Appendix VII: Georgia

Overview

Use of funds: An estimated 90 percent of Recovery Act funding provided to states and localities nationwide in fiscal year 2009 (through Sept. 30, 2009) will be for health, transportation and education programs. The three largest programs in these categories are the Medicaid Federal Medical Assistance Percentage (FMAP) awards, the State Fiscal Stabilization Fund, and highways.

✓ **Medicaid Federal Medical Assistance Percentage (FMAP) Funds**

- As of April 3, 2009, the Centers for Medicare & Medicaid Services (CMS) had made about $521 million in increased FMAP grant awards to Georgia.
- As of April 1, 2009, Georgia had drawn down about $312 million, or 60 percent of its initial increased FMAP grant awards.
- State officials plan to use funds made available as a result of the increased FMAP to address increased caseloads, offset general fund needs, and maintain current benefit levels and provider reimbursement rates in the state's Medicaid program.

✓ **Transportation—Highway Infrastructure Investment**

- Georgia was apportioned about $932 million for highway infrastructure investment on March 2, 2009, by the U.S. Department of Transportation.
- As of April 16, 2009, the U.S. Department of Transportation had not obligated any Recovery Act funds for Georgia projects.
- On April 7, 2009, the Governor certified that the Georgia Department of Transportation plans to spend $208 million on 67 projects throughout the state. The department plans to award contracts for most of these projects by May 22, 2009.
- These projects include maintenance, bridge work, and other activities.

✓ **U.S. Department of Education State Fiscal Stabilization Fund (Initial Release)**

- Georgia was allocated about $1 billion from the initial release of these funds on April 2, 2009, by the U.S. Department of Education.
- Before receiving the funds, states are required to submit an application that provides several assurances to the Department of Education. These include assurances that they will meet maintenance of effort requirements (or that they will be able to comply with waiver provisions) and that they will implement strategies to meet certain educational requirements, including increasing teacher effectiveness, addressing inequities in the distribution of highly qualified teachers, and improving the quality of state academic standards and assessments. Georgia plans to submit its application in late April or early May.
- The state's fiscal year 2010 budget, which passed on April 3, 2009, included $521 million in state fiscal stabilization funds for education.

Georgia also is receiving Recovery Act funds under other programs, such as Title I, Part A of the Elementary and Secondary Education Act of 1965 (ESEA) (commonly known as No Child Left Behind); the Individuals with Disabilities Education Act, Part B; and the Tax Credit Assistance Program. The status of plans for using these funds is discussed throughout this appendix.

Safeguarding and transparency: A small core team consisting of representatives from the Office of Planning and Budget, State Accounting Office, and Department of Administrative Services (the department responsible for procurement) is taking steps to establish safeguards for Recovery Act funds and mitigate identified areas of risk. For example, the State Accounting Office has issued guidance on tracking Recovery Act funds separately, and the Office of Planning and Budget is developing a state-level strategy to monitor high-risk agencies. The State Auditor and Inspector General will monitor the use of Recovery Act funds.

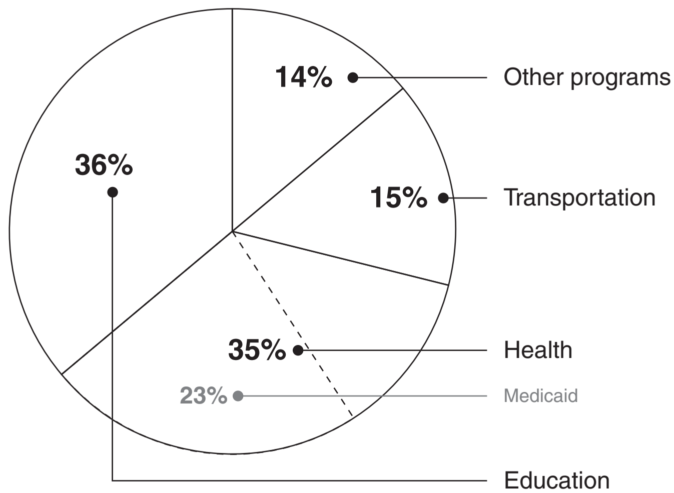
Assessing the effects of spending: While waiting for additional federal guidance, the state has taken some steps to assess the impact of Recovery Act funds on the state, including adapting an automated system currently used for financial management to meet Recovery Act reporting requirements.

Georgia Beginning to Use Recovery Act Funds

Although Georgia is still awaiting final information from the federal government, the state estimates it will receive about $7.3 billion in funding under the Recovery Act. Of that amount, about $467 million (or 6 percent) will be awarded by federal agencies directly to localities and other nonstate entities. As shown in figure 5, the majority of Recovery Act funds will support education (36 percent), health programs (35 percent, of which 23 percent will go toward Medicaid), and transportation (15 percent). The Governor completed the blanket certification for Recovery Act funds on March 25, 2009, confirming that the state will use the funds to create jobs and promote economic growth.[1]

[1]As of April 17, 2009, the Governor had also completed certifications for an arts program, energy efficiency, transportation, and unemployment insurance.

Figure 5: Georgia's Estimated Recovery Act Funding, by Major Programs, as of April 17, 2009



Source: Georgia Office of Planning and Budget.

Note: Other programs include those for housing, energy, and employment and training. The Office of Planning and Budget estimates are based on federal announcements and estimates from Federal Funds Information for States. The primary mission of Federal Funds Information for States is to track and report on the fiscal impact of federal budget and policy decisions on state budgets and programs.

The state has begun to use or plans to use funds for the following purposes:

Increased Federal Medical Assistance Percentage Funds: 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 amount of federal assistance states receive for Medicaid service expenditures is known as the Federal Medical Assistance Percentage (FMAP). Across states, the FMAP may range from 50 percent to no more than 83 percent, with poorer states receiving a higher federal matching rate than wealthier states. The Recovery Act provides eligible states with an increased FMAP for 27 months between October 1, 2008, and December 31, 2010.[2] On February 25, 2009, the Centers for Medicare & Medicaid Services (CMS) made increased FMAP grant awards to states,

[2]Recovery Act, § 5001.

and states may retroactively claim reimbursement for expenditures that occurred prior to the effective date of the Recovery Act.[3] Generally, for fiscal year 2009 through the first quarter of fiscal year 2011, the increased FMAP, which is calculated on a quarterly basis, provides for (1) the maintenance of states' prior year FMAPs, (2) a general across-the-board increase of 6.2 percentage points in states' FMAPs, and (3) a further increase to the FMAPs for those states that have a qualifying increase in unemployment rates. The increased FMAP available under the Recovery Act is for state expenditures for Medicaid services. However, the receipt of this increased FMAP may reduce the funds that states must use for their Medicaid programs, and states have reported using these available funds for a variety of purposes.

As of April 1, 2009, Georgia had drawn down $311.5 million in increased FMAP grant awards, which is about 59.8 percent of its awards to date.[4] Officials noted that these funds were drawn down retroactively for the period October 1, 2008, through February 25, 2009, but funds can now be drawn down on a more frequent basis. Georgia officials reported they plan to use funds made available as a result of the increased FMAP to address increased caseloads, offset general fund deficits, and maintain current eligibility and benefit levels in the state Medicaid program.

Transportation—Highway Infrastructure Investment: The Recovery Act provides additional funds for highway infrastructure investment using the rules and structure of the existing Federal-Aid Highway Surface Transportation Program, which apportions money to states to construct and maintain eligible highways and for other surface transportation projects. States must follow the requirements for the existing programs, and in addition, the governor must certify that the state will maintain its current level of transportation spending, and the governor or other appropriate chief executive must certify that the state or local government to which funds have been made available has completed all necessary legal reviews and determined that the projects are an appropriate use of taxpayer funds. Georgia provided these certifications, but qualified its maintenance of effort certification, noting that the Georgia General

[3] Although the effective date of the Recovery Act was February 17, 2009, states generally may claim reimbursement for the increased FMAP for Medicaid service expenditures made on or after October 1, 2008.

[4] Georgia received increased FMAP grant awards of $521.3 million for the first three quarters of federal fiscal year 2009.

Assembly still was considering the Georgia Department of Transportation's (GDOT) fiscal year 2010 budget, which could impact the state's highway spending plans for that year.[5]

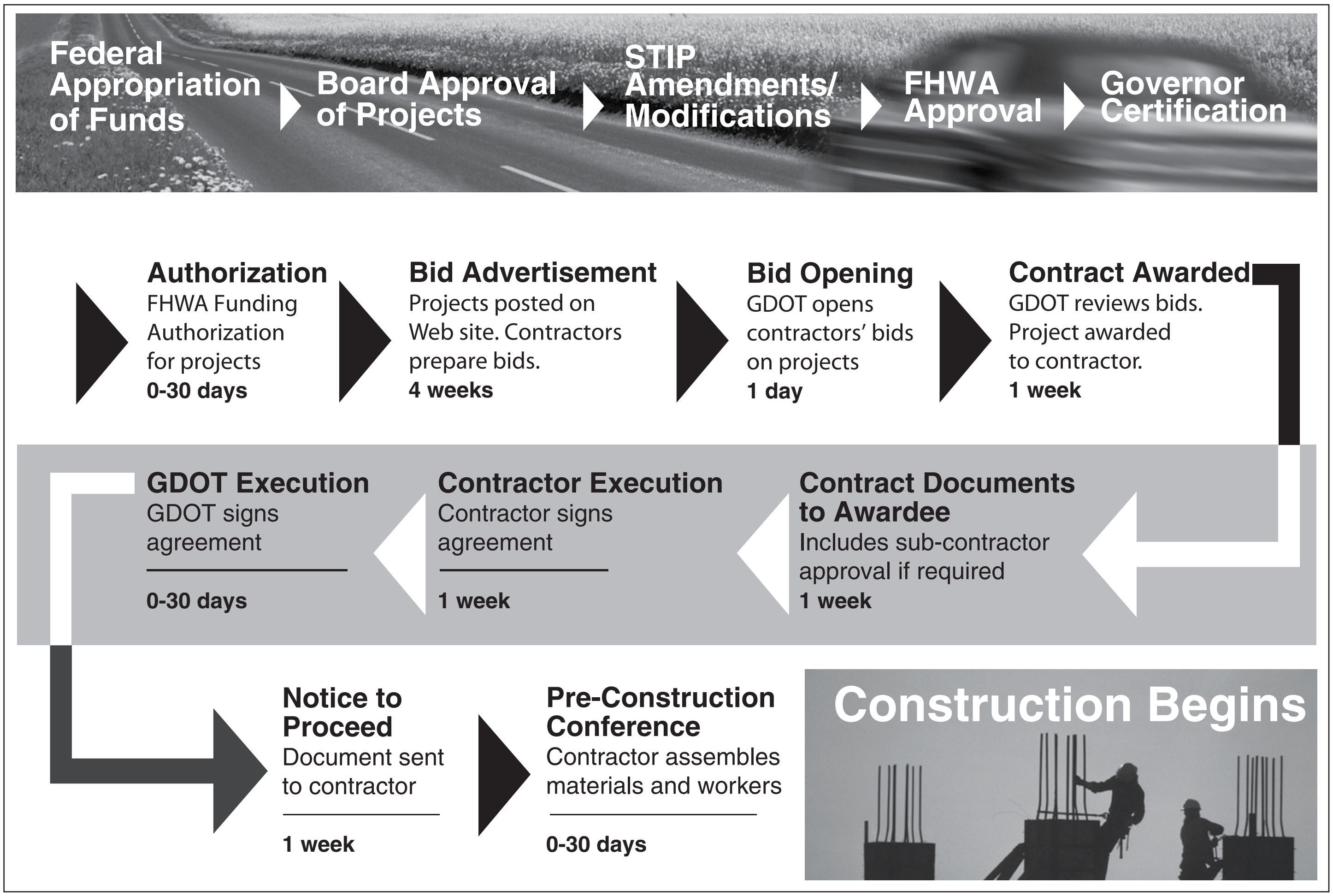
Georgia has been apportioned $932 million for highway infrastructure. On April 7, 2009, the Governor certified the first round of projects to be funded with Recovery Act funds. As of April 16, 2009, the U.S. Department of Transportation had not obligated any Recovery Act funds for Georgia projects.[6] Georgia plans to spend $208 million on 67 projects throughout the state. Of that amount, $97 million will be spent in economically distressed areas. The funds will be spent on maintenance (53 percent), bridges (23 percent), capacity projects (17 percent), safety projects (6 percent), and enhancements (1 percent). The Georgia Department of Transportation plans to award contracts for the majority of these projects (73 percent) by May 22, 2009.[7] Figure 6 illustrates the implementation time line for Recovery Act highway projects.

[5] A number of states qualified their certifications in various ways. The legal effect of such qualifications is currently being examined by the Department of Transportation and has not been reviewed by GAO.

[6] For federal-aid highway projects, the Federal Highway Administration of the U.S. Department of Transportation has interpreted the term obligation of funds to mean the federal government's contractual commitment to pay for the federal share of a project. This commitment occurs at the time the federal government approves a project agreement and the project agreement is executed.

[7] The department will award most of the remaining contracts in June and July 2009.

Figure 6: Georgia Department of Transportation's Project Implementation Schedule



Source: Georgia Department of Transportation.

U.S. Department of Education State Fiscal Stabilization Fund: The Recovery Act created a State Fiscal Stabilization Fund (SFSF) to be administered by the U.S. Department of Education (Education). The SFSF provides funds to states to help avoid reductions in education and other essential public services. The initial award of SFSF funding requires each state to submit an application to Education that assures, among other things, it will take actions to meet certain educational requirements such as increasing teacher effectiveness and addressing inequities in the distribution of highly qualified teachers.

Georgia's initial SFSF allocation was about $1 billion. According to state officials, the state's fiscal year 2010 budget passed on April 3, 2009, and included $521 million in state fiscal stabilization funds for education and $140 million in state fiscal stabilization funds for public safety.[8] Georgia plans to use the education funds for elementary, secondary, and public higher education. For instance, Georgia intends to use three established formulas to allocate funds to local education agencies, universities, and technical colleges. Georgia plans to use the public safety funds to help maintain safe staffing levels at state prisons, appropriately staff the state's forensic laboratory system, and avoid cuts in the number of state troopers. Georgia plans to submit its application for fiscal stabilization funds in late April or early May.

In addition to the major programs we discussed earlier, table 6 shows how Georgia and two local entities plan to use Recovery Act funds for other selected programs.[9]

[8]The state's fiscal year runs from July 1 through June 30.

[9]The two local entities we visited were the Atlanta Housing Authority and the Atlanta Regional Workforce Board.

Table 6: Planned Uses of Selected Recovery Act Funds

Selected programs	Anticipated funds (in millions of dollars)[a]	Examples of planned uses
Transportation		
Transit Capital Assistance Grants	144	Funds will be used to help with needs that were deferred as a result of budget cuts, such as bus replacement and the purchase of cleaner fuel vehicles.
Fixed-Guideway Infrastructure	7	Funds will go to the Metropolitan Atlanta Rapid Transit Authority.
Education		
Title I of the Elementary and Secondary Education Act of 1965 (commonly known as No Child Left Behind)	351 (grants to local education agencies); 104 (school improvement)	State will encourage local education agencies to focus on professional learning opportunities for staff and intervention programs for students who need help with math and writing.
Individuals With Disabilities Education Act, Parts B and C	339	Among other things, the state plans to encourage local education agencies to (1) provide professional development for special education teachers, (2) expand the availability and range of inclusive placement options for preschoolers, and (3) obtain state-of-the-art assistive technology devices and provide training in their use to enhance access to the general curriculum for students with disabilities.
Other programs		
Workforce Investment Act programs	88	State plans to use a portion for administration, oversight of local workforce agencies, as well as rapid response during major layoffs; the majority of the funds will be allocated to the 20 local areas within the state for adult, youth, and dislocated worker programs. The Atlanta Regional Workforce Board—the local workforce board for seven counties in the Atlanta metropolitan area—is concentrating on plans for using the $3.1 million it will receive for summer youth programs.[b]
Tax Credit Assistance Program	54	State will focus on fiscal year 2008 projects that received tax credits and those on the waiting list; for projects that received tax credits but are having difficulty using them, the state will either provide gap financing or exchange the tax credits for grants.
Public Housing Capital Fund	112[c]	The Atlanta Housing Authority will use $18.6 million to rehabilitate 13 public housing developments and an additional $8 million to complete the demolition of 3 public housing developments.
Neighborhood Stabilization Program	To be determined	State plans to apply, but the competition criteria have not yet been published.
Edward Byrne Memorial Justice Assistance Grants	36	State is currently developing a strategy to allocate the funds that must be passed through to local governments.

Source: GAO.

[a]The anticipated funds are based on federal agency announcements as of April 17, 2009.

[b]The Atlanta Regional Workforce Board is administered by the Atlanta Regional Commission.

[c]These funds go directly to local public housing authorities.

In Addition to Addressing Specific Program Areas, Recovery Act Funding Also Will Help Mitigate Ongoing Fiscal Challenges

The recent economic downturn adversely affected Georgia in a number of ways:

- Higher unemployment rate—as of February 2009, the state's unemployment rate was 9.3 percent. This rate surpassed the national unemployment rate (8.1 percent) and was almost double the state unemployment rate from a year earlier (5.4 percent).

- Increases in Medicaid enrollment—from January 2008 to January 2009, the state's Medicaid enrollment increased from 1,265,136 to 1,314,689, with increased enrollment attributable to three population groups: (1) children and families, (2) disabled individuals, and (3) other populations, which includes refugees and women with breast and/or cervical cancer.

- Declining revenue—through March 2009, the state's net revenue collections for fiscal year 2009 were 8 percent less than they were for the same time period in fiscal year 2008, representing a decrease of approximately $1 billion in total taxes and other revenues collected.[10]

- Use of reserves—to offset shortages in revenue, the state used $200 million from its Revenue Shortfall Reserve, or "rainy day" fund, in fiscal year 2009 and will use an additional $259 million in fiscal year 2010.

- Recent budget cuts—overall, the state's budget was cut by 8 percent from fiscal year 2008 to fiscal year 2009.[11] As shown in table 2, some individual agencies were cut more significantly than others. Georgia officials plan to use Recovery Act funds to limit additional budget cuts.

[10]Net revenue collections for the month of March 2009 totaled $988 million—compared with $1.2 billion for March 2008, a decrease of 14.5 percent.

[11]This percentage represents the difference between the amended fiscal year 2008 budget and the amended fiscal year 2009 budget.

Table 7: Budget for Selected State Agencies in Georgia, Fiscal Years 2008 and 2009

Selected state agencies	Amended fiscal year 2008 budget[a]	Amended fiscal year 2009 budget[a]	Percentage change from fiscal years 2008 to 2009
Department of Community Affairs	$35,718,525	$17,011,787	-52.4
Criminal Justice Coordinating Council	898,061	472,465	-47.4
State Accounting Office	7,205,916	4,089,053	-43.3
Department of Administrative Services	9,707,880	7,767,003[b]	-20.0
Department of Community Health	2,347,794,015	1,879,185,744	-20.0
State Inspector General	833,534	679,410	-18.5
State Housing Finance Agency	3,287,829	2,700,020	-17.9
Department of Human Resources	1,631,068,194	1,394,208,017	-14.5
Department of Labor	55,081,172	47,934,616	-13.0
Office of Planning and Budget	9,474,735	8,419,050	-11.1
Department of Audits and Accounts	34,429,800	30,654,383	-11.0
Office of the Governor	7,653,328	7,113,270	-7.1
Department of Education	7,973,900,641	7,506,343,096	-5.9
Department of Transportation	832,725,819	865,193,794	3.9

Source: GAO analysis of Georgia Office of Planning and Budget data.

Notes: The state agencies in the table are those we interviewed or surveyed during this first reporting period. The Department of Administrative Services serves as the state's procurement office. The State Accounting Office serves as the state's controller. The Office of Planning and Budget is the state's budget office. The Department of Audits and Accounts is the state auditor.

[a]The amended budgets for fiscal years 2008 and 2009 represent state funds only.

[b]The fiscal year 2009 amount for the Department of Administrative Services includes $5,424,149 in agency reserves used to supplement appropriations.

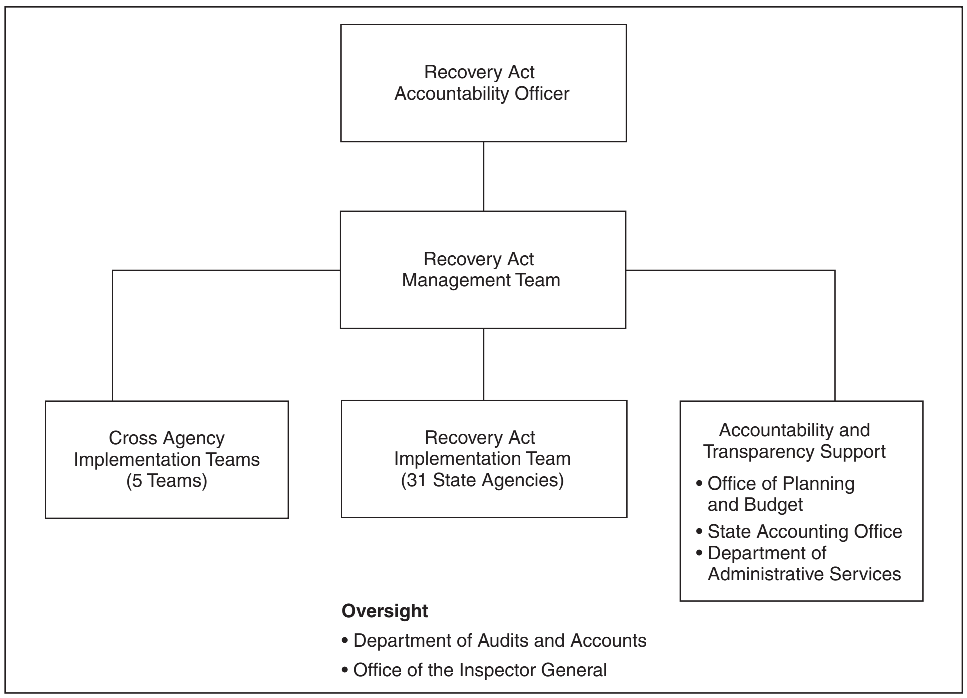
Georgia Has Adapted Existing Processes to Approve Uses of Recovery Act Funding

Georgia moved quickly to implement an infrastructure to manage Recovery Act funds. A small core team was in place as of December 2008 to begin planning for implementation. Within 1 day of enactment, the Governor had appointed a Recovery Act Accountability Officer, and she formed a Recovery Act implementation team shortly thereafter. The implementation team includes a senior management team, officials from 31 state agencies, a group to support accountability and transparency, and cross-agency teams (see fig. 7).[12] The Recovery Act Accountability Officer and senior management team are responsible for analyzing and

[12]The cross-agency teams work on initiatives such as energy, broadband, and competitive grants.

disseminating federal and state guidance to the state agencies receiving Recovery Act funds. The accountability and transparency support group comprises representatives from the Office of Planning and Budget, State Accounting Office, and Department of Administrative Services. The State Auditor will serve as the primary auditor of the funds, and the Inspector General will provide investigative support and respond to complaints of fraud. The first implementation team meeting was held on February 24, 2009. Since then, the implementation team has met almost every week.

Figure 7: Organizational Chart of Georgia's Recovery Act Implementation Team



Source: Georgia Recovery Act Accountability Officer.

According to state officials, each year the Governor is required to present to the General Assembly a recommended state budget for the upcoming fiscal year and an amended budget for the current fiscal year. Prior to submitting the budget for the upcoming year, the Governor sets the state's revenue estimate, which when added to surplus and reserve funds, determines the size of the forthcoming appropriations bill. Furthermore, state officials told us that the Governor has the authority to approve the appropriations bill in its entirety or choose individual expenditure items to veto.[13]

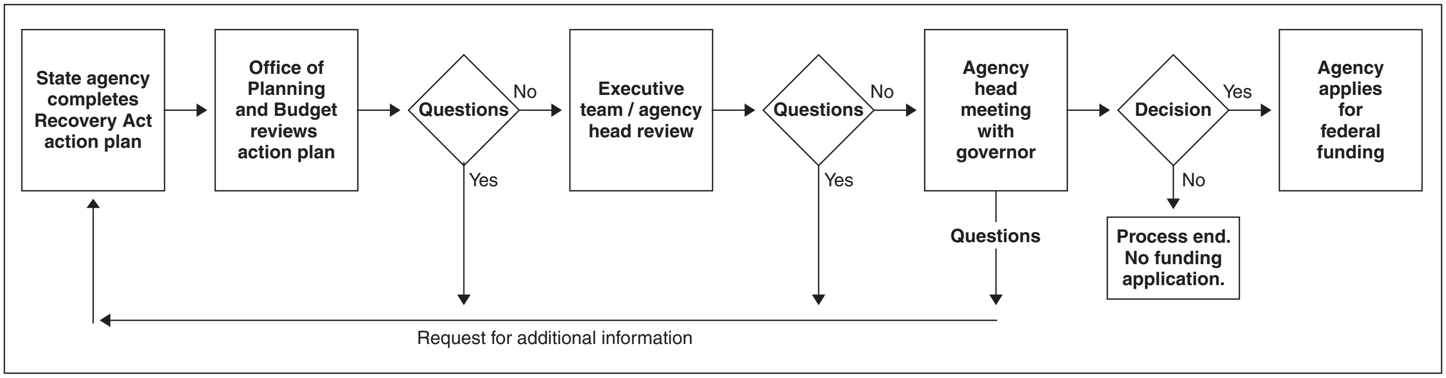
To approve the use of Recovery Act funds, Georgia has enhanced its existing budget process. The majority of Recovery Act funds will be added into state budgets via an amendment process through the Governor's Office of Planning and Budget. A monthly Recovery Act budgeting and amendment process has been established to account for federal dollars. The Recovery Act approval process requires that each state agency submit an action plan to the Office of Planning and Budget that includes information on the agency, funding sources, accountability measures, and details on individual projects funded (see fig. 8).[14] For Recovery Act funds the state government receives, the budget office also is requiring state agencies to complete a tool that assesses risk. The budget office then reviews the plans submitted by the agency, provides feedback to the agency, and, in conjunction with the agency, finalizes the plans and risk assessment tool. The Governor, the Recovery Act Accountability Officer, budget office staff, and agency officials meet to vet the action plan and make a final decision on applying for funding. As of April 17, 2009, all state agencies had submitted action plans, and the budget office had begun its review of these plans.[15]

[13]However, state officials noted that the legislature can override a gubernatorial veto with a two-thirds majority in each chamber.

[14]The actions plans were initially required to be submitted on February 12, 2009; however, due to delays in federal guidance, some state agencies were granted an extension until early March.

[15]The Department of Education was given an exemption, and weekly meetings were held with the Office of Planning and Budget to gather information in lieu of action plans.

Figure 8: State of Georgia Review Process for Recovery Act Funds



Source: Georgia Office of Planning and Budget.

Note: The executive team for the action plan process includes the Recovery Act Accountability Officer, the Chief Financial Officer, the Chief Operating Officer, the Governor's policy staff, Office of Planning and Budget staff, and agency officials.

Georgia Has Been Establishing Internal Controls for Recovery Act Funds

Georgia's most recent Single Audit Act report identified a number of material weaknesses. Recognizing the risks associated with the influx of Recovery Act funds, the state has taken a number of steps to establish internal controls and safeguards for these funds.

Georgia's Most Recent Single Audit Report Identified Material Weaknesses

Georgia's most recent Single Audit Act findings indicate that the state may have difficulty accounting for the use of some Recovery Act funds. In its fiscal year 2008 Single Audit report, the State Auditor identified 28 financial material weaknesses and 7 compliance material weaknesses. Three state agencies that expect to receive a substantial amount of Recovery Act funds were cited for most of the financial material weaknesses—the Department of Transportation (10), Department of Labor (4), and Department of Human Resources (2). For example, the Department of Transportation's financial accounting system was deemed unsuitable for day-to-day management. It also did not have a system in place to correctly identify fund sources, and as a result, auditors found that $138 million of federal funds were misclassified.

In addition, auditors found that the Department of Labor was unable to provide detailed account balances for the Unemployment Insurance

Program because it maintained an inadequate general ledger that consisted of manually updated spreadsheets.[16] The auditors also found that the Department of Human Resources' process of allocating indirect costs to programs had multiple deficiencies. They noted that inadequate internal controls and failure to follow established policies increases the risk of material misstatement in the financial statements, including misstatements due to fraud and noncompliance with federal regulation. In addition, the Department of Human Resources was cited for four compliance material weaknesses, such as requesting federal funds in excess of program expenditures.

To ensure that the affected state agencies will address these material weaknesses, the State Accounting Office will be monitoring corrective action plans developed in response to the Single Audit report. The office plans to issue guidance on the monitoring process by the end of April 2009 and has asked agencies to start tracking actions taken to address material weaknesses.

State Agencies Are Taking Steps to Safeguard and Oversee Recovery Act Funds

Georgia recognizes the importance of accounting for and monitoring Recovery Act funds and, despite recent budget cuts, has directed state agencies to safeguard Recovery Act funds and mitigate identified risks. At one of the first implementation team meetings, the Recovery Act Accountability Officer disseminated an implementation manual to agencies, which included multiple types of guidance on how to use and account for Recovery Act funds. For example, the Office of Planning and Budget provided details on the budgeting process for Recovery Act funds. New and updated guidance is disseminated at the weekly implementation team meetings. At the direction of the Recovery Act Accountability Officer, the three agencies tasked with accountability support—the Office of Planning and Budget, State Accounting Office, and Department of Administrative Services—and other state agencies have instituted the following safeguards:

- The Office of Planning and Budget, in collaboration with the State Accounting Office and others, is developing a state-level strategy to

[16] The state expects to receive about $236 million in Recovery Act funds for unemployment insurance ($220 million for unemployment insurance benefits and $16 million for administration).

monitor high-risk agencies.[17] Additional risk-mitigation strategies will be developed and implemented for these agencies.

- The State Accounting Office issued two accounting directives to all state agencies. The first provides guidance on accounting for Recovery Act funds separately from other funds. The state plans to use Catalog of Federal Domestic Assistance numbers to track Recovery Act funds separately. Funds will also be segregated through a set of unique Recovery Act fund sources in the state's financial accounting system. For example, the state is tracking increased FMAP funds for Medicaid through the development of a unique identifier for each grant award. The second accounting directive supplies language that should be included in all contracts issued under the Recovery Act. In addition, the office is reviewing the current accounting internal controls and assessing how they can be enhanced for Recovery Act funds.[18]

- The Georgia Department of Administrative Services plans to issue a communication alert stating that any state agency planning to award contracts with Recovery Act funds should contact the department for guidance. The department has developed standard contract language that should be included in all Recovery Act contracts and plans to publicize and offer training for state agency contracting staff. Further, the department plans to continue its compliance reviews of agencies with delegated purchasing authority to ensure they are following proper policies and procedures.[19]

- All of the agencies we met with that directly administer programs had monitoring processes in place that they plan to adapt or enhance for Recovery Act oversight. For example, the Georgia Department of Community Affairs' plans for monitoring the Tax Credit Assistance

[17]Certain state agencies have been identified as high risk due to their size, the potential for reorganization, and outdated financial reporting systems.

[18]The majority of state agencies use PeopleSoft, the state's current financial reporting system, to track their expenditures. However, there are some agencies that do not use this system and others that have greatly customized the software for their agency's individual use.

[19]A state official reported that the Georgia Department of Community Health is developing a separate contracting and vendor management process for any contracts that are needed or awarded to carry out the functions of grants that may be awarded to vendors as a result of the Recovery Act. Existing performance outcomes will be applied to the new contracting mechanism and are expected to provide early indicators regarding the need to apply additional audits or controls.

Program include a front-end analysis of costs, third-party inspections prior to the release of funds, and an audit of the general contractor by a certified public accountant. The last requirement is unique to projects funded with Recovery Act tax credits.

In addition, the State Auditor, Inspector General, and internal audit divisions within state agencies have taken or plan to take the following steps to mitigate risk and oversee the use of Recovery Act funds:

- The State Auditor issued two audit risk alerts. One urged all agency officials to include appropriate contractual provisions in Recovery Act contracts and to not rush the distribution of Recovery Act funds before adhering to proper internal control processes and understanding federal guidelines. The other alert discussed limits on the use of funds. The State Auditor also plans to provide internal control training to state agency personnel in late April. The training will discuss basic internal controls, designing and implementing internal controls for Recovery Act programs, best practices in contract monitoring, and reporting on Recovery Act funds.

- Currently, the State Auditor conducts routine statewide risk assessments as a means of identifying high-risk agencies and determining where to best focus audit resources.[20] Officials plan to target future risk assessments on programs receiving Recovery Act funding and are awaiting additional audit guidance from the Office of Management and Budget (OMB).

- The Inspector General issued a directive requiring all state agencies to insert new contractual language in any contracts, subcontracts, grants, and bid solicitations financed with Recovery Act funds.[21] The new language specifically gives her the right to inspect all records of outside vendors, subcontractors, and consultants.

- In conjunction with the State Accounting Office, the Inspector General plans to conduct unannounced visits to state agencies receiving Recovery Act funding.

[20]The risk assessments evaluate a program's previous audit findings, internal controls, and material weaknesses based on pre-established criteria.

[21]The Inspector General is part of the executive branch.

- The Inspector General also developed a database to specifically track Recovery Act complaints and a public service announcement to alert the public of how to report fraud, waste, and abuse.
- Some state agencies, such as the Departments of Human Resources and Transportation, have internal audit divisions that plan to monitor the use of Recovery Act funds. For instance, the Department of Human Resources' internal auditor has developed a plan to assess the risk of each program prior to receiving Recovery Act funding.

Resources Available for Oversight May Be Limited

As these actions and plans indicate, Georgia recognizes the importance of instituting safeguards for Recovery Act funds. However, state officials also stressed the costs of such efforts. Both the Governor's Office and the State Auditor noted that they had not received additional funding for Recovery Act oversight. As shown in table 2, several agencies with oversight responsibilities experienced significant budget reductions in fiscal year 2009, including the State Accounting Office (43 percent), Inspector General (19 percent), Office of Planning and Budget (11 percent), and State Auditor (11 percent).

The State Auditor noted that, if state fiscal conditions do not improve or federal funding does not become available for audit purposes, additional budget and staffing cuts may occur within the department. Directives from OMB, due by May 1, will provide guidance on the audit requirements for Recovery Act programs. Officials noted that the scope of pending audit requirements may greatly impact the State Auditor's ability to audit Recovery Act programs on top of existing audit requirements. In addition, some state officials that directly administer programs told us that overseeing the influx of funds could be a challenge, given the state's current budget constraints and hiring freeze. In some cases, state agencies told us that they planned to use Recovery Act funds to cover their administrative costs. Other state agencies wanted additional clarity on when they could use program funds to cover such costs.

Plans to Assess Impact of Recovery Act Funds Are in Initial Stages

In general, Georgia is awaiting additional federal guidance on reporting requirements before making detailed plans to assess impact. However, the State Auditor is adapting an existing system (used to fulfill its Single Audit Act responsibilities) to help the state report on Recovery Act funds. The statewide Web-based system will be used to track expenditures, project status, and job creation and retention. The state will make data from this system available on its Recovery Web site. The Governor is requiring all state agencies and programs receiving Recovery Act funds to use this system. State officials do not expect to track and report on funds going directly to localities, but some said they would like to be informed of these funds so that the state can coordinate with localities. They cited broadband initiatives and health funding to nonprofit hospitals as areas where a lack of coordination could result in a duplication of services or missed opportunities to leverage resources.

In addition, some state agencies appear to have more experience tracking jobs than others. For example, the Georgia Department of Community Affairs has experience tracking jobs for the Community Development Block Grant program; therefore, agency officials do not expect to have difficulty tracking jobs for the Neighborhood Stabilization Program. For another program it will administer, the Tax Credit Assistance Program, Community Affairs surveyed potential applicants in March 2009 to gain a better understanding of performance measures that could be tracked as a part of its monitoring efforts, including job creation. In contrast, officials from other programs, such as the Edward Byrne Memorial Justice Assistance Grant program and the Transit Capital Assistance Grant program expressed concerns about identifying appropriate measures of job creation and retention within the purpose of their programs and were waiting for more guidance from federal agencies and OMB.

Georgia's Comments on This Summary

We provided the Governor of Georgia with a draft of this appendix on April 17, 2009. The Recovery Act Accountability Officer responded for the Governor on April 19, 2009. In general, she noted that the report accurately and succinctly captures the implementation status of the Recovery Act process in Georgia.

GAO Contacts

Terri Rivera Russell, (404) 679-1925 or russellt@gao.gov

Alicia Puente Cackley, (202) 512-7022 or cackleya@gao.gov

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