

May 2010

RECOVERY ACT

States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability (District of Columbia)



GAO

Accountability * Integrity * Reliability

Appendix IV: District of Columbia

Overview

The following summarizes GAO's work on the sixth of its bimonthly reviews of the American Recovery and Reinvestment Act of 2009 (Recovery Act)¹ spending in the District of Columbia (District). The full report on all of our work in 16 states and the District is available at www.gao.gov/recovery.

What We Did

GAO's work in the District focused on specific programs funded under the Recovery Act, as well as general issues involving the effect of Recovery Act funds on the District's budget. The programs we reviewed—three Recovery Act programs funded by the U.S. Department of Education (Education) and the Weatherization Assistance Program funded by the U.S. Department of Energy (DOE)—were selected primarily because they include existing programs receiving significant amounts of Recovery Act funds or programs receiving significant increases in funding from the Recovery Act. We also reviewed the District's use of Community Oriented Policing Services (COPS) Hiring Recovery Program (CHRP) grant funds, which is a U.S. Department of Justice competitive grant program that provides funding directly to law enforcement agencies to create and preserve jobs and to support community policing and crime-prevention efforts. For descriptions and requirements of the programs we covered, see appendix XVIII of [GAO-10-605SP](#). Our work focused on how the funds were being used and monitored, how safeguards were being implemented, and issues that were specific to each program. In addition to our program-specific reviews, we also updated information on the District's fiscal situation and how Recovery Act funds are being used for budget stabilization. Finally, to gain an understanding of the District's efforts to oversee and monitor the use of Recovery Act funds, we talked to the District's Office of the Inspector General (DC OIG) about its oversight role and audits related to Recovery Act funds.

What We Found

Following are highlights of our review:

- **Title I, Part A, of the Elementary and Secondary Education Act of 1965, as amended (ESEA).** Education allocated \$37.6 million in ESEA Title I Recovery Act funds to the District to help improve teaching, learning, and academic achievement for disadvantaged

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

students. Most of the District's local educational agencies (LEA)² plan to use these funds for salaries and benefits and contracted professional services designed to support student instruction. As of April 16, 2010, the Office of the State Superintendent of Education (OSSE) had disbursed about \$1.5 million of these funds. For example, one LEA used these funds for the salary and benefits of an instructional coach to enhance the professional development and training of teachers.

- **U.S. Department of Education State Fiscal Stabilization Fund.** Education awarded the District about \$65.3 million of the District's total State Fiscal Stabilization Fund (SFSF) allocation of about \$89.3 million. These SFSF funds are intended, in part, to help the District stabilize its budget by minimizing budgetary cuts in education and other essential government services. Of the SFSF funds, 81.8 percent are designated as education stabilization funds and intended to support public elementary, secondary, and higher education, and, as applicable, early childhood education programs and services. The remaining 18.2 percent of SFSF funds are designated as government services funds, intended to provide additional resources to support education, public safety, and other government services. District LEAs plan to use SFSF funds primarily on salaries and benefits for teachers. As of April 16, 2010, LEAs reported expending over \$16.4 million in SFSF education stabilization funds and \$1.1 million in SFSF government services funds. For example, one LEA used a portion of the SFSF education stabilization funds for the salaries and benefits of music, art, and advanced placement teachers and guidance counselors.
- **Individuals with Disabilities Education Act, as amended, (IDEA) Part B.** Education allocated \$16.7 million in IDEA Part B Recovery Act funds to the District to support special education and related services for children with disabilities. As of April 16, 2010, District LEAs reported expending about \$1.6 million in IDEA Part B Recovery Act funds.
- **Weatherization Assistance Program.** DOE allocated about \$8 million in Recovery Act weatherization funds to the District for a 3-

²The District has 58 LEAs, including 57 charter school LEAs and the District of Columbia Public Schools (DCPS). Fifty-one LEAs are eligible to receive ESEA Title I Recovery Act funds, according to the Office of the State Superintendent of Education (OSSE). Most of the charter school LEAs consist of a single campus, but some have multiple campuses or schools. DCPS comprises 129 schools.

year period. The District Department of the Environment (DDOE), which is responsible for administering the program for the District, did not begin to spend its operational weatherization funding until February 2010, making the District among the last recipients to begin spending its weatherization funding under the Recovery Act. According to DDOE officials, they have been developing the capacity and infrastructure to administer the program, such as hiring new staff, but there have been delays in this process. According to DDOE, as of March 31, 2010, it has completed weatherization for 110 units, or about 14 percent of its goal.

- **COPS Hiring Recovery Program.** In July 2009, the U.S. Department of Justice awarded about \$12 million in Recovery Act funding to the Washington, D.C., Metropolitan Police Department (MPD) to create and preserve jobs and to support community policing and crime-prevention efforts. MPD is using the grant for 50 new police officer positions and to fund these positions for 3 years. MPD expects the new officers will graduate from the Metropolitan Police Academy in August 2010, and will have an immediate effect in the community by increasing the number of officers on patrol.
- **The District's fiscal situation.** Since our February 2010 report, competitive Recovery Act grants have helped the District further expand its health care and housing programs. According to District officials, within the last quarter, the District has been awarded a total of about \$21 million in competitive Recovery Act grants. While the infusion of Recovery Act funds has helped mitigate the negative effects of the recession on the District's budget, the District continues to face fiscal challenges. As a result of deteriorating economic conditions and a decrease in expected revenues, on April 1, 2010, the District's Mayor reported that the District was facing a projected \$230 million budget shortfall in fiscal year 2010. Additionally, the Mayor's proposed fiscal year 2011 budget identified a \$523 million budget gap as a result of the decline in revenues in fiscal year 2011, slow economic recovery, and the end of Recovery Act funding.
- **Accountability efforts.** As of April 21, 2010, the DC OIG has initiated one audit specifically related to the use of Recovery Act funds involving construction contracts at the District Department of Transportation that were awarded under the Recovery Act. Other planned Recovery Act audits have not yet begun because of lack of resources.

The District’s Local Educational Agencies Generally Plan to Use Recovery Act Funds for Salaries and Benefits, and the Office of the State Superintendent of Education Has Begun Drawing Down and Monitoring the Use of These Funds

Education has allocated \$143.6 million in Recovery Act funds to the District for three programs:

- Title I, Part A, of the Elementary and Secondary Education Act of 1965, as amended (ESEA) which provides funding to help educate disadvantaged students;
- State Fiscal Stabilization Fund (SFSF), which was created under the Recovery Act, in part to help state and local governments stabilize their budgets by minimizing budgetary cuts in education and other essential government services. Of the SFSF funds, 81.8 percent are designated as education stabilization funds and intended to support public elementary, secondary, and higher education, and, as applicable, early childhood education programs and services. The remaining 18.2 percent of SFSF funds are designated as government services funds, intended to provide additional resources to support education, public safety, and other government services; and
- Part B of the Individuals with Disabilities Education Act, as amended (IDEA) which provides funding for special education and related services for children with disabilities.³

³We do not fully discuss the planned uses of IDEA Part B Recovery Act funds because the majority of LEAs did not have approved IDEA applications at the time we began our analysis. DCPS—which serves as the LEA for IDEA purposes for 17 charter school LEAs—had its Recovery Act IDEA application approved on January 20, 2010.

The Majority of Local Educational Agencies Plan to Use Their Recovery Act ESEA Title I and SFSF Funds Primarily for Salaries and Benefits and Contracted Professional Services

Title I. Most of the District’s LEAs’ planned spending of \$37.6 million in ESEA Title I Recovery Act funds falls into two of the six budget categories listed in the LEAs’ applications for these funds: (1) salaries and benefits and (2) contracted professional services.⁴ (See fig. 1.) The charter school LEAs plan to spend about 58 percent of their ESEA Title I Recovery Act funds on salaries and benefits and about 17 percent on contracted professional services. In addition, the charter school LEAs plan to spend about 16 percent on supplies and materials.⁵ In contrast, the District of Columbia Public Schools (DCPS)—the District’s largest LEA representing about two-thirds of the District’s K-12 students—plans to spend about 70 percent of ESEA Title I Recovery Act funds on contracted professional services and 7 percent on salaries and benefits.⁶ This planned spending on contracted services, rather than on direct salaries and benefits, could help DCPS avoid expenditures that would continue beyond the time frame of the Recovery Act funds. Across all the District’s LEAs, planned spending on salaries and benefits and on contracted services was primarily designated to support instruction and support services. For example, one charter school LEA plans to use these funds to pay the salary and benefits of a reading specialist who provides targeted interventions for students falling behind in reading.

SFSF education stabilization funds. The District was allocated \$73.1 million in SFSF education stabilization funds, which will be used to restore the District’s primary elementary and secondary funding to the fiscal year 2008 level, and was allocated to the LEAs through the District’s Uniform Per Student Funding Formula. DCPS and the charter school LEAs

⁴To receive Recovery Act funds, OSSE requires that LEAs submit an application that describes how the funds will be used, and OSSE must approve this application. In the application—which OSSE developed—there are six budget categories: Salaries and Benefits, Supplies and Materials, Fixed Property Costs, Contracted Professional Services, Equipment, and Other Expenses. The “salaries and benefits” category can support teachers, as well as employees that provide support services such as tutoring, and counseling and social work, and those who provide professional development. The budget category “contracted professional services” is similar to the “salaries and benefits” category in that contracted professional services include teaching, support services, and technical and logistical support to facilitate and enhance instruction, as well as contracts for accountants, and activities such as in-service training and conference registration.

⁵The third largest planned spending category for ESEA Title I Recovery Act funds was supplies and materials. The remaining portion of planned spending was spread across the other budget categories.

⁶DCPS also plans to spend 22 percent of ESEA Title I Recovery Act funds on supplies and materials.

are planning to use SFSF education stabilization funds primarily to maintain jobs, including teaching positions, which is consistent with the purpose of SFSF funds to minimize budgetary cuts in education and other essential government services. (See fig. 1.) The District's charter school LEAs plan to spend more than 94 percent of their Recovery Act SFSF education stabilization funds on salaries and benefits.⁷ Within this category, the charter school LEAs plan to spend 79 percent on instruction and 17 percent on support services.⁸ DCPS plans to spend 100 percent of its SFSF education stabilization funds on salaries and benefits. Within this category, DCPS designated about \$43.3 million for instruction and the remaining \$2.2 million of its total \$45.5 million allocation for support services, as of March 9, 2010. DCPS plans to use these funds for 608 full time teacher positions, as well as for 30 support services positions, including instructional coaches to help teachers increase student achievement, bilingual counselors, social workers, and librarians.

SFSF government services funds. Recovery Act SFSF government services funds for the District total almost \$16.3 million—\$9.8 million (60 percent) for public schools, including public charter schools,⁹ and \$6.5 million (40 percent) for the Metropolitan Police Department (MPD).¹⁰ LEAs in the District plan to use the largest portion of their SFSF government services funds on maintaining and creating jobs—specifically, using these funds on salaries and benefits, as shown in figure 1. Of the \$9.8 million in government services funds for education, the charter school LEAs were allocated about \$3.6 million and DCPS was allocated about \$6.2 million. Overall, the charter school LEAs plan to spend 89 percent, or over

⁷The remaining portion of planned spending was spread across the other budget categories—primarily contracted professional services and supplies and materials.

⁸Instruction and support services are two of a total of six program spending categories in the OSSE-created application that LEAs must complete to receive Recovery Act funds. The other four categories are: administrative costs, operations and maintenance, student transportation, and other. The remaining portion of the charter school LEAs' program spending within the budget category of salaries and benefits is spread across the other four program categories.

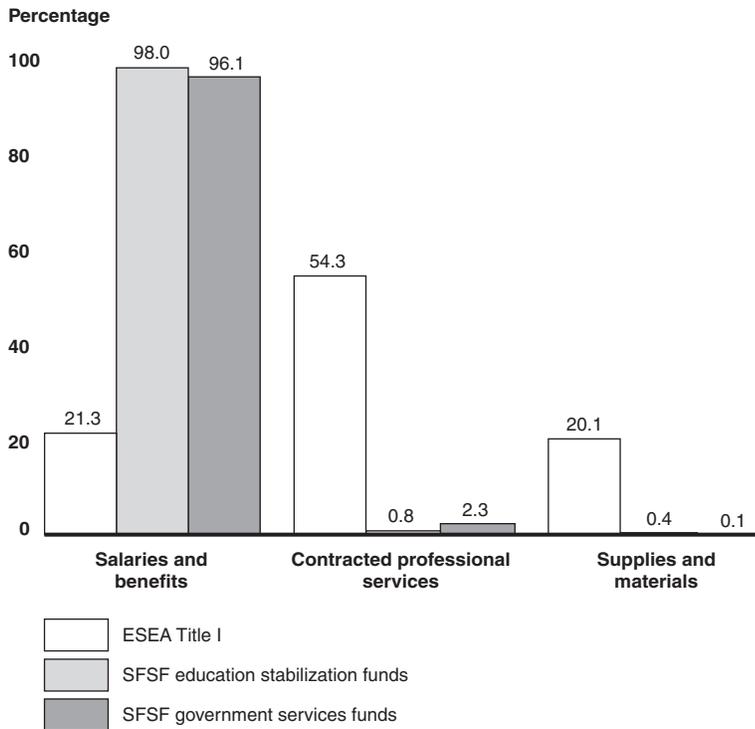
⁹Similar to the SFSF education stabilization funds, these SFSF government services funds are distributed to the LEAs through the Uniform Per Student Funding Formula, which is administered by the District's Office of the Chief Financial Officer (OCFO).

¹⁰Initially, the District had designated 40 percent of the government services funds for low-income housing, which was proposed to be used in a rotating loan fund. However, this fund would have extended beyond the time frames for Recovery Act spending, which is inconsistent with the guidelines for using SFSF government services funds, according to District officials.

\$3.2 million, of their SFSF government services funds on salaries and benefits. In this category, the charter school LEAs designated about 73 percent of funds for instruction, such as teachers, and 26 percent for support services, such as guidance counselors. In addition to salaries and benefits, charter school LEAs planned to spend SFSF government services funds on contracted professional services and equipment.¹¹ According to its application, DCPS plans to use all of its \$6.2 million of government services funds for teachers' salaries and benefits.

¹¹Overall, 51 charter school LEAs designated the entirety of their SFSF government services funds allocation to a single use: salaries and benefits (48 LEAs), contracted professional services (2 LEAs), and equipment (1 LEA). The remaining 6 charter school LEAs planned to spend across various categories including those listed above, supplies and materials, and other expenses.

Figure 1: Percentage of Recovery Act Funds All District LEAs Plan to Spend in Selected Budget Categories



Source: GAO analysis of data from District of Columbia Office of the State Superintendent of Education.

Note: We obtained Recovery Act-specific applications with budget sheets for 37 LEAs for ESEA Title I and 58 LEAs for SFSF as provided to us by OSSE. These budget sheets were approved by OSSE and identified the LEAs' planned uses of Recovery Act funds. We reformatted and analyzed the planned uses and determined that the data were sufficiently reliable for the purposes of this report. The budget categories shown in the figure are the three out of six total budget categories that have the highest planned spending. Totals do not add to 100 percent because they represent only three of the six budget categories, and the percentages have been rounded.

The District's LEAs Have Begun Accessing Recovery Act Funds

ESEA Title I. OSSE provides the LEAs with ESEA Title I Recovery Act funds on a reimbursement basis, whereby the LEAs can obligate Recovery Act funds, spend their own state and local funds, then request reimbursement from OSSE for Recovery Act funds. Before LEAs can access these funds, OSSE requires LEAs to submit an application that describes how the funds will be used and provide assurances that the uses comply with the Recovery Act. According to OSSE officials, upon approval of this application, LEAs can submit requests for reimbursement, using a

reimbursement workbook.¹² OSSE officials then review these workbooks to verify the requests are in line with the LEAs' approved applications. According to an OSSE official, about 75 percent of the LEAs that are scheduled to receive these funds have approved applications.

LEAs with approved applications began requesting reimbursement for expenditures related to ESEA Title I Recovery Act funds in December 2009. As of April 16, 2010, 39 of these LEAs had requested a total of about \$4.4 million for reimbursement, of which about \$1.5 million had been reimbursed. For example, according to OSSE officials, OSSE reimbursed one charter school LEA for its spending on salary and benefits for an instructional coach to enhance ongoing professional development and training for teachers.

SFSF. OSSE disbursed the SFSF funds to the charter school LEAs in two payments, one on January 14, 2010 (government services funds), and the other on April 15, 2010 (education stabilization funds). Charter school LEAs spend their SFSF funds and report their expenditures to OSSE,¹³ which reviews their expenditures to verify appropriate use of the funds. As of April 16, 2010, charter school LEAs reported expending over \$6.7 million for SFSF education stabilization funds and \$1.1 million in SFSF government services funds. For example, one charter school LEA used a portion of its education stabilization funds for the salaries and benefits of art and advanced placement teachers, as well as guidance counselors. Another charter school LEA is using a portion of its government services funds on salaries and benefits for three deans of students and two computer/engineering teachers. In contrast to the charter schools, DCPS accesses its SFSF funds as it accesses other federal funds—that is, by requesting reimbursement for its expenditures through OSSE. DCPS' application for SFSF funds was approved in March 2010, and DCPS requested reimbursement for about \$9.7 million in SFSF funds as of April 16, 2010.

IDEA Part B. OSSE reports that as of April 16, 2010, out of the \$16.7 million allocated to the District for IDEA Part B, slightly more than \$1.4

¹²OSSE officials told us they also use this process for reimbursing IDEA Recovery Act fund expenditures to LEAs.

¹³Currently, LEAs receive District funds periodically throughout the year and OSSE officials told us that the charter school LEAs receive SFSF funds in a similar manner. In particular, the charter school LEAs do not receive SFSF funds by means of reimbursement.

million had been requested for reimbursement by 30 of the charter school LEAs and about \$218,000 had been requested for reimbursement by DCPS. For example, one charter school LEA told us it had used a portion of its IDEA Part B Recovery Act funds to hire an inclusion specialist, whose responsibilities include supporting teachers that have students with disabilities in their class.

OSSE Has Developed and Begun Implementing New Subrecipient Monitoring Protocols, but It Is Too Early to Assess Effectiveness

OSSE has taken steps to reform its processes for managing and monitoring its federal grants, including implementing new protocols for monitoring its subrecipients.¹⁴ According to OSSE officials, these steps were necessary because of the multiple issues identified in past audits related to OSSE's management of federal grants, as well as Education and the DC OIG designating the District's school system as a high-risk entity for management of its federal grants. Specifically, the District's fiscal year 2008 Single Audit found that OSSE had a total of 24 material weaknesses regarding internal control over compliance with major federal grant program requirements, 10 of which were directly related to ESEA Title I or IDEA funds, including deficiencies in subrecipient monitoring. Similar findings were identified in the District's fiscal year 2007 Single Audit.¹⁵ In addition, Education has designated OSSE as a high-risk grantee, for weaknesses related to financial management and grants management for several of the programs receiving Recovery Act funds. The DC OIG's fiscal year 2010 audit and inspection plan includes a review to determine whether OSSE properly managed and distributed IDEA funds to LEAs and whether DCPS used the IDEA funds for their intended purposes.¹⁶

To resolve the identified subrecipient-monitoring issues, OSSE developed a new monitoring protocol as of March 2010, which includes on-site monitoring visits and desk reviews, with expenditure testing conducted during both procedures. However, it is too early to review and assess the effectiveness of OSSE's new monitoring protocol because OSSE has not had a chance to conduct a full cycle of monitoring, which concludes with

¹⁴Subrecipients are District LEAs and other District organizations receiving federal funds through OSSE.

¹⁵OSSE was created in October 2007 to be the District's stand-alone state education agency. Prior to this, DCPS served as both the local and state education agency.

¹⁶According to the DC OIG Acting Assistant Inspector General, the agency is conducting an audit of DCPS nonpublic tuition to assess whether DCPS properly recorded Recovery Act IDEA funding and used that funding for intended purposes.

the resolution of any identified grant management issues at an LEA. OSSE implemented its new on-site monitoring protocol for the first time in March 2010. OSSE uses this protocol to conduct reviews of LEAs receiving SFSF and all ESEA grant awards, including ESEA Title I Recovery Act funds.¹⁷ As of April 30, 2010, OSSE officials had conducted seven on-site visits. OSSE's on-site monitoring protocol involves interviewing LEA officials and external stakeholders, such as parents, reviewing the LEA's policies and procedures,¹⁸ and conducting expenditure testing to verify appropriate uses of funds.¹⁹ We observed OSSE's grant-monitoring team conduct an on-site monitoring visit of one LEA. The grant-monitoring team asked questions regarding the LEA's SFSF and ESEA Title I applications; use of SFSF and ESEA Title I funds; fiscal oversight of SFSF and ESEA Title I funds; and compliance with OSSE and federal Recovery Act reporting requirements. According to OSSE officials, based on the LEA's answers and supporting documentation, the monitoring team will determine whether the LEA had problems with its grant management and program implementation, and then will communicate such findings to the LEA during the exit conference and through a report that documents the findings.²⁰

OSSE's desk-review protocol is intended to achieve similar objectives as the on-site visit, but is more limited in scope and does not require visiting the LEA. The desk-review protocol involves reviewing grant documents pertaining to the LEA's federal grant program implementation, including Recovery Act ESEA Title I, IDEA, and SFSF funds; reviewing the LEA's reimbursement and reporting workbook; and expenditure testing. Based on OSSE's review of documents and testing, the desk-review team determines whether the LEA had problems with its grant management and

¹⁷ OSSE officials told us that they had developed a similar on-site monitoring protocol and desk-review protocol for Recovery Act IDEA funds in March, 2010. OSSE officials stated that they plan to conduct on-site visits of three LEAs in May 2010, and if needed, will make revisions to the protocol based on the monitoring experience.

¹⁸ OSSE officials told us they reviewed the LEA's policies and procedures in advance of the on-site monitoring visit.

¹⁹ Prior to a site visit, OSSE requests from the LEA documentation that supports Recovery Act expenditures submitted to OSSE for reimbursement since the inception of the Recovery Act. OSSE's staff told us that expenditure testing consists of the review of supporting documentation for the expenditures—that is, looking for purchase requests, receipts, invoices, and purchase payments that validate the expenditure.

²⁰ As of April 30, 2010, OSSE had not completed the report. OSSE officials told us that the monitoring report is distributed within 60 days of the on-site visit to the LEA.

program implementation, and then communicates such findings to the LEA through a report, documenting the findings. In addition, an OSSE official told us that they intend to use desk reviews to determine the need for future site visits to an LEA. OSSE plans to begin desk reviews in May 2010. According to OSSE officials, they plan on conducting both an on-site monitoring visit and a desk review of all of the LEAs that received Recovery Act funds.

According to OSSE's protocols, following the on-site visit or desk review, OSSE's monitoring team will compile a report for the LEA that identifies findings and recommendations, and addresses corrective actions implemented by the LEA.²¹ LEAs with one or more findings must develop and submit a corrective action plan that describes the LEA's strategies and timeline for resolving the findings. OSSE officials said that OSSE program staff will work with the LEA to develop the corrective action plan so that the plan is sufficient, manageable, and timely in resolving the findings, as determined by the OSSE program staff. OSSE officials told us that OSSE would consider all findings resolved only after an LEA has provided evidence, such as documentation of changed policies, that the corrective action plan has been implemented. Then OSSE will issue a letter to the LEA indicating the resolution of findings and document any restrictions that have been lifted. According to OSSE officials, if an LEA fails to implement its corrective action plan in a timely manner, as determined by OSSE officials, OSSE may impose restrictions on the LEA's future grant funds, including additional required reporting to OSSE; additional on-site monitoring by OSSE; mandatory technical assistance from OSSE; and withholding or suspending grant funds.

OSSE officials told us that both the on-site monitoring schedule and the desk-review schedule were determined by a risk analysis. OSSE officials determined the relative risk of its LEAs based on each LEA's fiscal year 2008 Single Audit report findings, Recovery Act grant award amounts, and whether submissions of Recovery Act grant applications and other related documents were timely. The on-site visit schedule divided the LEAs into two categories—higher-risk LEAs and lower-risk LEAs—with OSSE conducting site visits at higher-risk LEAs in fiscal year 2010 and lower-risk LEAs in fiscal year 2011. The desk-review schedule divided the LEAs into

²¹Corrective actions are activities or processes that an LEA executed to correct findings or implement recommendations identified by OSSE or other auditors during previous reviews, according to OSSE officials.

three categories—high-risk, medium-risk, and low-risk—with OSSE planning to conduct desk reviews of LEAs in May 2010, July 2010, and October 2010, respectively.

With respect to SFSF government services funds allocated to MPD, OSSE is also responsible for monitoring the use of these funds. OSSE officials told us that, similar to the LEA subrecipients, MPD will have to submit its SFSF government services funds application to OSSE and provide assurances that the funds will be used in accordance with Recovery Act requirements. As of April 26, 2010, OSSE and MPD had not finalized their memorandum of understanding outlining the roles and responsibilities of each agency with respect to the use and oversight of SFSF funds. However, OSSE officials said they plan to use their new monitoring protocol to monitor MPD's use of SFSF funds, once MPD's application for SFSF government services funds is approved and MPD begins expending these funds.

LEAs We Visited Have Some Processes and Procedures to Help Safeguard Recovery Act Funds

We reviewed selected processes and controls of three LEAs in the District to understand each LEA's Recovery Act grant management and financial processes. We selected two LEAs that were allocated the largest portions of Recovery Act funds among the LEAs in the District: DCPS and Friendship Public Charter School. We selected a third LEA, Center City Public Charter School, which had requested the largest amount of reimbursement of Recovery Act funds as of February 19, 2010. At each of these LEAs we reviewed policies and procedures describing the LEA's internal control framework related to Recovery Act grant management and financial processes. We also interviewed the LEAs' management officials to obtain an understanding of the LEAs' internal control framework. Our LEA site reviews were limited in scope and were not sufficient for expressing an opinion on the effectiveness of LEA internal controls or compliance.²²

We found that the three LEAs we visited had accounting processes in place to identify and review financial transactions including unallowable or questionable expenditures. For example, at Center City Public Charter School, the Chief Financial Officer (CFO) told us that all transactions were

²²At the time of our field work, the District's LEAs had only begun to spend Recovery Act funds. Due to limited financial transactions available, we did not test such transactions at the three LEAs we visited to determine if internal controls were implemented.

reviewed weekly in an expense report and the report was subject to three levels of review by the staff accountant, account manager, and CFO, with purchases in excess of \$25,000 reviewed by the Board of Directors. Similarly, Friendship Public Charter School's policies require that requests for payments to vendors must be submitted to the Chief Operating Officer (COO) or program manager for review and approval, which includes a check-request form, the invoice of the good or service, and evidence that the good or service was received, if applicable.

The two public charter schools provided documented policies showing their official processes for both approval and payment of purchases. For example, at Friendship Public Charter School, employees who wish to purchase goods or services enter a purchase request into an electronic accounting system. Upon submission, the cost of the purchase request is compared against the available dollars in the budget of the associated grant. If there is sufficient funding, the purchase request is submitted for approval. According to a Friendship Public Charter School official, transactions using grant funds are approved by the grant manager and the COO, in addition to other levels of approvals. Additionally, the Board Chairman, Board Treasurer, Board Secretary, and the Chief Executive Officer are the only individuals authorized to sign checks and wire transfers, with two signatures required for transactions over \$10,000. Officials at all three LEAs also told us that they had communicated Recovery Act objectives to employees through various methods including staff meetings, e-mails, and informal discussions. For example, one LEA discussed the objectives of the Recovery Act at its monthly meeting for principals, according to officials from that LEA.

All three LEAs we visited took some steps to assess risks associated with the use of Recovery Act funds. For example, two LEAs relied on external audits as their main source of identifying risks, while officials from the other LEA told us they used external audit findings as well as periodic internal discussions to assess risks, including risks involving the use of Recovery Act funds. According to officials from this LEA, the LEA's Board of Directors, the grant manager, and compliance manager discussed risks regarding Recovery Act funds, including the risk of using the funds for unallowable purposes. However, while all three LEAs took certain steps to identify risks, none of the LEAs could provide documentation on their process of evaluating risk for its possible effects or on the results of such evaluations.

The District Has Begun to Expend Funding on the Weatherization Program

The Recovery Act Weatherization Assistance Program is intended to weatherize homes, save energy, and create jobs. Under the Recovery Act, the District Department of the Environment (DDOE), the agency responsible for administering the program for the District, was allocated about \$8 million in Recovery Act funds by the U.S. Department of Energy. DDOE plans to spend about \$6.5 million on weatherizing homes, and the remaining \$1.5 million will be used for salaries and other administrative expenses, such as training and technical assistance.

The District Has Experienced Delays in Starting Its Recovery Act Weatherization Program

DDOE did not begin to spend its operational weatherization funding until February 2010, according to DDOE officials. Community-based organizations (CBO) in the District manage weatherization projects and cannot start weatherizing homes until they receive funding from DDOE. As a result, CBOs did not begin to weatherize homes until March 2010, making the District among the last recipients of Recovery Act weatherization program funding to begin spending funds. According to a DDOE official, DDOE was slow to expend funds because DDOE has been developing the infrastructure to administer the program. Recovery Act funding has substantially increased the size of the weatherization program in the District, from about \$650,000 in 2008 to about \$8 million in Recovery Act funds. To manage the program, DDOE has worked to increase its staff, but there have been delays in this process. DDOE officials told us as early as June 2009 that they intended to hire six new staff members as soon as possible to oversee and manage the program.²³ In October, DDOE officials stated that they expected to fill these positions by the end of November. However, by December a DDOE official stated that DDOE had yet to start the interview process because of administrative delays. As of April 5, 2010, three new-hires—including the program manager—have begun work, and one offer is pending. However, two positions still remain open, according to this DDOE official.

While the District has made some progress achieving its initial goal of weatherizing 785 homes within the 3-year funding time frame, weatherization work has just begun and only a small portion of the work

²³DDOE told us it planned to hire a program manager, an assistant program manager, two energy auditors, and two administrative support staff.

has been completed.²⁴ According to DDOE, as of March 31, 2010, it has completed weatherization for 110 units—about 14 percent of its total unit goal. However, DDOE officials told us that 101 of these units, or about 13 percent of its total goal, are located in one multifamily residence in which contractors installed one new boiler. According to a DDOE official, improvements made to a multifamily residence—such as replacing a boiler—allow DDOE to count all units in the building as having been weatherized. As of April 8, 2010, CBOs have paid contractors about \$25,500 for these 101 units, or under one-half of 1 percent of DDOE's operational budget for the weatherization program. Given that nearly 13 percent of the total unit goal was weatherized for less than one-half of 1 percent of the operation funding available, DDOE officials told us they expected their initial goal of weatherizing 785 homes to increase. Though DDOE does not have an updated estimate of how many units will be weatherized in the District with Recovery Act funding, DDOE plans to accelerate its weatherization work over the next few months and estimates expending all of its Recovery Act funding by September 30, 2010.

To manage the increase in the number of weatherization projects under the Recovery Act, DDOE has added three new CBOs—for a total of seven.²⁵ DDOE selected these additional CBOs based on specific criteria, such as the CBOs' experience and performance in weatherization work, as well as their experience in assisting low-income persons. The CBOs are responsible for obtaining and monitoring the local contractors that weatherize homes. According to DDOE officials, each CBO will receive about \$935,000 in Recovery Act funds for weatherization activities. Through monthly reports from CBOs, DDOE monitors their balances and pays the CBOs when they require more funding, releasing funding in installments of 25 percent to CBOs with whom they have previously worked and installments of 10 percent to those with no weatherization experience in the District.

²⁴According to DDOE, a unit is considered complete when: (1) all recommended weatherization measures are finished, (2) the CBO—which has primary responsibility for ensuring the quality of the work—performs a final inspection, and (3) the resident signs the customer satisfaction and evaluation form.

²⁵Four CBOs had managed weatherization projects for DDOE under other programs, and DDOE continued those relationships when Recovery Act funding became available.

CBOs in the District Employ Different Management Practices

DDOE has given CBOs some flexibility in how they go about the day-to-day management of their weatherization programs and how they fulfill the requirements of the grant agreements with DDOE. For the purposes of this review, we contacted three of the seven CBOs to discuss their weatherization activities under the Recovery Act.²⁶ Of these three CBOs, two use contractors exclusively to perform the weatherization work as specified for each job. Of these two, one has no prior experience implementing weatherization programs and has hired a firm that, among other things, selects contractors, solicits bids, and conducts postinstallation inspections. The third CBO uses a combination of its own crews of full-time employees and contractors to complete weatherization work. Eventually this CBO intends to stop using contractors, except for certain specialized jobs, and use only its own weatherization crews. Further, this CBO provides training to its crews and plans to provide training to other CBOs and contractors in the District.²⁷

Of the three CBOs we spoke with, none of which is a governmental entity, each has a different method of soliciting bids and awarding weatherization work to contractors. One CBO does not formally solicit multiple bids for each weatherization project. Rather, the program manager of that CBO told us he sends potential contractors a price sheet and asks them to list their prices for every weatherization item or task. He then uses that price sheet to determine which contractors offer the lowest prices for certain weatherization tasks, and selects contractors based on those prices as well as the contractors' availability, experience, and the quality of past work.²⁸ The remaining CBOs told us they solicit bids from a list of their preapproved contractors they consider qualified and reliable. According to the program manager for one CBO, their policy is to solicit one bid each from three contractors as they cycle through their contractor list, starting again from the beginning when reaching the end. The program manager said he awards the contract to the lowest bidder for each job. According to staff at another CBO, when they receive weatherization jobs from DDOE,

²⁶To capture a variety of approaches to performing weatherization work, we selected these three CBOs on the basis of their use of contractors as opposed to their own crews, whether they offer training to these crews, and congressional interest. We determined that the selection was appropriate for our design and objectives, and that the selection would generate valid and reliable evidence to support our work.

²⁷DDOE does not require that contractors receive special weatherization training or certification to perform weatherization work in the District.

²⁸According to this program manager, he bases these decisions on his own judgment and expertise from over 28 years of weatherization and contractor experience.

all of their approved contractors can bid on every job. Staff from this CBO told us that they normally awarded contracts to the lowest bidder, but factors such as the nature of the job and the experience of the contractor may also influence their decisions. CBOs told us that the system they use to report to DDOE does not accept contract bids that exceed established price limits.

The District Has a Variety of Procedures in Place to Monitor the Weatherization Program

DDOE and the CBOs have a number of procedures in place or planned to monitor the weatherization program.

- **Inspections:** In its Recovery Act program guidance, DOE requires all state agencies, such as DDOE, to inspect at least 5 percent of all completed weatherization work and recommends inspection of even more.²⁹ DDOE, in its grant agreement with the CBOs, commits itself to inspecting 10 percent of all work completed. DDOE officials stated that they plan to inspect more than 10 percent of all work and a greater percentage of those weatherization jobs performed by new CBOs.³⁰ In addition to DDOE's oversight of the program, all CBOs are required to perform postinstallation inspections on 100 percent of weatherization projects. The CBO that performs weatherization work using its own crews has independent contractors conduct postinstallation inspections, and these inspection reports are checked by that CBO's program manager, according to officials from that CBO. According to the CBOs we talked to, if they find cases of poor quality or workmanship, CBOs will require contractors to correct the problem at no additional cost to the CBO.
- **Reporting:** DOE requires DDOE to submit quarterly reports to DOE and to conduct annual reviews of the CBOs. The quarterly report must provide the status of work and include a comparison of the actual accomplishments with the goals and objectives established for the period, the cost status, and schedule status. The cost status must show the approved budget by the budget period and the actual costs incurred, and the schedule status should list milestones, anticipated completion dates, and actual completion dates. The annual review

²⁹DOE, *Grant Guidance to Administer the American Recovery and Reinvestment Act of 2009 Funding* (Mar. 12, 2009).

³⁰This represents a decrease from prior estimates. In December 2009 ([GAO-10-232SP](#)), we reported that DDOE officials initially anticipated inspecting 30 percent of all homes and 60-70 percent of those weatherized by new CBOs.

must include all of the above reporting, in addition to the results of the physical weatherization inspections cited above. According to DDOE officials, DDOE identified a relatively small number of problems, such as contractors charging for work not performed, during prior reviews of CBOs. CBOs are required to submit monthly reports to DDOE that include details on how much funding they have spent and how much work they have completed.

- **Data gathering:** To facilitate CBO reporting, DDOE has joined other states in implementing the Hancock Energy Software Weatherization Assistance Program (Hancock system), a private-sector online reporting system that is DDOE's primary accountability tool for tracking and managing Recovery Act funds, including budgeting and invoicing, administrative costs, and job management, among other things. Using the Hancock system, CBOs record project data, allowing them and DDOE to track, for example, the number of jobs CBOs have completed as well as those still in progress. The system also shows estimated costs for each weatherization item or task, as well as estimates of the time it will take to complete the work. Officials from CBOs said they would use this feature to evaluate contractor bids. DDOE officials stated that they use the Hancock system to monitor each CBO's progress and perform daily checks of the data entered. In October 2009, DDOE provided training in the use of the Hancock system to CBOs weatherizing homes in the District. DDOE officials said that the reliability of the data in the system will be checked through inspections.
- **Client Eligibility:** A home is eligible for the Recovery Act weatherization program if household income is at or below 200 percent of the poverty level.³¹ DOE has provided guidance to states on how to determine income eligibility.³² In the District, eligibility for the weatherization program is determined by DDOE's Low Income Home Energy Assistance Program (LIHEAP) intake processors after examining certain pertinent documents, such as income statements. For multifamily apartment buildings (five units or more), 66 percent of the households must meet income requirements for the entire building to be eligible for weatherization program funds.

³¹The pre-Recovery Act Weatherization Assistance Program had an income limit of 150 percent of the poverty level.

³²DOE guidance lists the dollar amount of the 200 percent poverty threshold for various family sizes, along with the types of income to consider when determining eligibility. See DOE, WPN 09-05 (Feb. 18, 2009).

We were unable to fully assess the quality or completeness of these procedures at this time because the District's weatherization program has not progressed enough for DDOE or CBOs to provide completed project files for us to review.³³ Further, DDOE has not begun reviewing how CBOs are using Recovery Act funds, and has only recently begun conducting on-site inspections of completed work. However, staffing issues could affect the District's effort to monitor its weatherization program. While DDOE has hired a project manager, the staff member primarily responsible for site visits—the assistant project manager—had not been hired as of April 5, 2010. Further, DDOE expects finding someone to fill this position to be a time-consuming effort because a successful candidate must possess significant construction experience, according to DDOE. Considering the quantity and pace of the weatherization work being undertaken with Recovery Act funds, this vacancy may hinder DDOE's ability to effectively monitor CBO and contractor work.

The District Has Used COPS Hiring Recovery Program Funds for Hiring New Police Officers

CHRP is a Department of Justice competitive grant program that provides funding directly to law enforcement agencies to create and preserve jobs and to support community policing and crime-prevention efforts. The Recovery Act made \$1 billion in grant funding available through CHRP. In April 2009, the Washington, D.C., MPD submitted its application and in July 2009, was awarded a CHRP grant of \$12,146,550 for 50 new police-officer positions. Fifty new recruits entered the program on October 26, 2009. As of May 8, 2010, about 11 percent of CHRP funding (or about \$1,382,000) has been expended, according to MPD officials. MPD officials project that the 49 recruits who have remained with the program will graduate from training at the Metropolitan Police Academy in August 2010, and will have an immediate effect in the community by increasing the number of officers on patrol.³⁴ According to MPD officials, the CHRP-funded police officers will be assigned to neighborhood patrols and work closely with community members to fight crime in the 46 Police Service Areas in the seven Police Districts, thereby contributing to the MPD community-policing strategy focused on creating a strong, visible, and

³³According to one CBO, completed project files contain: contractor estimates, pre- and postweatherization pictures, invoices, daily log sheets, relevant DDOE audits, Davis-Bacon payrolls, and a signed resident survey.

³⁴According to MPD officials, of the original 50 recruits, two trainees dropped out in the first week of the program and were replaced immediately from the roster of eligible applicants and, 3 months into the training program, another trainee dropped out. As a result, 49 recruits remain in training with MPD.

accessible police presence in all neighborhoods. When the grant term expires after 3 years, CHRP grantees must retain all positions funded through CHRP for at least 1 additional year. To meet the 4th-year retention requirement, MPD intends to seek local funding to cover salaries and benefits of the CHRP officers. MPD officials anticipate that an economic recovery by 2012 will allow the District to provide this funding.

Recovery Act Funds Aid the District’s Budget and Expand Programs, but the District Continues to Face Fiscal Challenges

Table 1: Characteristics of the District of Columbia

Population	Unemployment rate	Fiscal year 2011 operating budget
591,833	10.9%	\$8.9 billion

Sources: U.S. Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics (LAUS), District of Columbia budget documents.

Note: The data are from budget documents. Population data are from July 1, 2008. Unemployment rate is a preliminary estimate for March 2010 and has not been seasonally adjusted. Rate is a percentage of the labor force. Estimates are subject to revision.

Since our February 2010 report, competitive Recovery Act grants have helped the District further expand its health care and housing programs. According to District officials, within the last quarter the District has been awarded a total of about \$21 million in competitive Recovery Act grants. For example, on March 19, 2010, the District’s Department of Health was awarded a \$4.9 million grant for wellness and tobacco-prevention programs in the District. The grant is a part of the U.S. Department of Health and Human Services’ (HHS) Communities Putting Prevention to Work initiative. On February 17, 2010, the District’s Department of Health Care Finance was awarded \$5 million from HHS for the Statewide Health Information Exchange Planning Cooperative Agreement. On February 26, 2010, the District’s Department of Housing and Community Development was also awarded a grant of approximately \$9.5 million to stabilize neighborhoods and stimulate the housing market for neighborhoods affected by high rates of housing foreclosure and vacancies. The U.S. Department of Housing and Urban Development awarded the District this grant as a result of a competition the department held for Neighborhood Stabilization Program 2 funds. According to District officials, the remainder of the grant awards received was under \$500,000 per award.

While the infusion of Recovery Act funds has helped mitigate the negative effects of the recession on the District’s budget, the District continues to face fiscal challenges. On April 1, 2010, the District’s Mayor reported that the District was facing a projected \$230 million budget shortfall in fiscal

year 2010. According to the Mayor's budget-gap-closing proposal, the budget shortfall was the result of a \$35 million decline in estimated revenue due to the District's weakened economy, \$185 million in projected spending pressures,³⁵ and the repayment of \$10 million for the use of contingency reserve funds.³⁶ The budget shortfall occurred even though the District used all of its Recovery Act SFSF funds, \$89.3 million, for direct budgetary relief in fiscal year 2010.³⁷ To address this budget shortfall for fiscal year 2010, the Mayor proposed a plan to reduce \$131 million in expenditures, reduce \$69 million in spending pressures, and generate an additional \$45 million in revenues.³⁸ Additionally, the Mayor's proposed fiscal year 2011 budget identified a \$523 million budget gap as a result of the decline in revenues in fiscal year 2011, slow economic recovery, and the end of Recovery Act funding. The Mayor's budget proposes to close the projected \$523 million budget shortfall for fiscal year 2011 through maximizing efficiency in the District government including such strategies as the elimination of 385 positions through attrition, retirement, and reductions-in-force;³⁹ freezing automatic pay increases for government employees; and renegotiating contracts with the District's vendors. Despite these budget challenges, the District's Chief of Budget Execution told us that the District would not use its Rainy Day funds to close its fiscal year 2011 budget gap because by law the Rainy Day funds that are used by the District must be paid back in full over the following 2 years—

³⁵ According to District officials, a spending pressure is a situation where an agency may need to spend more money than it has budgeted resulting in an expected budget shortfall. For example, the District's Fire and Emergency Medical Services Department has identified spending pressures of \$5.3 million consisting of estimated payroll expenses that are over its budgeted amount.

³⁶ In fiscal year 2009, the District used funds from the Contingency Reserve to provide advance funding to the District's public charter schools, the replenishment of which is mandatory, subject to certain deadlines, under District of Columbia law. D.C. Code § 1-204.10(b)(6), (c)(3). The Mayor's gap-closing plan repays \$10 million, or half, of the funds borrowed from the Contingency Reserve.

³⁷ Originally, the District had budgeted \$18 million in SFSF funds to use in fiscal year 2009 and \$71 million in SFSF funds to use in fiscal year 2010.

³⁸ According to the Mayor's budget-gap-closing proposal, the District has a total, projected budget need of \$245 million, which consists of a \$230 million projected budget shortfall, \$10 million for repaying its Contingency Reserve Fund and \$5 million for repaying its Operating Cash Reserve Fund.

³⁹ According to the Mayor's proposal, the District has eliminated a total of 2,016 District government positions during the last 2 years.

with one half of the funds repaid in the first year and the remainder of the funds repaid in the second year.

The District has prepared for the end of Recovery Act funding because the District is required by law to prepare an annual balanced budget and multiyear financial plan. As a result, District officials have accounted for the future decrease in Recovery Act funds in planning the budgets for fiscal years 2011 to 2014.

The District's Office of the Inspector General Has Begun Audits of Recovery Act Funding

DC OIG is responsible for conducting audits, inspections, and investigations of government programs and operations in the District, including auditing the District's use of Recovery Act funds. As of April 21, 2010, the DC OIG has initiated one audit specifically related to the use of Recovery Act funds involving construction contracts with the District Department of Transportation that were awarded under the Recovery Act. According to DC OIG, the purpose of this audit is to determine whether the District Department of Transportation fulfilled the terms of its certification under Section 1511 of the Recovery Act,⁴⁰ complied with District procurement regulations in awarding contracts, and utilized effective internal controls. A senior DC OIG official told us that other planned audits of Recovery Act funds had not begun because of limited resources within the agency. Nevertheless, this official said that the DC OIG has two audits that touch on Recovery Act funds, though use of Recovery Act funds were not part of the audit objectives in either case: (1) an audit of the Highway Trust Fund, which verified that no Recovery Act funds were included within Highway Trust Fund spending, and (2) an audit of DCPS nonpublic tuition to assess whether DCPS properly recorded Recovery Act IDEA funding and used that funding for intended purposes.

⁴⁰With respect to Recovery Act funds made available to state or local governments for infrastructure projects, the Governor, mayor, or other chief executive, as appropriate, is required to certify that the infrastructure investment has received the full review and vetting required by law and that the chief executive accepts responsibility that the infrastructure investment is an appropriate use of taxpayer dollars. The certification is also to include a description of the investment, the estimated total cost, and the amount of Recovery Act funds to be used, among other requirements. Recovery Act, § 1511, 123 Stat. 287.

District Comments on This Summary

We provided the Office of the Mayor of the District a draft of this appendix on May 6, 2010. On May 10, 2010, the Recovery Act Co-Coordinator within the Office of the City Administrator concurred with the information in the appendix and provided technical suggestions that were incorporated, as appropriate. In addition, we provided relevant excerpts to officials of the District agencies and organizations that we visited. They agreed with our draft and provided some clarifying information, which we incorporated, as appropriate.

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