount of administrative burden, among other things.

Cobb County

DOE awarded $5,288,500 in EECBG formula funds to Cobb County on September 8, 2009. As of July 30, 2010, the county had been reimbursed by DOE for about $385,000. Cobb County plans to use the majority of its funds for three projects: $270,985 for consultant services to assist with the development of an integrated energy conservation plan, $4,713,500 for energy retrofits and system improvements at 20 government buildings, and $100,015 for energy software and benchmarking.[24] The county has made some progress on its projects. According to officials, the county had used consultant services to complete site audits, prioritize the retrofit site selections, and develop performance bid specifications. Energy retrofits and system improvements had been completed at three sites as of July 31, 2010. In addition, the county plans to solicit bids for the energy software by October 15, 2010, with software installation to occur in the fourth quarter of 2010. The software will be used to track and report historic and future energy use, energy cost, and greenhouse gas emissions. Officials expect to fully expend all EECBG funds by 2012, with the majority of work being fully completed by the end of 2011.

Columbus Consolidated Government

DOE awarded $1,844,800 in EECBG formula funds to Columbus on December 24, 2009. As of July 30, 2010, the consolidated government had not been reimbursed by DOE for any spending. Columbus plans to use its funds for the following four projects:

- $244,660 for traffic signal and street light upgrades,
- $1 million for traffic management technology equipment and installation,
- $400,000 for weatherization assistance to homeowners, and
- $200,140 for a public awareness campaign on air quality.

Officials explained that they selected these projects based on DOE's guidance on eligible activities and to complement projects that already were underway. As of August 9, 2010, preliminary work had begun on all of the projects. For example, officials were preparing the transportation projects for contract award by January 2011 and had held a "kick off" meeting for the air quality project. Columbus also had awarded a contract for the weatherization assistance project to a community action agency

[24]Cobb County allocated the balance of its award ($204,000) for grant administration.

already providing weatherization services with Recovery Act funds under the Weatherization Assistance Program.[25]

City of Warner Robins

DOE awarded $573,100 in EECBG formula funds to Warner Robins on September 14, 2009. As of July 30, 2010, the city had been reimbursed by DOE for about $247,000. Warner Robins plans to use its entire EECBG grant to make energy-efficiency improvements to its wastewater treatment plant that has been operating with inadequate and malfunctioning equipment for a number of years.[26] More specifically, the city plans to procure new equipment for its wastewater treatment plant. According to the project manager, some of the equipment has been installed, and the city anticipates soliciting bids for the remaining project work in October 2010. The project is expected to be completed by March 2011.

Recipients Have Begun to Develop Monitoring Strategies for the EECBG Program

Recipients we interviewed had developed initial monitoring strategies for their EECBG funds. GEFA was in the process of tailoring the monitoring plan it has been using for other Recovery Act programs to address the specific requirements of the EECBG program. GEFA officials stated they planned to procure the services of a contractor to conduct desk and field reviews and hire two additional fiscal monitors.[27] Similarly, officials at Cobb County explained they were adapting their current oversight policy and procedures. For example, while buildings were undergoing energy retrofits, officials planned to follow their general procedures that include conducting weekly to daily on-site visits. To help ensure compliance with the Buy American provision of the Recovery Act, Cobb County developed certifications for its contractors to complete that attest that equipment and materials used complied with the Buy American standards. Also, officials plan to conduct on-site or desk reviews of the projects. Officials at Columbus and Warner Robins stated they had not developed a specific monitoring plan for EECBG funds, but intended to use their local government's standard contracting and accounting oversight procedures. Additionally, Columbus's internal auditor plans to review Recovery Act

[25]As we note later in this report, the community action agency (ESP) had only weatherized 13 percent of its Weatherization Assistance Program units as of the end of June 2010.

[26]The total expected cost of the project is $947,000.

[27]Field monitoring will include a review of building improvements and post-retrofit audits, and a check that the project is following scope. Desk monitoring will include a review of contracts, a review of client files for all necessary documents, and a review of compliance with the Buy American provision of the Recovery Act.

programs upon completion, and the city maintains a dedicated team that provides oversight for all of the city's Recovery Act programs through quarterly reports to the mayor and city council.

Although initial monitoring plans were underway, some recipients we interviewed requested additional or clearer guidance related to monitoring and complying with EECBG requirements. For instance, GEFA officials suggested that a monitoring checklist for subrecipients would be helpful. Officials at Cobb County recommended that DOE develop clearer guidance on the documentation needed to show compliance with the Recovery Act's Buy American provision. Columbus officials stated that some DOE requirements, such as those for environmental reviews, were not necessarily aligned with similar requirements for other programs. For instance, a transportation project approved in its EECBG application would be required to follow different procedures if the project was awarded through the Federal Highway Administration.

Recipients Have Plans to Measure Project Impacts and Complete Recipient Reports, but Methods for Measuring Impact Vary

As part of quarterly reports to DOE, EECBG recipients are required to report measures such as energy saved and greenhouse gas emission reductions.[28] However, some officials we interviewed noted that methods for determining these measures can vary. For example, officials from Columbus stated energy savings from upgrades to traffic lights will be estimated by making assumptions on the amount of energy used by the original lights compared to retrofitted traffic lights. The Warner Robins project manager explained the city intends to report project impacts on energy savings after the project is completed by comparing past monthly utility bills for the water treatment plant to new monthly utility bills. To measure the impact of energy retrofits, Cobb County plans a mixed approach. According to officials, the county will take field measurements of the performance of old equipment prior to removal and replacement equipment and use energy models or engineering estimates, including estimates provided by the county's energy audit consultant. Cobb County also intends to use the new energy software procured through the EECBG grant to benchmark and track energy use, cost, and savings and revise calculations based on observed energy usage for each facility. To help ensure consistency, GEFA has provided guidance from DOE to its

[28]Quarterly reports to DOE include jobs created or retained; standard programmatic metrics, such as obligations, outlays, and metrics associated with the activity undertaken; and other critical metrics such as energy savings and energy cost savings.

subrecipients detailing instructions on estimating and reporting energy savings.

The three localities we visited provided the following anecdotal information on the impact of EECBG funds:

- Cobb County officials anticipate their projects will reduce the energy, cost, and greenhouse gas emissions at county facilities, and will allow the county to sustain savings and continuously improve efficiency.
- According to Columbus officials, expected benefits include electricity efficiency gains from upgraded traffic signals and street lights and reduced energy consumption through the air quality campaign and traffic-management initiatives.
- According to Warner Robins' application, the city's wastewater improvement project is expected to reduce the plant's energy consumption by approximately 30 percent after it is fully completed.

In addition to reporting energy savings measures, EECBG recipients are required under the Recovery Act to submit quarterly recipient reports. These reports include financial information and the number of jobs funded by Recovery Act awards. To help its subrecipients supply the required information, GEFA offered training and developed a Web-based tool. The training covered topics such as how to calculate FTEs for reporting the number of jobs funded by Recovery Act awards. The Web tool pre-populates fields for award and financial data to help ensure accuracy and consistency. To determine the number of jobs funded, Cobb County told us they rely on payroll information from their accounting systems and certified payrolls from their contractors to calculate the FTEs. The Warner Robins project manager said that the city reviews invoices (with hours worked) provided by its contractor. Columbus had not yet reported FTEs because projects were not underway.

GEFA, Cobb County, and Columbus officials told us they have procedures in place to review the data before they are submitted to FederalReporting.gov. For example, GEFA has developed procedures to assess the accuracy of the information submitted by its subrecipients. First, each subrecipient is required to certify its submission. Then, GEFA reviews the information for reasonableness. If the information is not found to be reasonable, GEFA officials contact the provider to discuss the submission. At Cobb County, multiple staff and the accounting department review the recipient report prepared by the EECBG administrator before

submission. At Columbus, the project manager prepares the recipient report with assistance and review from a grant accountant. The grant accountant submits the report to FederalReporting.gov and the city's internal auditor for review. The Warner Robins project manager explained that no review was conducted on the information submitted in the report.

Georgia and Its Service Providers Have Made Improvements to the Weatherization Assistance Program

Under the Recovery Act, GEFA—the agency that administers the Weatherization Assistance Program in Georgia—will receive approximately $125 million to weatherize 13,617 homes by March 2012.[29] DOE approved Georgia's weatherization plan on June 26, 2009, for the period April 1, 2009, through March 31, 2012. GEFA awarded contracts to 22 providers—community action agencies, nonprofit agencies, or local governments—which were in place prior to the Recovery Act. For our May 2010 report, we visited three providers—the City of Albany (Albany), Economic Opportunity Authority for Savannah-Chatham County Area, Inc. (EOA-Savannah), and Ninth District Opportunity, Inc. (Ninth District), located in Gainesville.[30] We followed up with each of these providers for this report.

Weatherization Production Has Increased Since Our Last Report

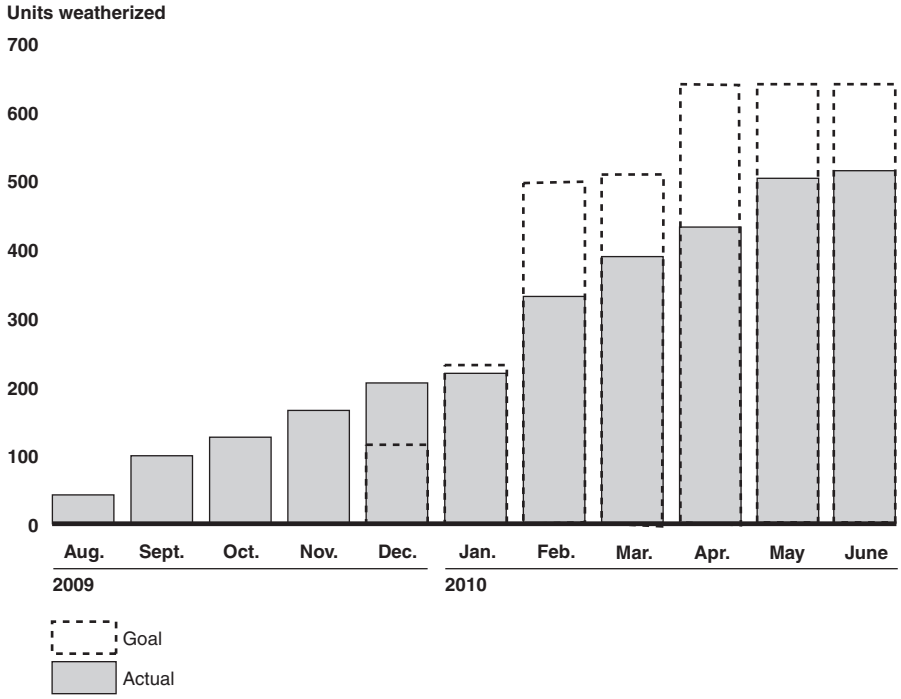
As of the end of June 2010, 3,017 homes (about 22 percent) had been weatherized, and about $26.3 million of the $99.7 million awarded to providers (about 26 percent) had been drawn down.[31] In June 2010, providers weatherized 514 units, below the monthly production goal of 638 homes (see fig. 5). Although the production of weatherized homes has continued to increase since our May 2010 report, Georgia has not met its production goals. GEFA noted that DOE had increased the state's production goal by about 25 percent for April through September 2010, which raised the target from 500 units to 638 units.

[29]The Recovery Act appropriated $5 billion for the Weatherization Assistance Program, which DOE is distributing to each of the states, the District of Columbia, and seven territories and Indian tribes, to be spent by March 31, 2012. This program enables low-income families to reduce their utility bills by making long-term energy-efficiency improvements to their homes—for example, installing insulation or modernizing heating or air conditioning equipment.

[30]GAO-10-605SP.

[31]GEFA will use the balance of the $125 million allocation for monitoring, training, and technical assistance, among other things. Drawing down is the process by which subrecipients request and receive authorized federal funds for projects under the terms of the grant.

Figure 5: Homes Weatherized in Georgia, August 2009 through June 2010



Source: GEFA.

Note: GEFA did not set a goal during the early months of production (August 2009 to November 2009).

The progress that individual providers made continues to vary. Four providers, including the three largest, had completed 14 percent or less of their targeted number of homes as of the end of June 2010. The highest rate was 35 percent. Table 1 shows the percentage of funds drawn down and homes weatherized by all 22 service providers, as of the end of June 2010.

Table 1: Percentage of Recovery Act Funds Drawn Down and Homes Weatherized by Service Provider, as of the end of June 2010

Service provider	Counties served	Total contract value	Percentage drawn down	Homes to be weatherized	Homes weatherized through June	Percentage of homes weatherized
Coastal Plain Area Economic Opportunity Authority, Inc.	10	$4,886,875	29%	590	206	35%
EOA for Savannah-Chatham County Area, Inc.	1	2,743,978	23	371	120	32
Southwest Georgia Community Action Council, Inc.	14	5,469,280	31	753	242	32
West Central Georgia Community Action Council, Inc.	8	2,448,384	36	336	108	32
Concerted Services, Inc.—Waycross	8	3,455,919	37	478	149	31
Tallatoona Community Action Partnership, Inc.	6	4,103,205	36	563	177	31
Concerted Services, Inc.—Reidsville	9	4,163,318	33	574	165	29
Coastal Georgia Area Community Action Authority, Inc.	6	3,384,006	38	468	130	28
Partnership for Community Action, Inc.	3	6,926,773	23	956	262	27
City of Albany	1	1,546,104	28	209	55	26
Gwinnett County Board of Commissioners	1	3,284,888	18	461	118	26
Heart of Georgia Community Action Council, Inc.	9	2,764,125	33	379	91	24
North Georgia Community Action, Inc.	10	5,471,460	19	752	184	24
Overview, Inc.	7	2,463,271	33	340	82	24
Middle Georgia Community Action Agency, Inc.	12	6,358,846	35	870	200	23
Clayton County Community Action Authority, Inc.	3	3,250,251	18	452	88	19
Community Action for Improvement, Inc.	6	4,138,220	29	569	108	19

Service provider	Counties served	Total contract value	Percentage drawn down	Homes to be weatherized	Homes weatherized through June	Percentage of homes weatherized
Area Committee to Improve Opportunities Now, Inc.	10	5,010,500	20	687	125	18
Southeast Energy Assistance	1	8,196,838	31	1,112	157	14
Enrichment Services Program, Inc.	8	3,758,994	21	512	64	13
Central Savannah River Area EOA, Inc.	13	7,000,302	18	962	91	9
Ninth District Opportunity, Inc.	14	8,837,469	14	1,223	95	8
Total	**160**	**$99,663,006**	**26%**	**13,617**	**3,017**	**22%**

Source: GAO analysis of GEFA data.

Note: Georgia has 159 counties. However, both Albany and Southwest Georgia Community Action Council, Inc. serve portions of Dougherty County.

According to GEFA officials, seven providers are on a list of underperforming agencies because these providers have not met production goals.[32] These providers were issued warning letters in which GEFA explained the steps it would consider taking if production did not increase, such as (1) reducing the funding level to the provider and providing unexpended dollars to another provider or (2) reducing the funding to the subgrantee and providing the dollars on a competitive basis to a qualified nonprofit to serve the defined geographic territory.

GEFA and Selected Service Providers Have Taken Steps to Address Issues We Previously Identified

In our May 2010 report, we identified several issues related to the Weatherization Assistance Program in Georgia.[33] We reported that oversight of the providers had been slow to start and some monitoring positions remained vacant. In addition, we noted instances in which the three providers we visited inconsistently followed DOE and GEFA guidance for prioritizing clients for service, determining client eligibility,

[32]The seven providers on the list are Central Savannah River Area EOA, Inc.; Clayton County Community Action Authority, Inc.; Enrichment Services Program, Inc.; Heart of Georgia Community Action Council, Inc.; Middle Georgia Community Action Agency, Inc.; Ninth District Opportunity, Inc.; and Southeast Energy Assistance.

[33]GAO-10-605SP.

prioritizing work, and awarding contracts. GEFA and the three providers have taken steps to address these issues.

First, GEFA worked with the University of Georgia Cooperative Extension (UGA), the entity it hired to perform monitoring, to ensure that all of the providers had monitors assigned to them and to refine their monitoring reports.[34] According to GEFA officials, each of the 22 providers had been assigned a desk and field monitor as of July 2010. In some cases this was achieved by assigning multiple agencies to one monitor. In addition, UGA officials started including summary reports in the monthly monitoring report that (1) rated each provider as very good, good, or unacceptable in 17 areas, such as file documentation, subcontractor administration, and program and financial reporting and (2) described any issues of significant concern. According to GEFA officials, they review the monitoring reports provided by UGA to identify any findings that need to be addressed by the providers. If findings are identified, GEFA requests a corrective action plan from the provider within 15 days.

Second, GEFA has implemented a Web-based reporting tool that helps providers prioritize clients for service. The tool prioritizes applicants based on characteristics such as age (households with people under 12 or over 60), disability status, high energy use or burden, and poverty. Third, GEFA offered procurement training for providers in May 2010 after identifying the need for more education in this area. The training covered topics such as requests for proposal, solicitations and advertising, document retention, and reporting requirements.

The three providers we visited also have taken steps to address issues identified in our May 2010 report. For example,

- According to Albany officials, they have revised their contracts to include language requiring compliance with Recovery Act provisions,

[34]UGA's desk and field monitors are to conduct weekly visits to each provider to review file documentation and inspect at least 10 percent of individual projects each month. The desk monitors will review contracting documents, compliance with program requirements, and file documentation. In addition, desk monitors will educate clients on energy saving tips and customer behaviors and track the results of those efforts. The field monitors will inspect 10 percent of the homes weatherized each month for overall effectiveness, workmanship, appearance, and compliance with installation standards.

including Davis-Bacon Act prevailing wages.[35] In addition, Albany has amended its application review procedures to include a new checklist for assessing income eligibility that requires the review of additional income documentation, such as tax returns.[36]

- EOA-Savannah officials told us that they are revising their process for awarding contracts to install heating systems and perform electrical work. Rather than continuing to rely on a group of preferred vendors with which they had negotiated prices, they plan to solicit bids from a larger group of contractors on an ongoing basis.

- To speed up the production process, Ninth District officials stated they have revised the way they procure contractor services. Ninth District now awards contracts to several general contractors and then competes the work required on each home amongst those general contractors. Since implementing this process in July 2010, Ninth District officials have awarded contracts for 60 homes and plan to increase the number of contracts in the coming months.

GEFA Has Conducted Training and Developed a Tool to Help Providers Meet Recipient Reporting Requirements

GEFA is responsible for submitting the quarterly recipient report for the Weatherization Assistance Program that is required under the Recovery Act. In this report, it includes financial information and the number of jobs funded by Recovery Act awards. To help its 22 providers supply the required information, GEFA offered training and developed a Web-based tool. The training covered topics such as how to calculate FTEs for reporting the number of jobs funded by Recovery Act awards. The electronic tool pre-populates fields with award and financial data to help ensure accuracy and consistency. To determine the number of jobs funded, the three providers we interviewed told us they rely on payroll information from their accounting systems and certified payrolls from their contractors to calculate the FTEs.

[35]Historically, the Weatherization Assistance Program funded through the regular appropriations process has not been subject to the Davis-Bacon Act. However, the Recovery Act does require compliance with Davis-Bacon provisions. Under section 1606, division A, of the Recovery Act, all contractors and subcontractors performing work on projects funded in whole or in part by Recovery Act funds must pay their laborers and mechanics not less than the prevailing wage rates and fringe benefits for corresponding classes of laborers and mechanics employed on similar projects in the area. The Secretary of Labor determines the prevailing wage rates and fringe benefits for inclusion in covered contracts.

[36]In our May report, we noted that files we reviewed did not include evidence that all of the required types of income were considered during application. See GAO-10-605SP.

Ninth District and Albany have procedures in place to review the data before they are submitted to GEFA; however, EOA-Savannah does not. For example, according to Ninth District officials, the Executive Director reviews the recipient report prepared by the weatherization coordinator prior to submission to GEFA. GEFA also has developed procedures to assess the accuracy of the information submitted. First, each provider is required to certify its submission. Then, GEFA reviews the information for reasonableness. For the most recent reporting period (April 1 to June 30), GEFA officials told us they contacted all 22 providers to discuss their submissions, which resulted in some changes to providers' job calculations.

Georgia Has Made Progress in Implementing Its Tax Credit Assistance and Section 1602 Programs

The Recovery Act established two funding programs that provide capital investments in low-income housing tax credit projects: (1) the Tax Credit Assistance Program (TCAP) administered by HUD and (2) the Section 1602 Program administered by the U.S. Department of the Treasury (Treasury).[37] Before the credit market was disrupted in 2008, the low-income housing tax credit program provided substantial financing in the form of third-party investor equity for affordable rental housing units. As the demand for tax credits declined, so did the prices investors were willing to pay for them, which created funding gaps in projects that had received tax credit allocations in 2007 and 2008. TCAP and the Section 1602 Program were designed to fill financing gaps in planned tax credit projects and jump-start stalled projects.

Georgia Expects to Meet Spending Deadlines for TCAP and the Section 1602 Program

Georgia received about $54.5 million in TCAP funds. As of July 31, 2010, the Georgia Department of Community Affairs (DCA)—which administers the low-income housing tax credit program—had approved TCAP funding for eight projects containing 1,140 units (including 1,046 tax credit units). For these eight projects, Georgia had committed about $49.5 million (91 percent) and disbursed about $20.8 million (38 percent). Under the Recovery Act, state housing finance agencies must disburse 75 percent of TCAP funds by February 2011, and project owners must spend all of their TCAP funds by February 2012. The housing finance agency must return

[37]State housing finance agencies award low-income housing tax credits to owners of qualified rental properties who reserve all or a portion of their units for occupancy by low-income tenants. Once awarded tax credits, project owners sell them to investors to obtain funding for their projects. Investors receive tax credits for 10 years if the property continues to comply with program requirements.

any funds not expended by this deadline to HUD. DCA plans to commit the remainder of its TCAP funds by the end of September 2010 and expects to meet the deadline for disbursing 75 percent of its TCAP funds.

Georgia also received about $195.6 million in Section 1602 Program funds. As of July 31, 2010, DCA had approved Section 1602 Program funding for 31 projects containing 2,086 units (including 1,847 tax credit units). For these projects, Georgia had committed about $178.3 million (91 percent) and disbursed about $62.7 million (32 percent). Under Section 1602 Program rules, all subawards must be made by December 2010, or the housing finance agency must return the funds to Treasury. Housing finance agencies can continue to disburse funds for committed projects through December 31, 2011, provided that the project owners spend at least 30 percent of eligible project costs by December 31, 2010.[38] Housing finance agencies must disburse 100 percent of Section 1602 Program funds by December 2011. DCA plans to award the remainder of its Section 1602 Program funds by the end of September 2010 and expects project owners to meet the 30 percent spending deadline.

We reviewed documentation on or visited three TCAP projects and four Section 1602 Program projects.[39] Table 2 provides information on the progress of each project. The owners of Baptist Towers Apartments and Riverview Heights had spent 100 percent and 97 percent of their TCAP funds, respectively. The project owner at Baptist Towers Apartments expected the renovations of the high-rise for the elderly and disabled to be finished ahead of the planned December 2010 completion date.[40] The project owner at Riverview Heights expected the renovation of the property to be completed in October 2010. DCA officials explained that the closing on TCAP funds for the second phase of Sustainable Fellwood had

[38]The project owner must have, by the close of 2010, spent at least 30 percent of his or her total adjusted basis in land and depreciable property that is reasonably expected to be part of the low-income housing project.

[39]We selected Riverview Heights and Baptist Towers Apartments because they were TCAP projects that had been awarded by December 31, 2009. We selected Antigua Place because it was a Section 1602 Program project with a tax-credit investor and The Landing at Southlake because it was a Section 1602 Program project without an investor. We selected Camellia Lane because it was a rural green project. In addition, we selected Sustainable Fellwood because DCA suggested it as an interesting example of an urban green project and Waterford Estates because of its proximity to Riverview Heights. For this report, we visited two of these projects, Riverview Heights and Camellia Lane.

[40]Other funding sources are being used to complete the remainder of the renovations.

been delayed several times due to factors such as the need to attract additional investors. DCA and the project owner expect to meet the February 2012 expenditure deadline.

Table 2: Status of Selected TCAP and Section 1602 Program Projects in Georgia, as of July 31, 2010

Project name	Type of funding	Recovery Act funds committed	Percentage of Recovery Act funds disbursed	Recovery Act funds as percentage of total project costs	Number of housing units (tax credit units/ total units)	Project description	Expected placed in service date
Baptist Towers Apartments, Atlanta	TCAP	$1,850,000	100%	11%	268/300	Urban; Rehabilitation; Housing for elderly	December 2010
Riverview Heights (also known as Oconee Park), Dublin	TCAP	8,311,921	97	69	115/116	Rural; Rehabilitation; Housing for families	December 2010
Sustainable Fellwood, Phase II, Savannah	TCAP	4,300,000	0	28	99/110	Urban; New construction; Housing for families	December 2011
Antigua Place, Moultrie	Section 1602 Program	2,102,746	100	39	36/40	Rural; New construction; Housing for ages 55 and older	December 2010
Camellia Lane, Sandersville	Section 1602 Program	8,348,674	68	96	52/52	Rural; New construction; Housing for ages 55 and older	December 2010
The Landing at Southlake, Albany	Section 1602 Program	5,125,000	35	98	36/40	Urban; New construction; Housing for ages 55 and older	December 2010
Waterford Estates, Dublin	Section 1602 Program	9,500,000	23	93	50/56	Rural; New construction; Housing for families	December 2010

Source: DCA.

Note: The placed in service date for a new or existing building used as residential rental property is the date on which the building is certified as being suitable for occupancy in accordance with state or local law.

According to DCA, the four Section 1602 Program projects we reviewed were on target to meet the program's requirement that project owners

spend at least 30 percent of eligible project costs by December 31, 2010. For example, the Camellia Lane project owner had spent 68 percent of the Section 1602 Program funds and planned to complete the project in November 2010. Since our initial visit in March 2010, progress has been made in several areas, including the installation of rooftop solar panels to power the exterior lights on the property and construction of the community center (see fig. 6). This project also will provide geothermal heating and cooling.

Figure 6: New Construction at Camellia Lane

Rooftop solar panels

Community center under construction

Source: GAO.

Georgia Has Plans for Construction Oversight and Asset Management

TCAP and the Section 1602 Program require a greater project oversight role for state housing finance agencies than the standard low-income housing tax credit program. Under the low-income housing tax credit program, housing finance agencies are not required to monitor construction on a monthly basis, but are required to report that projects are completed and occupied in accordance with program requirements and deadlines. With respect to long-term monitoring under the program, housing finance agencies are required to review projects at least annually to determine project owner compliance with tenant qualifications and rent and income limits. Additionally, every 3 years, agencies must conduct on-site inspections of all buildings in each project and inspect at least 20 percent of the tax credit units and resident files associated with those units. However, under TCAP and the Section 1602 Program, housing finance agencies must monitor the disbursement and use of funds

throughout the construction period. Also, housing finance agencies are obligated to perform asset management, which imposes ongoing responsibilities on the agencies for the long-term viability of each project.[41] Housing finance agencies are responsible for returning TCAP and Section 1602 Program funds to HUD and Treasury, respectively, if a project fails to comply with low-income housing tax credit program requirements.[42]

DCA has processes in place for oversight during the construction period and has made plans for asset management over the 15-year tax credit compliance period. For oversight during the construction period, DCA has contractors that conduct monthly inspections of each project. The resulting inspection reports include descriptions of any funding requests and change orders, site observations, and comments on the schedule. After the agency receives inspection reports, DCA staff stated they compare expenditure rates to the percentage of construction completed. DCA staff also review all costs included in funding requests, and an on-site inspection is required before DCA will process a funding request. DCA also requires each general contractor to provide a cost certification prepared by a certified public accountant at project completion.

Prior to TCAP and the Section 1602 Program, DCA had an asset management department that managed a multifamily portfolio consisting of 206 projects with investments and loans totaling about $247 million. To cover the costs of the new asset management requirements under the Recovery Act, DCA charged a 3 percent asset management fee for TCAP and Section 1602 Program projects. DCA issued new policy guidelines to recipients of TCAP and Section 1602 Program awards that detail the types

[41]A housing finance agency's asset management may include monitoring current financial and physical aspects of project operations. For example, a housing finance agency may analyze operating budgets, cash flow trends, and reserve accounts, and physically inspect projects. Asset management activities also include examinations of long-term issues related to plans for addressing a project's capital needs, changes in market conditions, and recommendations and implementation of plans to correct troubled projects. Housing finance agencies also need to ensure compliance with tax credit requirements as part of asset management activities.

[42]In contrast, under the conventional low-income housing tax credit program, housing finance agencies are not liable for recapturing funds if a project owner fails to comply with program requirements. Rather, their obligation is to report any noncompliance to the Internal Revenue Service (IRS), and IRS takes any further actions with respect to recapture. We reported previously on the risks and responsibilities of recapture for housing finance agencies under TCAP and the Section 1602 Program. See GAO-10-604.

of asset management activities that may be performed at various stages of projects that receive TCAP or Section 1602 Program funds.[43] For example, DCA plans to review marketing plans, leasing procedures, and occupancy rates; review project financial management for proper budgeting, accounting, and internal controls; and conduct periodic long-term viability analyses such as the project cash flow and market conditions. Moreover, DCA stated it plans to modify one of its databases to assist in tracking asset management and compliance information for TCAP and Section 1602 Program projects.

For projects without an investor, DCA will be responsible for overseeing all asset management activities. Of the 39 projects in Georgia, 24 (62 percent) do not have an investor or syndicator.[44] According to DCA officials, the participation of a private investor adds an additional layer of oversight because investors have an incentive to protect their capital investments by performing asset management. DCA has not yet decided if it will contract out some or all of its asset management functions, but plans to make a final decision on its approach by the end of 2010. Although officials stated that DCA has more asset management experience than some state housing finance agencies, they may consider contracting out some functions because so few of their Recovery Act projects have investors.

The Low-Income Housing Tax Credit Market in Georgia Has Slowly Been Recovering

DCA officials noted that the low-income housing tax credit market in Georgia has slowly been recovering. In one sign of improvement, investors have been willing to pay more for the tax credits. According to DCA and investors, the typical projects that currently are funded are straightforward, located in urban areas, and provide housing for families and seniors. DCA officials stated projects located in rural areas remained difficult to finance and Section 1602 Program funds still were needed for those types of projects. The two investors and three project owners we interviewed stated there was a need to extend the Section 1602 Program

[43]The project stages include development and construction activities, property management and operations, financial management, and long-term viability assessment.

[44]While TCAP projects are required to have an investor, Section 1602 Program funds can be used to finance projects without investors. Some project owners sell low-income housing tax credits to an investor that will invest directly in the project while others use a syndicator, which assembles a group of investors and pools funds that are then invested in the project.

for at least 1 more year to help the low-income housing tax credit market in these areas.

Georgia Has Submitted Required Reports on Jobs Funded

DCA is required to report information on jobs funded with Recovery Act awards to HUD and Treasury. DCA officials believe HUD and Treasury provided adequate guidance to them on preparing the necessary reports, but they did not believe current reporting systems adequately captured the true economic benefits from Recovery Act funds. For TCAP projects, housing finance agencies are required to report the nature of projects and number of jobs funded via FederalReporting.gov. Recipients of Section 1602 Program funds are not required to report jobs to FederalReporting.gov.[45] Treasury requires state housing finance agencies to submit quarterly financial status reports and performance reports and to report the number of construction and non-construction jobs created and retained. To help its TCAP subrecipients comply with recipient reporting requirements, DCA conducted training and provided guidance. The guidance requires subrecipients to calculate the hours worked on a monthly basis by entering data into HUD's job calculator tool. Once subrecipients have submitted the data, a DCA staff person reconciles the job data submitted by comparing it with Davis-Bacon payroll reports compiled by project owners.

DCA officials believed that only a fraction of the jobs created and retained with Recovery Act funds were captured. For example, $2 million in TCAP funds could enable an $8 million project to be constructed that would not otherwise have been built, but only the jobs directly related to the $2 million TCAP expenditure would be reported. Moreover, one project owner stated the number of jobs he reported on his TCAP project was significantly lower than what he reported for his Section 1602 Program project, but the amount of work being performed was the same.[46]

[45]Recipient reporting requirements apply only to division A of the Recovery Act. TCAP is a division A program, while the Section 1602 Program is in division B of the act.

[46]As we noted earlier, TCAP projects are required to report quarterly the number of jobs funded based on an FTE calculation. For projects receiving Section 1602 Program funds, Treasury requires state housing finance agencies to report only one time on jobs created and retained. The number of jobs reported to Treasury need not be reduced to reflect the parts of the project not funded under the Section 1602 Program.

Housing Agencies in Georgia Continue to Make Progress on Projects Funded with Recovery Act Formula and Competitive Grants

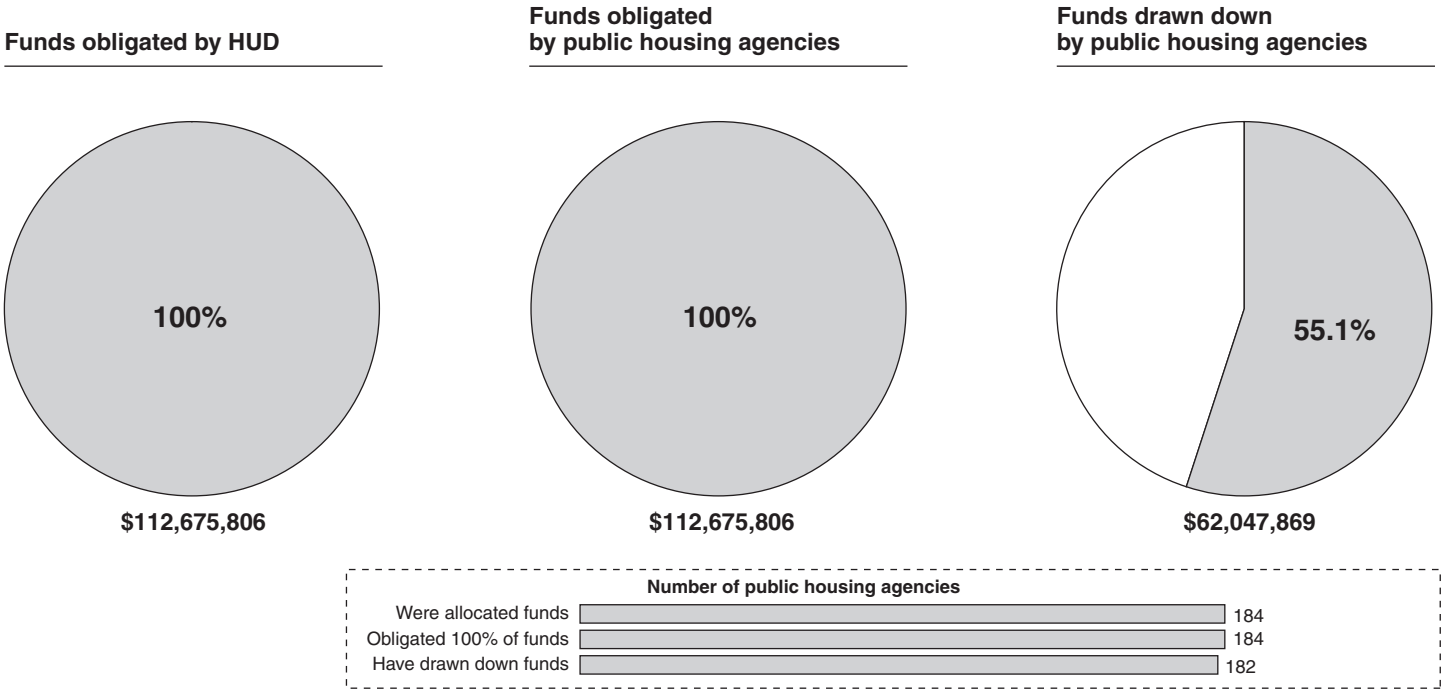
In Georgia, 184 public housing agencies received Public Housing Capital Fund formula grants, and 5 public housing agencies received Public Housing Capital Fund competitive grants. As of August 7, 2010, agencies had expended about 55 percent of their formula grants. The agencies that received competitive grants were expected to meet the Recovery Act's September 2010 obligation deadline.

Housing Agencies in Georgia Have Spent Over Half of Their Formula Grant Funds

In Georgia, 184 public housing agencies received about $113 million in Public Housing Capital Fund formula grants (see fig. 7). These grant funds were provided to the agencies to improve the physical condition of their properties. As of August 7, 2010, these agencies had obligated 100 percent of their funds and drawn down about $62 million (about 55.1 percent). Of the 184 agencies, 112 had drawn down 80 percent to 100 percent of their funds while 2 had not drawn down any funds. We interviewed three: the Housing Authority of the City of Athens (Athens Housing Authority), the Housing Authority of the City of Atlanta (Atlanta Housing Authority), and the Housing Authority of the City of Macon (Macon Housing Authority).[47]

[47]We interviewed these three housing agencies to update information we reported in December 2009. See GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Georgia)*, GAO-10-232SP (Washington, D.C.: Dec. 10, 2009).

Figure 7: Percentage of Public Housing Capital Fund Formula Grants Allocated by HUD That Had Been Obligated and Drawn Down in Georgia, as of August 7, 2010



Source: GAO analysis of data from HUD's Electronic Line of Credit Control System.

Athens Housing Authority

The Athens Housing Authority received about $2.6 million in Recovery Act formula grant awards. As of August 7, 2010, the housing agency had obligated all of its funds and drawn down approximately $2.1 million (81 percent). The agency's largest Recovery Act project is a comprehensive modernization of 25 scattered site housing units, which includes asbestos and lead abatement and the installation of new windows, doors, cabinets, appliances, water heaters, and heating and air systems. Figure 8 shows a unit prior to renovation and improvements made to another unit's heating and air systems and kitchen. The housing agency expects this project to be completed in September 2010. The agency also has designated Recovery Act funds to replace the roofs on 40 units and the two elevators in a senior high rise, among other things.

Figure 8: Athens Housing Authority's Renovation of Scattered Site Units

Original single space heater (left) and kitchen (right).

New heater (left) and renovated kichen (right).

Source: GAO.

Atlanta Housing Authority

The Atlanta Housing Authority received about $26.6 million in Recovery Act formula grant awards. As of August 7, 2010, the housing agency had obligated all of its funds and drawn down approximately $4.1 million (15 percent). The Atlanta Housing Authority plans to use about $20.6 million of its Recovery Act funds to rehabilitate 13 properties containing a total of 1,953 units and the remaining $6 million to demolish 4 properties. The agency originally planned to use about $19 million for rehabilitation and about $8 million for demolition. However, when the procurement for the demolition came in almost $2 million under the estimated cost, additional funds were made available for the rehabilitation of the 13 properties. The agency has completed its original design plans for the 13 properties and

expects to complete its plans for spending the additional $2 million by October 30, 2010. The work will include renovations to common areas and exterior and site improvements. Renovations are expected to be completed on all the properties by August 2011.

Macon Housing Authority

The Macon Housing Authority received about $4.8 million in Recovery Act formula grant awards. As of August 7, 2010, the housing agency had obligated all of its funds and drawn down approximately $2.3 million (about 49 percent). The agency plans to use all of these funds to complete a major rehabilitation of a 250-unit housing development called Pendleton Homes. The planned work includes remodeling the bathrooms and kitchens; replacing appliances, windows, doors, and flooring; repainting; improving landscaping; and resurfacing parking lots and streets (see fig. 9). As of August 6, 2010, 81 units had been completed and others were undergoing renovation.

Figure 9: Renovated Kitchen at Pendleton Homes

Source: GAO.

HUD Expects Housing Agencies in Georgia to Meet the Obligation Deadline for Competitive Grants, but the Macon Housing Authority Faces Challenges

In Georgia, five public housing agencies received about $14 million in Public Housing Capital Fund competitive grants for the creation of energy-efficient communities and improvements to address the needs of the elderly or persons with disabilities.[48] As of August 7, 2010, four of the five agencies had obligated about $1.1 million (approximately 8 percent) and had drawn down $523,956 (about 4 percent).

The Recovery Act requires housing agencies to obligate 100 percent of their Public Housing Capital Fund competitive grants within 1 year of the date they received the grants, or by September 2010. To help public housing agencies in Georgia meet this deadline, two HUD field office staff in Atlanta are providing assistance through e-mails and phone conversations. According to HUD field office staff, the five public housing agencies that received competitive funds are not at serious risk of missing the obligation deadline. However, officials stated that the Macon Housing Authority faced some challenges in meeting this deadline due to the complexity of the project and multiple types of financing involved. The project requires the approval of HUD headquarters, the state housing finance agency, and others and is not expected to close until just prior to the September 2010 deadline.

We visited the Macon Housing Authority to determine the status of its competitive grant. The agency will use the $8.6 million grant awarded under the energy efficiency community category for substantial rehabilitation of a 100-unit housing development. Agency plans include wrapping the exterior of the buildings in a rigid insulation system covered with siding; re-engineering the roof with a higher pitch to allow for more insulation and more efficient duct work for heating and air systems; and installing energy-efficient windows and heating and air systems and water-conserving appliances and fixtures. Also, the units will be reconfigured to reposition doors and windows to give the appearance of single-family houses. The agency had planned to start the work in April 2010 and complete it by December 2011. However, officials told us the construction start date has been delayed due to complications in getting the complex financing—which includes competitive grant funds, bonds, and low-income housing tax credits—approved. Officials stated that once the agency closes on the financing in mid-September 2010, the project will be 100 percent obligated. To date, the agency has hired architects and various

[48]A total of six competitive grants were awarded. One housing authority, the Housing Authority of the City of Savannah, received two grants.

consultants, designed the project, selected the general contractor, and received the first round of project bids. After the agency closes on the financing, officials stated they will be prepared to simultaneously issue a notice to proceed and sign the general contractor's contract.

HUD Field Office Staff Have Conducted Monitoring of Recovery Act Grants

HUD field office staff in Atlanta have conducted oversight of Recovery Act formula and competitive grants. For the formula funds, they conducted 63 "quick look" reviews of public housing agencies that had not obligated 90 percent of their funds as of February 26, 2010. They wanted to ensure that funds obligated after that date, but before the March 17, 2010, obligation deadline for formula grants, were for eligible activities. According to HUD officials, these agencies all met the obligation deadline for formula grants and accurately completed contract activities per HUD and Recovery Act requirements. For the competitive funds, staff told us they had conducted remote reviews of obligations at four of the agencies. HUD headquarters staff will perform the remote review of the Macon Housing Authority. HUD field office officials stated that the additional oversight requirements associated with the Recovery Act programs had not affected their ability to meet their responsibilities for oversight, monitoring, and technical assistance for regular capital fund management. Similarly, the receipt of Recovery Act funds does not appear to have affected the ability of housing agencies in Georgia to obligate their regular capital funds. According to HUD officials, all but one agency in Georgia met the June 12, 2010, obligation deadline for 2008 regular capital funds. The Housing Authority of the City of Savannah received a 1-year extension due to a loss of a major financial commitment. HUD headquarters determined that this event was beyond the control of the agency and granted the extension.

Housing Agencies Have Reported Jobs Funded with Recovery Act Grants

The three public housing agencies we interviewed have submitted the quarterly recipient reports required under the Recovery Act. To determine the number of jobs funded, officials at the agencies told us they rely on certified payrolls from their contractors to calculate FTEs. All three agencies had procedures in place to review data prior to submission. Atlanta Housing Authority officials explained that three staff, including the chief operating officer, review the report before submission to FederalReporting.gov. According to Macon Housing Authority officials, the Director of Technical Services reviews the information prior to submission. Athens Housing Authority officials stated that the financial data are reviewed by two staff prior to submission.

Georgia's Accountability Community Continues to Audit Recovery Act Funding

The State Auditor, the State Inspector General, and agencies' internal audit departments continue to be responsible for auditing and investigating Recovery Act funds. As we reported in May 2010, the State Auditor's oversight of Recovery Act funds occurs primarily through the Single Audit.[49] The fiscal year 2009 Single Audit was the first Single Audit for Georgia that included Recovery Act programs.[50] It identified 51 significant internal control deficiencies related to compliance with federal program requirements, of which 14 were classified as material weaknesses. Some of these material weaknesses and significant deficiencies occurred in programs that included Recovery Act funds. For the fiscal year 2010 Single Audit report, the State Auditor plans to include audits of Recovery Act programs administered by GEFA and the Georgia Departments of Community Affairs, Community Health, Corrections, Education, Human Services, Juvenile Justice, Labor, and Transportation.

The State Inspector General continues to take a complaint-based approach to investigating alleged misuse of Recovery Act funds. Citizens can submit complaints directly to the Inspector General using a form on its Web site. Since we last reported in May 2010, the office has received two complaints—one that was resolved without a finding of fraud, waste, abuse, or corruption and one that is still under investigation. In addition, each state agency is required to notify the Inspector General when a complaint is filed with the agency. For example, GEFA has received five complaints about the weatherization program, which involved issues such

[49]GAO-10-605SP. Single Audits are prepared to meet the requirements of the Single Audit Act, as amended, (31 U.S.C. §§ 7501–7507) and provide a source of information on internal control and compliance findings and the underlying causes and risks. 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 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 (that is, the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

[50]According to data from the Federal Audit Clearinghouse, which is responsible for receiving and distributing Single Audit results, it received Georgia's Single Audit reporting package for the year ending June 30, 2009, on June 24, 2010. This was almost 3 months after the deadline specified by the Single Audit Act. The State Auditor explained that they had initially submitted the Single Audit reporting package to the clearinghouse on March 18, 2010, which was within the deadline. However, due to a technical issue, the data collection form (which is part of the reporting package) had to be revised and resubmitted in June 2010.

as potential fraud and hiring practices. In response to one of the fraud complaints, GEFA required a community action agency to return approximately $9,000 to the state because the agency had been reimbursed for office furniture that was not received. The State Inspector General reviewed these complaints and GEFA's responses and was satisfied with the actions taken.

A number of state agencies including GEFA and the Georgia Departments of Community Health, Education, Human Services, and Transportation have internal audit departments that plan to audit or are already auditing Recovery Act funds. For example, GEFA conducts fiscal audits that focus on the contractual, administrative, and accounting aspects of the Weatherization Assistance Program. As of August 6, 2010, GEFA had issued fiscal monitoring reports that identified risk and control weaknesses at two of its weatherization service providers. One report included five recommendations related to procurement practices and liability insurance, among other concerns. The second report included four recommendations related to procurement and billing, among other activities. Both providers agreed with the recommendations and planned to make the suggested changes. In addition, the Department of Community Health's internal audit department reviewed the agency's first round of recipient reporting. The auditors identified information that appeared to be missing or duplicated across programs and required the agency to provide explanations.

The State Accounting Office (SAO) continues to monitor Recovery Act funding. For example, it oversees Recovery Act recipient reporting by providing state agencies with technical assistance, reviewing the data each state agency submits, and collecting the data required for the state's Recovery Act Web site. SAO holds periodic implementation team meetings with agency officials responsible for recipient reporting to disseminate guidance and discuss deadlines, processes, and other issues related to the reports. Each quarter, SAO requires state agencies to submit copies of their recipient reports so that the office can review them for reasonableness and potential inaccuracies. After the review period, SAO reconciles the data it received from agencies against information posted on Recovery.gov and supplies the data needed to populate the state's Recovery Act Web site. According to SAO officials, state agencies generally are comfortable with the reporting process and said that they experienced no challenges related to the most recent reporting round.

In addition, SAO has launched an internal control initiative to enhance accountability for Recovery Act funds that began in June 2010 and

provided internal control training to 28 state agencies.[51] According to SAO officials, many of these agencies were identified as high-risk in the fiscal year 2009 Single Audit and have received Recovery Act funds. After the training, each agency was required to identify an internal control officer. In addition, each agency had to complete an internal control self assessment tool, which covered internal controls in place for six general areas, such as financial reporting, revenue, and Recovery Act funds. Furthermore, SAO plans to hold monthly group meetings with the internal control officers similar to those held with the state officials responsible for recipient reporting. The selected agencies also will be required to certify that all necessary controls are in place and working by the end of fiscal year 2011. According to SAO, it has identified two state agencies—the Departments of Education and Human Services—to work with a consultant on an in-depth risk-assessment initiative. SAO plans to leverage the results of the initiative with other state agencies. SAO also plans to work with the federal Recovery Accountability and Transparency Board to conduct two regional training sessions—one specific to the Department of Transportation and the other related to Medicaid.

Recovery Act Funds Have Helped Georgia Balance Its Budget and Enabled Localities to Fund Needed Capital Projects

Georgia has incorporated Recovery Act funding into its budget for fiscal year 2011, but also has planned future budget reductions in anticipation of the end of funding under the Recovery Act. Localities we visited began receiving Recovery Act funds, and they had varying budget situations.

[51]SAO also provided the training to several universities and technical colleges.

Georgia Used Almost $2 Billion in Recovery Act Funds to Balance Its Fiscal Year 2011 Budget

Georgia's budget for fiscal year 2011 is $38.2 billion.[52] It includes approximately $1.9 billion in Recovery Act funds, including about $749 million in increased Medicaid Federal Medical Assistance Percentage (FMAP) grant awards.[53] Georgia is preparing for the cessation of Recovery Act funds by planning additional budget reductions. The budget office has issued budget instructions directing agencies to submit 6, 8, and 10 percent reduction plans for fiscal year 2012. For the Georgia Department of Education's primary elementary education funding formulas, the budget reduction plans are 2 and 4 percent. Also, the state is projecting moderate revenue growth. Revenue collections improved in June 2010 by 3.8 percent compared to June 2009, but overall revenue collections for fiscal year 2010 were down 9.1 percent compared with fiscal year 2009.

Recovery Act Funds Have Helped Selected Localities in Georgia Fund Additional Projects

We visited two local governments—the Columbus Consolidated Government (Columbus/Muscogee County) and the Unified Government of Athens-Clarke County—to discuss their use of Recovery Act funds and fiscal condition.[54]

Columbus Consolidated Government

According to consolidated government officials, Columbus had been awarded about $17.5 million in Recovery Act funds as of August 6, 2010 (see fig. 10).[55] The largest award was a $3.4 million transportation grant for a pedestrian bridge. The consolidated government also was awarded funds under the Transit Capital Assistance Program, Homelessness Prevention and Rapid Re-housing Program, and the EECBG Program, among others.

[52]The Governor signed the fiscal year 2011 budget on June 4, 2010. The state's fiscal year begins on July 1.

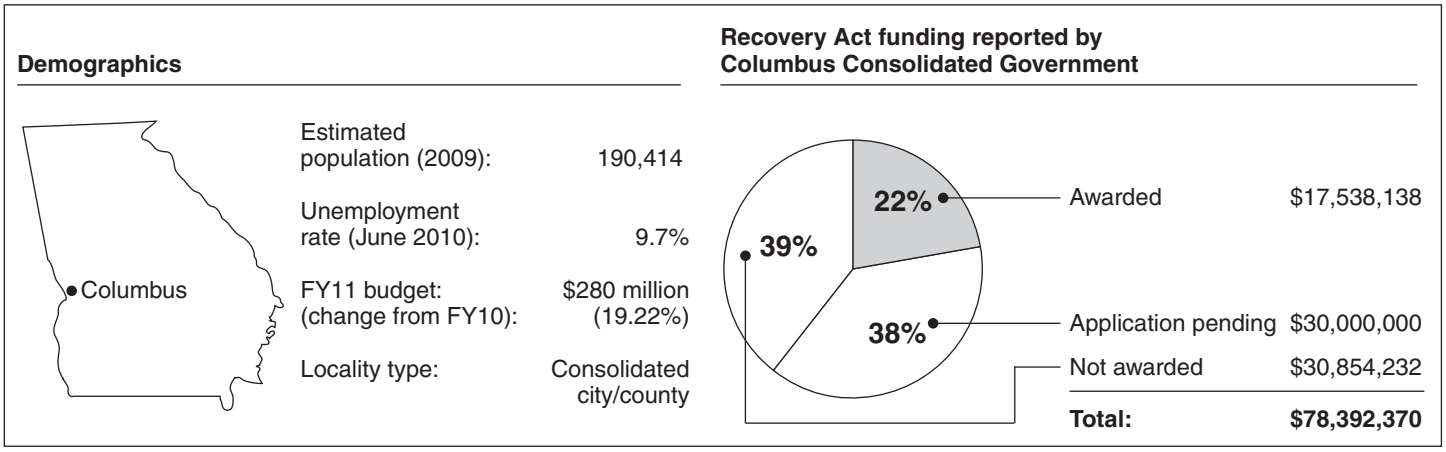
[53]Medicaid is a joint federal-state program that finances health care for certain categories of low-income individuals, including children, families, persons with disabilities, and persons who are elderly. The federal government matches state spending for Medicaid services according to a formula based on each state's per capita income in relation to the national average per capita income. The rate at which states are reimbursed for Medicaid service expenditures is known as the Federal Medical Assistance Percentage (FMAP). The Recovery Act provides eligible states with an increased FMAP for 27 months from October 1, 2008, through December 31, 2010. Recovery Act, div. B, title V, § 5001, Pub. L. No. 111-5, 123 Stat. at 496. On August 10, 2010, federal legislation was enacted amending the Recovery Act and providing for an extension of increased FMAP funding through June 30, 2011, but at a lower level. *See* Pub. L. No. 111-226, § 201, 124 Stat. 2389 (Aug. 10, 2010).

[54]We chose these locations because they represented a mix of population sizes and unemployment rates and were consolidated city/county governments.

[55]The Recovery Act funds awarded are a combination of funds awarded directly to the locality and funds passed through the state.

According to Columbus officials, the Recovery Act funds have helped the capital fund budget to a great extent by allowing the consolidated government to continue implementing or accelerate projects that otherwise would have been delayed. For example, the government's transit operator will be able to replace seven buses that had met or exceeded their recommended life. Columbus officials stated that most of the projects funded by the Recovery Act were one-time projects and therefore it was not necessary to develop a strategy for winding down their use of the funds. Columbus plans to continue funding infrastructure projects through its normal funding streams for transportation projects (state/federal) and the Local Option Sales Tax.

Figure 10: Columbus Consolidated Government Profile and Recovery Act Funds



Sources: (Left) U.S. Census Bureau data; U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics; budget documents; and Art Explosion (map). (Right) Columbus officials.

Note: The population is from the latest available estimate, July 1, 2009. The unemployment rate is a preliminary estimate for June 2010 and has not been seasonally adjusted. The rate is a percentage of the labor force. Estimates are subject to revision. Percentages do not add to 100 due to rounding.

Columbus had a balanced fiscal year 2011 budget of about $280 million. To balance its budget, Columbus officials delayed some projects, capital items, and pay increases.

According to officials, Columbus formed a cross-departmental team—comprised of a deputy city manager, the finance director, the internal auditor, and the heads of the departments that received funding—that provides regular oversight of Recovery Act funds. In addition, the finance department reviews Recovery Act expenditures, and the city's internal auditor plans to audit each Recovery Act program at its conclusion. To date, the internal auditor has completed one report on the Workforce

Investment Act summer youth program. The auditor reviewed selected employee records to ensure that the supporting documentation was sufficient and selected reports sent to governing agencies for accuracy and completeness. The auditor did not have any findings or make any recommendations for the program.

Regarding the recipient reporting required by the Recovery Act, Columbus officials stated that each department and program manager is responsible for collecting and reporting the information. The cross-departmental team meets to discuss the reporting process, and each department provides a copy of the reports to the auditor and grant accountant. At the conclusion of each project, the auditor reviews the reports to ensure that they are accurate. Columbus officials stated that they have had some challenges regarding how to count the jobs resulting from the bus purchases.[56]

Unified Government of Athens-Clarke County

According to government officials, Athens-Clarke County had been awarded about $13.3 million in Recovery Act funds as of August 6, 2010 (see fig. 11).[57] The largest award was a Clean Water State Revolving Loan Fund Program loan from GEFA totaling $8 million.[58] Other funding came from programs such as the Edward Byrne Memorial Justice Assistance Grant Program, the Homelessness Prevention and Rapid Re-housing Program, and the EECBG Program. Athens-Clarke County officials stated that most of the funding received allowed them to fund some previously identified projects that had been delayed due to a lack of funding. The officials also stated that in identifying and applying for Recovery Act funds, they focused on grants with limited ongoing funding requirements. Because the three positions added using Recovery Act funds were temporary positions, they did not anticipate any future fiscal challenges related to Recovery Act funds being completely expended.

[56]In September 2009, we reported that a number of transit agencies had expressed confusion about calculating the number of direct jobs resulting from Recovery Act funding, especially when using Recovery Act funds for purchasing equipment. See GAO, *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.: Sep. 23, 2009).

[57]The Recovery Act funds awarded are a combination of funds awarded directly to the locality and funds passed through the state.

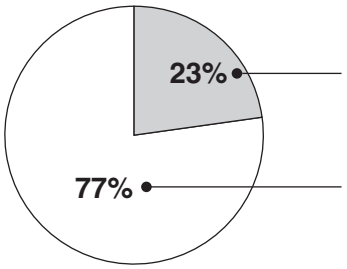
[58]Forty percent of the loan was a grant due to principal forgiveness.

Figure 11: Unified Government of Athens-Clarke County Profile and Recovery Act Funding

Demographics

Estimated population (2009):	116,342
Unemployment rate (June 2010):	8.3%
FY11 budget: (change from FY10):	$174 million (-0.63%)
Locality type:	Consolidated city/county

Recovery Act funding reported by Athens-Clarke County



Application pending	$0
Awarded	$13,309,705
Not awarded	$45,728,590
Total:	**$59,038,295**

Sources: (Left) U.S. Census Bureau data; U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics; budget documents; and Art Explosion (map). (Right) Athens-Clarke County officials.

Note: The population is from the latest available estimate, July 1, 2009. The unemployment rate is a preliminary estimate for June 2010 and has not been seasonally adjusted. The rate is a percentage of the labor force. Estimates are subject to revision.

Athens-Clarke County has a balanced total fiscal year 2011 budget of approximately $174 million. To balance the budget, elected officials increased property taxes, approved 2 furlough days, froze pay for the second consecutive year, and increased the medical insurance contributions by staff and retirees. According to officials, Athens-Clarke County contracts with an external auditing firm, which reviews the government's basic financial statements. As part of the required annual financial audit, the auditing firm will review Recovery Act funding activities. Athens-Clarke County also has an internal auditor whose mission is to audit the fiscal affairs and operations of various departments, but the auditor does not currently have plans to review Recovery Act funding specifically.

Athens-Clarke County officials stated that each department that received funds is responsible for the recipient reporting required by the Recovery Act. The Assistant Manager reviews the reports prior to submission to FederalReporting.gov or the prime recipient if Athens-Clarke County is a subrecipient of funds. Officials verify that the information is correctly reported; however, they do not use the data for public reports or other internal purposes.

Georgia's Comments on This Summary

We provided the Governor of Georgia with a draft of this appendix on August 16, 2010, and a representative from the Governor's office responded on August 18, 2010. The official agreed with our draft, stating that it accurately reflects the current status of the Recovery Act program in Georgia.

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