United States Government Accountability Office

GAO

Report to the Congress

May 2010

RECOVERY ACT

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

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GAO-10-605SP

Appendix XVI: Pennsylvania

Overview

This appendix 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 Pennsylvania. The full report covering all of GAO's work in 16 states and the District of Columbia may be found at http://www.gao.gov/recovery.

What We Did

Our work in Pennsylvania focused on specific programs funded under the Recovery Act, as shown in table 1. These programs were selected primarily because they received significant amounts of Recovery Act funds. For most programs, we collected relevant documentation and interviewed program officials to review the status of the program's funding, how funds are being used, and issues specific to each program. For the public housing and education programs, we provide updated funding information. For descriptions and requirements of the programs covered in our review, see appendix XVIII of GAO-10-605SP.

Table 1: Programs Reviewed

Program	Rationale for selection
Weatherization Assistance Program	Recovery Act provided a significant increase in funding, and local agencies received cash advances in November 2009 to begin weatherization work. This program is identified by the state Bureau of Audits as a high-risk recipient of Recovery Act funds; a 2007 state Auditor General audit identified oversight problems in the program.
Transportation programs	The Highway Infrastructure Investment, Transit Capital Assistance, and Fixed Guideway Infrastructure Investment programs faced 1-year obligation of funds deadlines in March 2010.
Clean Water and Drinking Water State Revolving Funds	These programs faced 1-year deadline for awarding all contracts by February 2010. These programs are identified by state Bureau of Audits as high-risk recipients of Recovery Act funds.
Low-Income Housing Tax Credit assistance programs	Begin monitoring Tax Credit Assistance Program (TCAP) and Section 1602 Exchange Program. (Section 1602 Program). Pursuant to the Recovery Act, GAO is to review the use of funds of programs included under the Act's Division A. TCAP is a Division A program while the Section 1602 Program is included under Division B of the Recovery Act. GAO chose to include the Section 1602 Program in its review because both TCAP and Section 1602 Program supplement the Low Income Housing Credit Program and are being implemented simultaneously by state housing finance agencies.
Public Housing Capital Fund	Provide updated information on Public Housing Capital Fund formula grants which had a 1-year deadline for obligating all funds by March 2010.

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

Program	Rationale for selection
Education programs	Provide updated information on progress in spending for three Recovery Act programs allocated by the U.S. Department of Education (Education): State Fiscal Stabilization Fund (SFSF); Title I, Part A of the Elementary and Secondary Education Act of 1965, as amended (ESEA); and Part B of the Individuals with Disabilities Education Act, as amended (IDEA). Pennsylvania began disbursing SFSF funds to local educational agencies in March 2010.
Justice programs	Review Edward Byrne Memorial Justice Assistance Grants (JAG) and COPS Hiring Recovery Program (CHRP). Pennsylvania has begun awarding JAG funding.

Source: GAO.

We continued to track the state's fiscal condition and also visited four local governments—the cities of Allentown and Philadelphia as well as the counties of Dauphin and York—to discuss the amount of Recovery Act funds each expects to receive and how those funds will be used. We also contacted state and local auditors about oversight and auditing of Recovery Act spending in Pennsylvania.

What We Found

Weatherization assistance program. Pennsylvania received $252.8 million in Recovery Act weatherization funds to be spent by March 31, 2012. As of May 7, 2010, $56.5 million has been spent to weatherize 5,446 homes—about 38 percent of the state's target to weatherize 14,355 homes by September 30, 2010, and about 18 percent of its overall target to weatherize 29,700 homes by March 31, 2012. Pennsylvania has begun to address key weaknesses in its monitoring of weatherization agencies by revising its monitoring procedures and hiring additional monitors. Pennsylvania chose to set a deadline to train and certify all weatherization workers by July 1, 2010, but does not have a process for enforcing the deadline.

Transportation programs. Pennsylvania met the 1-year Recovery Act deadline for obligating highway funds by having the federal government obligate all of its $1.026 billion apportionment. According to the Federal Highway Administration, as of May 3, 2010, Pennsylvania has awarded 329 contracts. Of those, 254 are under construction and 96 contracts are substantially complete, representing $124.1 million. State officials told us that the Recovery Act has provided funding for projects, including construction of transit facilities—such as an intermodal transit center in Butler, Pennsylvania—and repairing structurally deficient bridges, that otherwise would not have been completed at this time. Because of lower-than-expected revenues supporting transportation, Pennsylvania may face challenges in meeting its Recovery Act maintenance-of-effort requirement.

Clean and Drinking Water State Revolving Funds. Pennsylvania used its approximately $220.9 million in Recovery Act funds together with about $272.0 million in base program and other state funds to help pay for 87 Clean Water projects, such as building a new wastewater treatment plant in Mount Carmel, Pennsylvania, and 26 Drinking Water projects, such as replacing aging water mains in Hazleton, Pennsylvania. Combining funding sources allowed Pennsylvania to fund more projects while meeting a February 17, 2010, deadline. However, thas increased the number of subrecipients that must comply with Recovery Act reporting as well as Davis-Bacon and other requirements.

Low-Income Housing Tax Credit Assistance Programs. Pennsylvania received $95.1 million in Tax Credit Assistance Program (TCAP) funds and $229.9 million in Section 1602 Tax Credit Exchange Program funds (Section 1602 Program). As of April 27, 2010, Pennsylvania awarded $81 million in TCAP funds and $209.8 million in Section 1602 funds for 52 projects, including building 96 units for the elderly in Stewartstown, Pennsylvania, and rehabilitating 24 units of family housing in Allentown, Pennsylvania. As of May 5, 2010, Pennsylvania had spent about $19.7 million in TCAP funds and about $77.3 million in Section 1602 Program funds.

Public Housing Capital Fund. The U.S. Department of Housing and Urban Development (HUD) has allocated about $212 million in Recovery Act funding to 82 public housing agencies in Pennsylvania. All met the Recovery Act requirement to obligate their funds within 1 year of the date they were made available. Based on information available as of May 1, 2010, about $83.7 million (39 percent) had been drawn down by 80 agencies.

Education programs. In March 2010, Pennsylvania began to distribute the $655 million in State Fiscal Stabilization Fund (SFSF) funds it awarded to local educational agencies (LEA) and by March 31, 2010, almost all LEA subrecipients received their disbursements for state fiscal year 2009-10. According to the U.S. Department of Education, as of April 16, 2010, Pennsylvania has drawn down $156.5 million of $400.6 million in Recovery Act funds awarded for Title I, Part A of the Elementary and Secondary Education Act of 1965 as amended (ESEA), $151.8 million of $441.7 million in Recovery Act funds awarded for Part B of the Individuals with Disabilities Education Act, as amended (IDEA) and $453.6 million of $1.0 billion awarded of SFSF education stabilization funds. For example, the SFSF funds were used to support salaries and benefits for the School

District of the City of York and Kutztown University of Pennsylvania and to make debt payments for the Reading School District.

Justice programs. The Department of Justice (DOJ) provided Pennsylvania with more than $72 million in Recovery Act Edward Byrne Memorial Justice Assistance Grant program (JAG) grants. DOJ awarded $45 million directly to the state, part of which was passed on to localities, and $27 million directly to localities across Pennsylvania. Localities are using JAG funds for a range of public safety purposes, including the purchase of law enforcement equipment and information technology, as well as the hiring of court and victim services personnel. DOJ also awarded about $20.2 million in COPS Hiring Recovery Program funds to 19 Pennsylvania localities, including $10.9 million to Philadelphia to hire 50 officers, $1.7 million to Harrisburg to hire 8 officers, and $7.6 million to 17 other localities to hire 35 officers.

State fiscal condition. Despite receiving over $2.7 billion of Recovery Act funds for budget stabilization for state fiscal year 2009-10 and exhausting its Rainy Day Fund, Pennsylvania has a general fund revenue shortfall of $1.1 billion as of May 1, 2010. The proposed budget for state fiscal year 2010-11 assumes lower revenues and continues to use Recovery Act funds for budget stabilization. The Governor has proposed creating a stimulus transition reserve fund with new tax measures to address future budget deficits when the Recovery Act funds end.

Localities' use of Recovery Act funds. The City of Allentown and York County had been awarded $3.7 million and $11.4 million, respectively. Dauphin County expected to receive $7.5 million. As of March 31, 2010, Philadelphia has received $216 million. These four localities are using Recovery Act funds for onetime projects, such as installing energy efficiency improvements in public facilities and providing temporary rent and utility assistance to prevent homelessness.

Accountability and oversight. Pennsylvania's Accountability Office oversees and reports on Recovery Act activities for state agencies and has issued performance measures tracking Recovery Act spending and projects. The state's Bureau of Audits has evaluated programs receiving Recovery Act funds to determine those at high risk and has initiated selected reviews on high-risk programs, including the state's Recovery Act weatherization program. The state Auditor General's office is auditing select Recovery Act spending, including highway and bridge projects, as part of the ongoing 2009 Single Audit.[2]

Pennsylvania Is Making Progress on Its Spending and Production Targets, but Challenges to Effectively Monitoring Local Weatherization Agencies Remain

Under the Recovery Act, the Pennsylvania Department of Community and Economic Development (DCED)—the agency that administers the state's Weatherization Assistance Program—will receive $252.8 million in funds to be spent by March 31, 2012. DCED will retain up to $8.3 million for program management and oversight and will spend up to $20 million for worker training. DCED awarded contracts—for a total award value of $224.5 million—to 43 weatherization agencies, including community action agencies, nonprofit agencies, and local governments. We visited three local weatherization agencies—ACTION-Housing, Inc. (ACTION) in Pittsburgh; York County Planning Commission (York) in York County; and the Energy Coordinating Agency (ECA) in Philadelphia.[3] Weatherization agencies use their funds to make homes more energy efficient by repairing or replacing furnaces, caulking windows and sealing leaks in walls, insulating attics, replacing inefficient refrigerators and light bulbs, and educating clients about energy-saving measures.

Status of Pennsylvania's Recovery Act Weatherization

As of May 7, 2010, 5,446 homes had been weatherized, representing about 38 percent of DCED's latest target to weatherize 14,355 homes by September 30, 2010.[4] Overall, DCED expects to weatherize about 29,700 homes by March 31, 2012. Since work began in November 2009,

[2] Single Audits are prepared to meet the requirements of the Single Audit Act, as amended, and provide a source of information on internal control and compliance findings and the underlying causes and risks. The Single Audit Act requires states, local governments, and nonprofit organizations expending $500,000 or more in federal awards in a year to obtain an audit in accordance with the requirements set forth in the act. A Single Audit consists of (1) an audit and opinions on the fair presentation of the financial statements and the Schedule of Expenditures of Federal Awards; (2) gaining an understanding of and testing internal control over financial reporting and the entity's compliance with laws, regulations, and contract or grant provisions that have a direct and material effect on certain federal programs (i.e., the program requirements); and (3) an audit and an opinion on compliance with applicable program requirements for certain federal programs.

[3] We selected these three local agencies based on their location, size of the agency's Recovery Act weatherization funding and production targets, whether the agency is a local government or community action agency, and whether the agency used in-house staff or contractors for weatherization work.

[4] Based on production to date, DCED has lowered its September 30, 2010 production targets by nearly 2,500 homes.

Pennsylvania's 43 weatherization agencies have spent $57.9 million (about 52 percent) of their $111.0 million first year budget.

Progress made by local weatherization agencies varied. As of May 7, 12 agencies had weatherized 50 percent or more of their September 30, 2010, production targets, but two agencies had not completed any weatherization work. The Pennsylvania Housing Finance Agency received its award in February 2010, and had 2,477 homes in progress as of May 7, 2010. One agency could not meet production targets and was replaced; the new agency was awaiting the award of its contract. Two other agencies were not meeting their production targets and were asked to voluntarily return a portion of their Recovery Act allocation to DCED to be redistributed among neighboring agencies.[5] Table 2 shows the percentage of funds spent and homes weatherized by the three agencies we visited, as of May 7, 2010.

Table 2: Percentage of Funds Expended and Homes Weatherized for Three Agencies Visited, as of May 7, 2010

Weatherization agency	Award amount (millions)	Percentage drawn down	Homes weatherized	Homes to be weatherized		Percentage of progress toward targets	
				9/30/2010 target	3/31/2012 target	9/30/2010 target	3/31/2012 target
ACTION-Housing Inc.	$15.3	25	421	1,014	2,200	42	19
Energy Coordinating Agency	$13.9	25	335	745	1,650	45	20
York County Planning Commission	$4.3	23	73	235	606	31	12
Pennsylvania weatherization agencies' total	$224.5	25	5,446	14,355	29,700	38	18

Source: GAO analysis of DCED data.

Although initial production was slower than expected, DCED expects to reach its March 2012 production goals. According to Pennsylvania's state weatherization plan, agencies that do not meet their production targets, or that do not expend at least 50 percent of their total Recovery Act allocation by September 30, 2010, may be replaced or have their funding adjusted by DCED, in a manner consistent with applicable U.S. Department of Energy (DOE) regulations. DCED requires agencies to

[5] A DCED official said that the neighboring agencies will use the funds to weatherize homes that were planned for the original agencies' service areas.

enter weekly production data into the Hancock Energy Software, a Web-based reporting system, so that DCED can track agency production. DCED has temporarily blocked funding to agencies that have not entered production information into the system until they comply with weekly production reporting requirements.

In its weatherization plan, Pennsylvania committed to reduce energy usage by the equivalent of what it might take to power about 7,000 homes per year. In November 2009, DCED commissioned Pennsylvania State University to develop a system for data reporting and annual program evaluation, including analyses of the energy savings for each weatherization agency and the cost-effectiveness of individual weatherization measures. The data reporting system is expected to produce evaluation results for each year of Recovery Act funding from fiscal years 2009-10 through 2011-12.

Pennsylvania Has Begun to Address Key Weaknesses in Its Monitoring of Weatherization Agencies

Given that DCED intends for weatherization agencies to spend at least half of their total Recovery Act allocations by September 30, 2010, we reviewed DCED's existing monitoring program to see what DCED knew about the quality and effectiveness of the work being performed by its weatherization agencies. In 2007, Pennsylvania's Auditor General reported that the weatherization program had, among other things, weak internal controls, weaknesses in contracting, and inconsistent verification and inspection of subcontractor work.[6] We reviewed DCED's *Monitoring Guidelines and Procedures* and associated inspection forms, met with the three existing monitors, and reviewed DCED's monitoring reports for fiscal years 2006-07 through 2008-09 for ACTION, York, ECA, and two other agencies.

We found that DCED did not consistently follow DOE guidance for state weatherization programs or Pennsylvania's monitoring guidelines. For example, DCED did not monitor every weatherization agency at least once each year, and some monitoring reports did not contain evidence that all of the required areas were monitored. Furthermore, not all monitoring findings identified in the monitoring reports were transmitted to local agencies. Some agencies did not respond to DCED with corrective actions,

[6]Pennsylvania Department of the Auditor General, *A Special Performance Audit of the Department of Community and Economic Development's Weatherization Assistance Program*, August 2007.

and DCED did not always follow up to assess the corrective action by those agencies that responded.[7] Table 3 provides details and examples of weaknesses in DCED's monitoring of five agencies we reviewed.

Table 3: DCED's Monitoring Weaknesses regarding Adherence to DCED and DOE Policies

DOE requirement for state weatherization program monitors	DCED monitoring guidelines for meeting DOE requirement	Examples of weaknesses in the monitoring reports for five agencies
Annually monitor and assess the performance of local weatherization agencies.	Routine program monitoring be conducted a minimum of twice during the program year.	• None of the five agencies had been monitored more than once per year. • Four of the agencies did not receive an annual monitoring visit during 1 of the past 3 program years.
Have a guide for monitoring local agency performance that includes all areas found in the local agency's contract with the state.	Monitoring guidelines describe the major components of the monitoring process, which include a review of client eligibility and documentation; inspection of completed units; and a review of inventory control and property maintenance, administrative and fiscal procedures, and local agency quality control procedures.	• Two agency monitoring reports for program year 2007-08 had no evidence that the monitor had looked at fiscal and budget management procedures. • One monitoring report from program year 2008-09 stated that the local agency did not have adequate quality control procedures but did not specify the types of quality control problems found. • One monitoring report summary for program year 2008-09 stated that client files were prepared in accordance with the DCED guidelines; however, in the body of the report the monitor made numerous findings of missing or incomplete items during the client file review.

[7]The 2007 Pennsylvania Auditor General report found that DCED did not always verify if local agencies had remedied findings DCED had identified.

DOE requirement for state weatherization program monitors	DCED monitoring guidelines for meeting DOE requirement	Examples of weaknesses in the monitoring reports for five agencies
Raise and resolve all perceived and potential issues with the local agency.	Monitoring guidelines require that a final monitoring report be issued to the agency within 30 days of the monitoring visit. The letter transmitting the report contains the monitor's findings and recommendations, and requires the local agency to submit a response identifying the corrective actions taken to address the findings within 30 working days from the receipt of the report.	• In one agency's monitoring report for program year 2004-05, the monitor found problems with the quality of the agency's furnace work and recommended that the agency's installers complete relevant training. This recommendation was not included in the transmittal letter to the agency and, consequently, was not addressed in the agency response. • In another agency's monitoring report for program year 2007-08, the monitor found that the agency had not consistently performed furnace testing; however, DCED's transmittal letter did not require an agency response. • DCED had no documentation showing that an agency had provided a corrective action plan for findings identified in the 2007-08 and 2008-09 program year monitoring reports; DCED's transmittal letter noted that some of its 2008-09 findings were repeat findings. We could find no evidence that DCED followed up with the agencies to request corrective action plans. • DCED replied to one agency that it was satisfied with the agency's response, but DCED files did not show that the monitors had conducted a follow-up visit to inspect what the agency had done.
Inspect 5 percent of the weatherized units each year.	Monitoring guidelines required monitors to conduct routine site inspections twice per year for an unspecified selection of weatherized units.	• The monitoring report for one agency in program year 2008-09 shows one inspection of 78 units weatherized under the DOE program; at least 4 units should have been inspected. The two other units inspected were funded under the Low Income Home Energy Assistance Program—a program funded by the Department of Health and Human Services.

Source: GAO analysis, based on review of DCED's *Monitoring Guidelines and Procedures* and monitoring reports of five weatherization agencies for the past 3 years and interviews with DCED monitors.

When we reviewed these issues with DCED officials, they acknowledged that past monitoring efforts were deficient and that goals, including biannual monitoring visits and inspections of 10 percent of both in-progress and completed homes, were too ambitious given DCED's level of staffing. To increase monitoring capacity, DCED hired 8 new monitors (for a total of 10) and one new monitoring supervisor (for a total of 3). DCED also retained two consultants to evaluate DCED's monitoring capacity and recommend improvements, including ways to collect and analyze data to identify trends and effectively deploy monitoring resources. On April 30, 2010, DCED issued new monitoring guidelines and inspection tools. In its Recovery Act weatherization state plan submitted to DOE, DCED had set a goal to annually inspect 10 percent of units in progress and 10 percent of weatherized units completed, but DCED reduced those goals in its new monitoring guidelines to inspecting 3 percent of units in progress and 7 percent of units completed. As of April 23, 2010, DCED monitors have inspected 412 units funded by the Recovery Act, or about 4 percent of the total Recovery Act units in progress or completed.

A state's monitoring program is a critical line of defense against waste of Recovery Act funds and poor quality weatherization work. While Pennsylvania has hired additional monitors and recently revised its monitoring procedures, DCED acknowledged that it is still experiencing delays in issuing monitoring reports to weatherization agencies within 30 days. As of May 13, 2010, DCED had completed monitoring reports for 26 agencies and had sent 9 of these reports to agencies within the required 30-day time frame. It is too soon to tell if the new monitoring process will detect and resolve weaknesses, such as those we observed at three local weatherization agencies.

File Reviews Identified Some Local Agency Weaknesses

During our three local agency visits, we reviewed weatherization policies and procedures, interviewed agency officials, and reviewed client files for weatherized homes. We also visited four homes undergoing energy audits, three homes being weatherized, as well as six homes that had their final inspections. While visiting homes, we observed energy auditors testing furnace efficiencies and educating clients about energy saving practices. We also observed weatherization workers caulking around windows and installing insulation.

We observed weaknesses in local agency controls over documenting materials and labor costs for each house weatherized, overseeing subcontractors, and documenting final home inspections. Table 4 shows DCED's requirements for local agency controls over weatherization and examples of internal control weaknesses observed in our client file reviews and home inspections.

Table 4: Internal Control Weaknesses Observed during Visits to Weatherization Agencies

DCED's requirements for local agencies' internal controls over the weatherization process	Examples of control weaknesses at three agencies visited
Document in the client file the estimated and actual costs for materials and labor employed to weatherize the home.	• One agency did not include certain expenses—including furnace repairs, refrigerator replacements, or chimney repairs—in its client files.
If using subcontractors to perform weatherization work, ensure that the subcontractors comply with standards spelled out in DCED's program guidelines.	• According to officials, one agency we visited did not always follow its procedures for managing change control orders made by its subcontractors—that changes to the work done by its subcontractors should be specified in writing with detailed explanations of the changes and their costs. According to local agency officials, most changes are handled verbally, especially if they are minor—that is, below $100. However, 8 of the 13 client files we reviewed at this agency did not contain any evidence that changes to the work order were authorized. Two of these changes were significant: a total of about $6,000 in one case and about $3,000 in another.
Inspect 100 percent of completed units to determine compliance with the program's quality standards and appropriateness of the measures selected, and to ensure that all reported materials are actually installed. In addition, the client files should include a quality control inspection sheet signed and dated by the inspector and the client.	• Of the three agencies we visited, only one agency uses a quality control inspection sheet to document its final inspection. The other two agencies require the client and inspector to sign a form stipulating that the home has been inspected. • At one agency, we inspected the two homes the agency had completed weatherizing at the time of our visit. Several lines on the final inspection form were checked off to verify that work was completed, but we did not find any evidence on the work order that this work was required. These lines concerned the hot water heater and its access panels as well exposed water pipes. During our inspection, the homeowner told us that they had not observed work being done on the water heater, and based on our inspection, there was no evidence that the water heater closet had been open or inspected. • At another agency, work, such as caulking, had not been completed at two of the three completed and previously inspected homes we visited. In addition, we found some weatherization work, such as venting dryers to the outside had either not been performed or was poorly done.

Source: GAO analysis, based on DCED's *Weatherization Assistance Program Monitoring Guidelines and Procedures,* a review of client files and home visits, and interviews with weatherization agency officials.

The local weatherization agencies that we visited generally agreed with our observations and planned to address weaknesses we identified. For example, one agency has considered modifying its work order form to include final inspection check-off that each work item was done. The agency also has considered unannounced site inspections of ongoing weatherization work to ensure the quality of the work being done. Another agency agreed that written guidelines for approving changes to work orders would be helpful. The third agency planned to include a summary of material and labor costs at the front of each client file and develop a checklist to review each client file for completeness prior to closing a job. DCED officials agreed that the control environment across local agencies had been inconsistent in the past, with 43 agencies working independently rather than as a statewide system. DCED is now collecting production and cost information from local agencies for use in trend analysis. DCED plans to identify outliers in terms of average cost per home or weatherization measures installed, such as high numbers of window replacements. DCED is developing a red-yellow-green stoplight grading system to track control weaknesses and best practices among agencies. DCED plans to standardize weatherization practices across the local agencies through directives based on lessons learned about control weaknesses and best practices.

DCED Has Taken Actions to Correct Noncompliance with Davis-Bacon Requirements of the Recovery Act

In March 2010, DOE found DCED to be noncompliant with the Davis-Bacon requirements of the Recovery Act. Since weatherization work began in November 2009, not all weatherization agencies had submitted certified payrolls to DCED. Also, DCED had not reviewed weekly certified payrolls for weatherization agencies that had submitted them. DOE prohibited Pennsylvania from drawing down its remaining Recovery Act funds until the state had taken corrective action to resolve the issue and demonstrate compliance with the Davis-Bacon requirements. DCED addressed the noncompliance issue by developing procedures that include a weekly compliance payroll report template. DCED also assigned three part-time staff to review weekly wage reports on an ongoing basis. On April 22, 2010, DOE accepted these corrective actions and released the hold on Pennsylvania's Recovery Act weatherization funds.

Pennsylvania Aims to Train and Certify All Weatherization Workers but Does Not Have a Process for Enforcing Its July 2010 Deadline

Whereas other states may not require certification, Pennsylvania has decided to use part of its Recovery Act funds to train and certify all weatherization installers, crew chiefs, and auditors to perform weatherization work. According to state officials, the certification is intended to provide weatherization workers with an industry-recognized credential that demonstrates requisite knowledge and skills. Pennsylvania's Department of Labor & Industry (L&I) will receive up to $20 million in Recovery Act weatherization funds to develop a statewide training and certification program for new and incumbent weatherization workers.[8] L&I estimated that the state needed about 1,500 weatherization workers to meet DCED's production goals. We visited the Weatherization

[8]DCED released $10 million to L&I in November 2009. As of April 20, 2010, L&I committed $7.1 million for training, including grants to set up the training centers, technical assistance to training providers, training vouchers for workers, and a new training and certification database.

Training Center at Penn College, as well as three new training centers in Lancaster, Philadelphia, and Pittsburgh.

L&I delayed its target date to train and certify all weatherization workers, and currently allows workers to weatherize homes if they are certified—or are on a path to certification—by July 1, 2010.[9] The delay resulted from challenges in setting up training centers, reviewing certification applications, and balancing training and production goals.

- Although L&I hoped to have the new centers operational by the end of 2009, the six new centers were not fully operational and offering classes until February 9, 2010. According to L&I officials, staffing the training centers with qualified instructors took longer than expected. One training provider we visited said it was a challenge to enroll new students and student retention was a concern. The provider also said that there were some unanswered questions, such as who would be responsible for the physical assessment that all potential students must pass prior to enrolling in training. According to L&I officials, staffing the training centers with qualified instructors also took longer than expected.

- L&I created an accelerated certification process that requires each existing worker to submit an application to a special review committee. As of April 28, 2010, 943 existing workers have requested to be certified based on their training, experience, or both. Because individual workers may request multiple levels of certification (installer, crew chief, or auditor), the 943 applicants requested 1,175 certifications. The committee had reviewed the applications and certified 254 requests; applicants for 276 requests will be required to pass a proficiency test or complete an accelerated training program; and applicants for 645 requests were recommended to complete the full training. Officials at one of the three training facilities that offer the proficiency test said that applicants approved for the proficiency test were not well prepared and often failed the test; they suggested that the proficiency test option should not be offered and instead those applicants should be required to complete the accelerated training.

[9]Pennsylvania's weatherization training plan had set a goal of November 1, 2009, and that goal was initially amended to allow workers to weatherize homes if they are certified—or are on a path to certification—within 90 days from the start of a weatherization contract.

- To minimize disruptions to production schedules, some providers have considered offering alternative class schedules, including night or weekend classes, but scheduling instructors and new students outside of normal business hours has been challenging.

Weatherization agencies we visited suggested a brief apprenticeship or “trial period” to help ensure that a prospective worker is interested in weatherization work before the state invests in training.

It is unclear how Pennsylvania will ensure that all new and incumbent weatherization workers are certified or on a path to certification by July 1, 2010. According to the subgrant agreement between L&I and DCED, L&I is responsible for establishing a database to document those who have completed training and obtained employment within 9 months of receiving certification. L&I and DCED officials have said that DCED monitors will review workers’ status during their annual monitoring visits; however, DCED is in the process of revising its monitoring guidelines and has not yet included tasks to review workers’ qualifications in its guidelines. Furthermore, DCED may not complete monitoring visits to all 43 weatherization agencies prior to July 1, 2010. In lieu of on-site visits, other options may be available to check compliance, such as spot-checking the list of names on certified payrolls submitted to DCED against L&I’s training and certification database or requiring weatherization agencies to periodically report on the training and certification status of their workers. Weatherization agencies are under pressure to meet their production targets, but face few consequences if they fail to use trained and certified workers. Without a method of ensuring compliance with the certification requirement, Pennsylvania’s training goals may not be achieved.

Pennsylvania Met the 1-Year Obligation Deadlines for Transportation Funds, but May Face Challenges in Meeting Maintenance-of-Effort Requirement

In Pennsylvania, highway funds have been obligated, and many projects—particularly for bridges and roadways—have begun. As we previously reported, FHWA apportioned $1.026 billion in Recovery Act funds to Pennsylvania for highway infrastructure and other eligible projects. FHWA obligated the state's full apportionment by the deadline of March 2, 2010. Primarily due to contracts being awarded at a cost lower than the state's estimate, from March 2 through April 26, 2010, FHWA deobligated $7.4 million of the highway funds for Pennsylvania, which has until September 30, 2010 to have FHWA obligate these funds to other projects. According to FHWA,[10] as of May 3, 2010, Pennsylvania has awarded 329 contracts. Of those, 254 are under construction and 96 contracts are substantially complete, representing $124.1 million. Specifically, PennDOT has chosen to focus much of this work on repairing structurally deficient bridges and repaving roadways. As of April 5, 2010, PennDOT had been reimbursed $267 million (26 percent) by FHWA.

In addition to funds received directly by three urban transit agencies, Pennsylvania received an apportionment of $39.6 million for 15 nonurban transit agencies' projects, intercity bus, and intercity rail projects.[11]

The Recovery Act Helped Pennsylvania Accelerate Needed Transportation Projects

Pennsylvania is using Recovery Act funding for bridge and roadway projects that state officials said may not have otherwise occurred at the time and is taking steps to track this work. Pennsylvania is tracking how much square footage of structurally deficient bridge deck area has been rehabilitated, as well as the miles of roadway with a "poor" or "fair" roughness measure that have been improved. Recovery Act funding will allow Pennsylvania to repair 133 structurally deficient bridges totaling almost 760,000 square feet of deck area. While these bridges represent about 2.4 percent of the 5,600 structurally deficient bridges statewide, PennDOT officials stressed that the Recovery Act is helping Pennsylvania reduce the total number of structurally deficient bridges in the state for the first time in over a decade. Recovery Act funds will also be used to repave 872 road miles of roadway currently with a poor or fair roughness

[10]Contract information is from FHWA's Recovery Act Data System, as reported by state officials.

[11]We previously reported on the Southeastern Pennsylvania Transportation Authority ($190.9 million), the Port Authority of Allegheny County ($62.5 million), and the Lehigh and Northampton Transportation Authority ($9.4 million.) See GAO, *Recovery Act: Status of States' and Localities' Use of Funds and Efforts to Ensure Accountability (Appendixes)*, GAO-10-232SP (Washington, D.C.: Dec. 10, 2009).

index, out of a current total of 15,483 miles of such roadway statewide. PennDOT officials stressed that the state would not be repairing these 872 miles now without Recovery Act funding.

Similarly, Pennsylvania is tracking outcomes of the Recovery Act—such as the number of new transit vehicles purchased—that nonurban transit systems and PennDOT will achieve with Recovery Act funds. For example, replacing old buses reduces the maintenance costs for transit agencies. In addition, if PennDOT's maintenance costs decrease, PennDOT officials told us that they will have additional funds to support PennDOT's capital budget. As a result, officials expect the budget will be in better financial shape in coming years. At this time, PennDOT is not tracking measures such as reduced maintenance costs. Furthermore, according to PennDOT staff, many transit projects being funded by the Recovery Act, such as the new intermodal transit facility in Butler, Pennsylvania, would not have been conducted at this time otherwise. The Port Authority of Allegheny County is using Recovery Act funds to finish a long-planned light-rail tunnel in Pittsburgh to provide transit service to parts of the city that currently do not have such service.

Facing Lower-Than-Expected Transportation Revenues, Pennsylvania May Face Challenges in Meeting Maintenance-of-Effort Requirement

Under the Recovery Act, a state must certify that it will maintain the level of spending for the types of transportation projects funded by the Recovery Act that it had planned to spend the day the Recovery Act was enacted. As part of this certification, the governor of each state is required to identify the amount of funds the state plans to expend from state sources from February 17, 2009 through September 30, 2010.[12] Pennsylvania submitted its third maintenance-of-effort (MOE) certification on March 8, 2010,[13] and, in accordance with FHWA guidance, the certification included PennDOT's payments to localities for highway and roadway projects. As a result, Pennsylvania's certified amount increased from about $2.2 billion, identified in its certification on March 17, 2009, to about $2.9 billion.

Due to lower than expected revenues, however, Pennsylvania may not have enough revenues to support the expenditures it expected to make for

[12]Recovery Act, div. A, title XII, § 1201(a).

[13]As we previously reported, Pennsylvania first submitted its certification on March 17, 2009, and submitted an amended certification on May 20, 2009.

highways in its MOE certification.[14] According to state officials, the motor license fund—derived primarily from liquid fuels taxes and motor license fees—is dedicated to transportation expenditures, and has an annual budget of about $2.6 billion per year. This fund faces a revenue shortfall for the current and previous state fiscal years of as much as $150 million compared with what the state projected in February 2009 when the Recovery Act was passed.

PennDOT officials said that the state might better be able to meet its MOE requirement if the state accelerates its spending. For example, a project only counts toward the MOE requirement if funds are expended by September 30, 2010, which falls at the end of Pennsylvania's first quarter of its fiscal year. If Pennsylvania could initiate projects earlier than planned and begin expenditures for these projects before September 30, 2010, it would be able to count these expenditures toward its MOE requirement. In addition, since the spring construction season has started, PennDOT officials expect spending to ramp up over their levels during this past winter.

Currently, PennDOT cannot forecast its expenditure level for September 30, 2010, and is unsure how far that Pennsylvania may fall short of its MOE requirement. PennDOT is developing a cash flow model to better determine expenditures by providing an information link between the department's budget, expenditures, and the state's transportation revenues. Due to delays with the model, PennDOT officials said that they will not know where Pennsylvania stands on its MOE-required expenditures until at least June 10, 2010, leaving limited time to explore options to accelerate expenditures as needed by September 30, 2010.

[14] A state that does not meet its MOE certification would be excluded from FHWA's August 2011 redistribution of obligation authority. The authority that Pennsylvania has received in these redistributions has averaged about $55 million a year.

Pennsylvania Met Recovery Act Requirements for Spending Its Clean Water and Drinking Water State Revolving Funds but May Face Challenges Monitoring Subrecipients

Pennsylvania received approximately $156.8 million for its Recovery Act Clean Water State Revolving Fund (SRF) and almost $65.7 million for its Recovery Act Drinking Water SRF.[15] The Pennsylvania Infrastructure Investment Authority (PENNVEST) is the financing agency responsible for administering both SRFs. The Pennsylvania Department of Environmental Protection (DEP) develops the state's intended use plans for the SRFs, provides technical assistance to municipalities applying for PENNVEST funds, and performs interim and final inspections of projects funded by SRF loans.

In addition to providing increased funds, the Recovery Act included specific requirements for states beyond those that are part of base SRF program. For example, the Recovery Act required each state to prioritize funds for projects that are ready to proceed to construction within 12 months of its enactment (by February 17, 2010) and directed EPA to reallocate any funds that were not under contract by this date. The Recovery Act also required each state to use at least 50 percent of its Recovery Act allocation to provide additional subsidization to eligible recipients in the form of principal forgiveness, negative interest loans, or grants. Furthermore, states were required to reserve at least 20 percent of their Recovery Act allocations to fund "green" projects—green infrastructure, water or energy efficiency improvements, or other environmentally innovative activities—to the extent there were sufficient and eligible project applications of this type.

[15]The Clean Water SRF program funds wastewater treatment, watershed management, and nonpoint source pollution control projects, and the Drinking Water SRF program funds improvements to drinking water systems.

PENNVEST Met the Contracting Deadline and Exceeded the Green Reserve and Additional Subsidization Requirements of the Recovery Act

Pennsylvania successfully awarded its Recovery Act funds to projects by the February 17, 2010, deadline.[16] The state used its approximately $220.9 million in Recovery Act funds[17] together with about $272.0 million in base program funds to provide assistance for 53 wastewater management projects, 34 storm water management projects, and 26 drinking water projects. PENNVEST reallocated 33 percent, or about $21.7 million, of its Recovery Act Drinking Water SRF funds to its Recovery Act Clean Water SRF funds. PENNVEST officials told us that shifting funds to the Clean Water SRF made it easier for PENNVEST to provide additional subsidization for a larger number of disadvantaged communities[18] because Clean Water projects are generally less affordable to communities than Drinking Water projects, therefore they more frequently exceed the affordability limit PENNVEST uses to determine whether communities qualify for principal forgiveness loans. Officials also told us that combining base program funds with Recovery Act funds allowed PENNVEST to fund a larger number of projects and to use freed up Recovery Act funds, if eligible applicants declined funding offers, for other projects in lieu of base funds.

Pennsylvania also exceeded the Recovery Act's green reserve and additional subsidization requirements, using 87 percent of Recovery Act funds for additional subsidization and 26 percent of Recovery Act funds for green projects (see table 5).

[16]The Recovery Act requires that all SRF funds appropriated under the Recovery Act be under contract or construction by February 17, 2010, and directed EPA to reallocate any funds that were not under contract or construction by this date.

[17]The Clean Water SRF received almost $1.6 million in funds for 604(b) Water Quality Management Planning.

[18]Pennsylvania identified disadvantaged communities by evaluating their financial capability to pay for water service, based on an assumption that the amount that residential customers should be able to pay for water services will range from one to two percent of the community's adjusted median household income (MHI). If the estimated used rate is higher than this amount, PENNVEST considers the water systems in the community to be "disadvantaged" and targets loan term extensions or additional subsidization in the form of principal forgiveness.

Table 5: Clean Water and Drinking Water State Revolving Fund Projects

Type of state revolving fund	Total number of projects and total costs	Additional subsidization amount	Green reserve amount
Clean Water State Revolving Fund	87 projects	62 projects	43 projects
	$176,905,304	$162,566,845 (92 percent)	$39,795,689 (22 percent)
Drinking Water State Revolving Fund	26 projects	10 projects	11 projects
	$44,006,270	$30,464,781 (69 percent)	$16,707,139 (38 percent)
Total	**113 projects**	**72 projects**	**54 projects**
	$220,911,574	**$193,031,626 (87 percent)**	**$56,502,828 (26 percent)**

Source: GAO analysis of PENNVEST data.

We visited two Clean Water projects and one Drinking Water project (see table 6). These projects were selected to include a green project, a disadvantaged community, and a new subrecipient.

Table 6: Water Projects Visited

Clean Water SRF		Drinking Water SRF
The Mount Carmel Municipal Authority received a $13.6 million principal forgiveness loan to construct a new wastewater treatment plant to handle peak flows and comply with the Chesapeake Bay limitations for nitrogen and phosphorus. In the absence of Recovery Act funds, the project would not have had sufficient funding because user rates would have been insufficient to cover the costs of the infrastructure upgrade.	The Chesapeake Bay Foundation (CBF) received a $14.2 million principal forgiveness loan to reduce nutrient pollution and excess agricultural sediment in streams by integrating forested stream buffers with other agricultural best management practices. About $4.4 million of these funds will go towards green infrastructure. CBF would not have been able to fund this project without Recovery Act funds because there is no user rate or revenue stream for this type of project.	Hazleton City Authority Water Department received two principal forgiveness loans totaling about $14.7 million to upgrade its drinking water storage and delivery services through better leak detection, replacement of water mains, increases in storage and other upgrades. About $6.7 million, or 45 percent, of these funds will go toward green infrastructure. The loans funded by the Recovery Act allowed Hazleton to accelerate replacing 8,000 feet of aging water mains without raising user rates.

Source: GAO analysis based on information from local water projects and PENNVEST.

PENNVEST Is Responsible for Monitoring a Large Number of Subrecipients

Although spreading Recovery Act funding across a larger set of projects helped PENNVEST exceed the additional subsidization and green reserve spending requirements while meeting the contracting deadline, PENNVEST will be required to monitor a greater number of subrecipients for compliance with Recovery Act requirements. These requirements include quarterly recipient reporting, compliance with Buy American provisions, and maintaining wage rates and weekly payroll administration compliant with the Davis-Bacon requirements. PENNVEST monitors subrecipient compliance and reporting through its online funds disbursement process. To receive monthly disbursements, the subrecipients must certify that the engineers, project supervisors, and contractors who work on project sites comply with requirements of the funding agreement. According to PENNVEST, 14 eligible subrecipients declined funding, in part, because they thought the requirements under the Recovery Act would be too burdensome given the relatively low amounts of the Recovery Act funds offered.[19]

Pennsylvania Awarded the Majority of Its Tax Credit Assistance Program and Section 1602 Tax Credit Exchange Program Funds

Recovery Act established two funding programs that provide capital investments in low-income housing projects: (1) the Tax Credit Assistance Program (TCAP) administered by the U.S. Department of Housing and Urban Development (HUD) and (2) the Section 1602 Tax Credit Exchange Program (Section 1602 Program) administered by the U.S. Department of the Treasury (Treasury).[20] TCAP and the Section 1602 Program were designed to fill financing gaps in planned tax credit projects and jump-start stalled projects. According to Pennsylvania officials, such funding was needed because of a decline in pricing and a lack of investors in the tax credit market. Officials reported that the average price investors paid per dollar of tax credit declined from $0.85 in 2007, to $0.79 in 2008, and to $0.68 in 2009. Officials said that approximately 40 low-income housing projects were stalled because of decreased equity investment and lack of investor interest in rural areas.

Pennsylvania received about $95.1 million in TCAP funds and $229.9 million in Section 1602 Program funds. As of April 27, 2010, the Pennsylvania Housing Finance Agency (PHFA)—which administers the low-income housing tax credit program—had awarded $81 million in TCAP funds (about 85 percent) and $209.8 million in Section 1602 Program funds (about 91 percent) for 52 projects containing about 2,800 units (including 2,740 tax credit units).[21] As of May 5, 2010, Pennsylvania had

[19]The range of loans offered the 14 eligible subrecipients was between $5,945 and $721,868.

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

[21]Because tax credit projects have multiple sources of financing, they sometimes include market rate units as well as tax credit units.

spent about $19.7 million (20.7 percent) in TCAP funds and $77.3 million (33.6 percent) in Section 1602 Program funds. PHFA officials expect to finish awarding TCAP and Section 1602 Program funds by mid-July 2010.

In selecting TCAP projects, PHFA officials prioritized projects that were "shovel ready" and had obtained building permits. PHFA also considered, among other things, the level of funding from other sources. In choosing Section 1602 Program projects, PHFA focused on funding projects that had received 2007 and 2008 tax credits but did not have adequate financing to continue.

We visited two TCAP projects that received their awards by December 31, 2009 (see table 7). According to PHFA officials, Recovery Act funds helped both projects move forward, and construction is under way. The developer for Hopewell Courtyard is converting an old factory and adding two buildings to create new housing for people aged 55 and older (see fig. 1). Greystone Apartments is undergoing renovations to modernize kitchens and bathrooms as well as to improve safety and energy efficiency of the late 1800s-era buildings (see fig. 1).

Table 7: Selected TCAP Projects in Pennsylvania

Project	TCAP award	Percentage of total project cost	Type of construction	Type of housing	Type of location	Number of tax credit units	Total number of units
Hopewell Courtyard, Stewartstown[a]	$5,594,162	34	New construction	Elderly	Rural	96	96
Greystone Apartments, City of Allentown	$1,332,138	23	Rehabilitation	Family, disabled	Urban	24	24

Source: PHFA.

[a]We used the original project name shown on PHFA documentation; the project is now known as Westminster Place at Stewartstown.

Figure 1: Greystone Apartments in Allentown, Pennsylvania, to Be Renovated and Factory Conversion with Two New Buildings at Hopewell Courtyard in Stewartstown, Pennsylvania

Side view of Greystone Apartments exterior.

A fire escape at Greystone Apartments that the project will replace as part of safety improvements.

Hopewell Courtyard (renamed Westminster Place at Stewartstown) factory building being converted to living space.

The concrete slab for two new buildings at Hopewell Courtyard.

Source: GAO.

PHFA officials reported some delays and challenges in implementing the Recovery Act TCAP program. For example, TCAP required PHFA to comply with HUD's environmental review process for certain projects that had previously completed reviews as a requirement for other HUD funding.[22] PHFA officials said about 10 projects that were otherwise ready to close on their awards were delayed up to 60 days while PHFA had to redo environmental reviews. Also, the Recovery Act required compliance with Davis-Bacon prevailing wages for every TCAP project whereas other HUD programs have a threshold exempting projects under a defined number of units. PHFA officials said Davis Bacon prevailing wages can drive up project costs by up to 10 percent.

Although TCAP and the Section 1602 Program helped provide gap financing for low-income housing projects, PHFA officials raised concerns about PHFA's liability under both TCAP and Section 1602 Program recapture provisions. Housing finance agencies are responsible for returning funds to HUD and Treasury if a project is not placed in service or fails to comply with low-income housing tax credit requirements. To help mitigate risks, PHFA decided to require developers to provide financial guarantees to PHFA that can be called on in the event PHFA needs to recapture funds from the developer. PHFA officials also expressed concern that Treasury's requirement that Section 1602 Program funds be awarded as a grant or nonrepayable loan left them with little leverage to enforce low-income housing tax credit requirements over the life of a project.

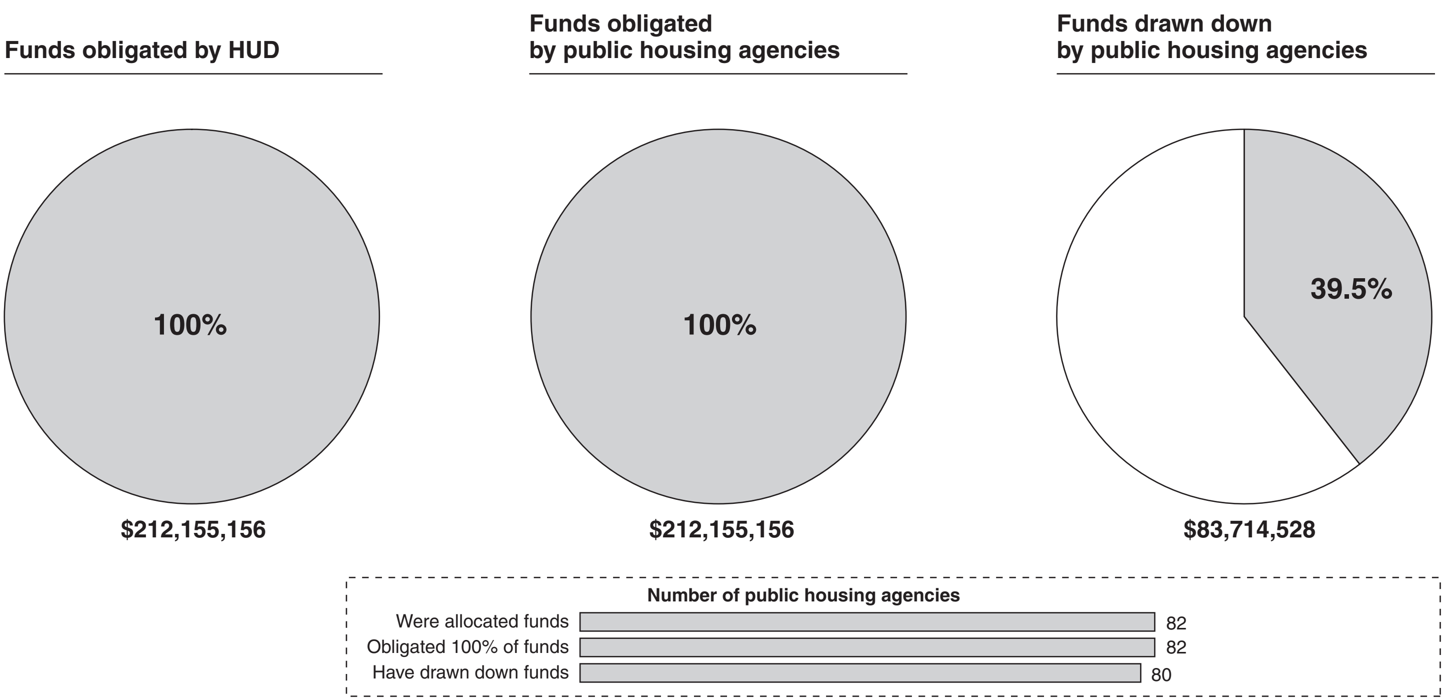
Officials also said that the Recovery Act workload has increased their workload and reporting requirements, but PHFA must bear the administrative costs associated with TCAP and Section 1602 Fund. They suggested allowing an administrative cost portion similar to the 10 percent allocation allowed for HUD's HOME Investment program. PHFA officials stated concerns with reporting jobs on the quarterly recipient reports for TCAP projects. They said that prorating job measures based on the percentage of Recovery Act funding, as required by the federal Office of Management and Budget, understated job creation in part because the projects would not be under way without the gap financing.

[22] If the entity responsible for the previously completed environmental assessment had not changed and neither the project nor the environmental conditions had changed since the completion of the previous environmental review, then no new environmental review was required. However, if the entity responsible for the previous environmental assessment had changed, then a new environmental review was required.

Local Housing Authorities Met the 1-Year Obligation Deadline for Public Housing Capital Funds

Pennsylvania has 82 public housing agencies that have received a total of $212.2 million in Recovery Act Public Housing Capital Fund formula grants (see fig. 2). The Recovery Act requires public housing agencies to obligate their funds within 1 year of the date they were made available, or by March 17, 2010. In Pennsylvania, all public housing agencies obligated their funds by that date. As of May 1, 2010, 80 public agencies had drawn down $83.7 million (39 percent), and 11 of those agencies had drawn down their full award.[23]

Figure 2: Percentage of Public Housing Capital Fund Formula Grants Allocated by HUD That Had Been Obligated and Drawn Down in Pennsylvania, as of May 1, 2010



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

[23]We previously visited two public housing agencies in Pennsylvania: the Philadelphia Housing Authority and the Harrisburg Housing Authority. We will provide updated information on these housing agencies in a future report.

Pennsylvania Has Begun Disbursing Recovery Act State Fiscal Stabilization Fund Monies to Subrecipients

As we previously reported, Pennsylvania was approved by the U.S. Department of Education (Education) to receive the initial $1.4 billion of its total $1.9 billion SFSF allocation.[24] In line with a Recovery Act requirement, of the total $1.9 billion, approximately $1.6 billion (81.8 percent) are education stabilization funds, and approximately $347 million (18.2 percent) are government services funds. SFSF government services funds, which do not need to be used for education purposes, are largely being used to support corrections officers. Education stabilization funds are being used to restore and provide funding to local education agencies (LEA) and institutions of higher education (IHE). Pennsylvania's use of SFSF funds in state fiscal years 2008-09, 2009-10, and 2010-11 is shown in table 8. As of March 31, 2010, the School District of the City of York had used $2.7 million out of a total $5.4 million awarded in Recovery Act SFSF funds to cover a budget shortfall and fund about 102 full-time equivalent positions. The Reading school district has used $5.7 million of its total $13.7 million in Recovery Act SFSF funds awarded to make debt payments.[25] Kutztown University of Pennsylvania used all of its $5.7 million of Recovery Act SFSF funds awarded to cover a budget shortfall and fund about 58 full-time equivalent positions.[26]

[24]As we previously reported, Pennsylvania submitted its first SFSF application in April 2009 and resubmitted its application on June 26, 2009, to remove four institutions of higher education (IHE) from receiving SFSF money. Education directed the state to resubmit its application again to include these IHEs as recipients of SFSF money. The final application was submitted on October 20, 2009, after the state passed its budget for fiscal year 2009 and included these four IHEs and was approved November 2, 2009.

[25]We selected the Reading School District because it was the third largest LEA SFSF subrecipient in Pennsylvania. We also visited the City of York School District because it used both SFSF and Title I funds to support salaries and benefits.

[26]Kutztown University was the third largest subrecipient of SFSF funds among Pennsylvania's state-owned universities.

Table 8: Use of SFSF Funds in Pennsylvania

SFSF type	Fiscal year 2008-09	Fiscal year 2009-10	Fiscal year 2010-11[a]
SFSF education stabilization funds	$63 million to restore funding to 14 IHEs in the Pennsylvania State System of Higher Education (PASSHE)	• $355 million to restore basic education funding to fiscal 2008-09 level • $300 million additional basic education funding over fiscal 2008-09 level • $93 million to 14 PASSHE IHEs, community colleges, a technology college, and four state-related IHEs[b] to restore IHE funding to the fiscal year 2007-08 level of $1.4 billion	$748 million
SFSF government services funds		$173 million for corrections and support to help cover oversight and reporting costs of Pennsylvania's Accountability Office	$173 million for corrections and Pennsylvania's Accountability Office

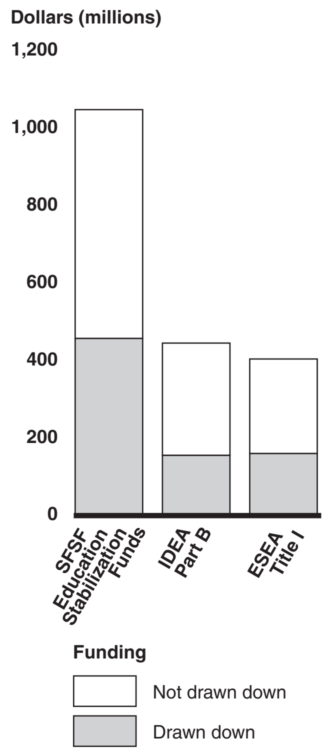
Source: Pennsylvania.

[a]Governor's proposed fiscal year 2010-11 budget.

[b]The state-related IHEs are Pennsylvania State University, University of Pittsburgh, Temple University, and Lincoln University.

As we previously reported, the state budget process slowed the release of funds and the ability of PDE and the LEAs to finalize their plans for using Recovery Act education funds. PDE officials said by March 31, 2010 that 499 out of 500 LEAs submitted the required rider stating they will comply with Recovery Act terms and received an SFSF disbursement. Although PDE typically disburses funds in monthly allotments over the award period, PDE disbursed initial payments to LEAs equal to a 3-to-4 month allotment. According to the U.S. Department of Education, as of April 16, 2010, Pennsylvania has drawn down $156.5 million of $400.6 million awarded for Elementary and Secondary Education Act of 1965 Title I, Part A, $151.8 million of $441.7 million awarded for Individuals with Disabilities Education Act, Part B, and $453.6 million of $1.0 billion awarded of SFSF funds. As of April 16, 2010, Pennsylvania had drawn down 39.1 percent of funds awarded for ESEA Title I Part A, 34.4 percent of funds awarded for IDEA Part B as amended, and 43.4 percent of SFSF funds (see fig. 3).

Figure 3: Pennsylvania Education Funds Drawn Down as of April 16, 2010



Source: U.S. Department of Education.

In March 2010, the U.S. Department of Education Office of the Inspector General (OIG) recommended that PDE strengthen its ESEA Title I and IDEA monitoring of LEAs' fiscal controls and use of funds and develop a monitoring plan for SFSF funds.[27] On March 12, 2010, PDE submitted its draft monitoring plan for SFSF funds and is waiting for comments from Education. In April 2010, the OIG recommended that the Philadelphia School District be named a high-risk grantee of the Department of Education due to internal control and oversight problems identified in the OIG's 2010 audit.

[27] U.S. Department of Education Office of Inspector General, *American Recovery and Reinvestment Act of 2009: Commonwealth of Pennsylvania Recovery Act Audit of Internal Controls over Selected Funds*, Control Number ED-OIG/A03J0010, March 15, 2010.

Recovery Act JAG Funds Ensure Continuity of Criminal Justice Programs

The total Recovery Act JAG allocation for Pennsylvania and its local governments is about $72 million. The Pennsylvania Commission on Crime and Delinquency (PCCD)—the state administering agency for JAG—was awarded $45 million in JAG funds.[28] In addition, localities received about $27 million in JAG awards directly from DOJ, including grant funds passed through to localities in the same county.

Although the State Budget Impasse Initially Slowed Awards, Pennsylvania Has Awarded More Than Half of JAG Funds

PCCD plans to distribute 25 percent of JAG funds to state agencies and 75 percent to localities throughout the state.[29] PCCD developed its initial state and local spending plans in June 2009, but in October 2009 after the state budget was enacted, PCCD amended the plan to better target Recovery Act funding to areas affected by budget cuts. In response to a $6 million cut from juvenile services programs, PCCD amended its Recovery Act spending plan to add more resources for juvenile services. As of March 31, 2010, PCCD has awarded over $25 million (56 percent) of its award to state agencies and localities (see table 9).

Table 9: PCCD JAG Awards and Planned Allocations to State Agencies and Localities as of March 31, 2010

Area of focus	Awards as of March 31, 2010	Planned or pending	Total
Technology initiatives	$2,000,000	$2,050,000	**$4,050,000**
Violence prevention	3,499,004	-	**$3,499,004**
Victims of juvenile offenders	3,260,000	-	**$3,260,000**
Law enforcement	1,000,000	500,000	**$1,500,000**
Justice job creation and retention	5,993,529	-	**$5,993,529**
Criminal justice and victim services	5,826,981	800,000	**$6,626,981**
Pennsylvania Weed and Seed program	1,723,159	1,276,841	**$3,000,000**
State agencies	1,888,496	7,451,683	**$9,340,179**
Localities' grants under $10,000	-	1,827,262	**$1,827,262**
Research and evaluation	-	750,000	**$750,000**

[28] PCCD is the state administering agency for JAG in Pennsylvania. The Commission consists of representatives from all aspects of criminal justice, including Pennsylvania's Attorney General, the State Police Commissioner, the Welfare Department Secretary, Department of Corrections Secretary, members of the General Assembly, the Governor's Victim Advocate, law enforcement representatives, victims' services practitioners, a judge, a prosecutor, a prison warden, a county government official, other local criminal justice policy makers and knowledgeable private citizens.

[29] Up to 10 percent of a formula grant award to a state may be used by the state to pay for costs incurred in administering the formula grant program.

Area of focus	Awards as of March 31, 2010	Planned or pending	Total
Training	-	250,000	**$250,000**
Unawarded and unallocated balance	-	811,643	**$811,643**
Administrative fees	-	-	**$4,545,399**
Total	**$25,191,169**	**$15,717,429**	**$45,453,997**

Source: PCCD.

State agencies have received nearly $2 million largely for technology enhancements, such as buying 372 laptop computers for field parole agents. Local awards include nearly $6 million for justice related jobs, such as juvenile court and parole positions. PCCD also awarded $1.7 million for the state's Weed and Seed program, which supports community collaborations to (1) "weed" neighborhoods of drugs, guns, problematic bars and violent offenders and (2) "seed" communities with economic and social programs, such as literacy and job training activities. As of March 31, 2010, PCCD has expended about $2.9 million in Recovery Act JAG funds. According to PCCD officials, PCCD plans to award most of the remaining $15.7 million by September 2010.

Localities Use Recovery Act JAG Funds for Onetime Projects and Equipment, and Some Programs May Face Challenges Once the Recovery Act Funds End

We visited seven localities in Pennsylvania that, in total, were awarded about $16.6 million in Recovery Act JAG grants by DOJ and $4.6 million from PCCD (see table 10). Allentown, Bethlehem, Dauphin County, and York County received grants from DOJ which they passed on to designated localities. Harrisburg and York City were subrecipients of these pass through grants.[30]

[30]We selected locations to review localities that received both direct DOJ and PCCD pass through grants, as well as subrecipients of direct DOJ grants.

Table 10: Selected Recipients and Subrecipients of Recovery Act JAG Funding as of March 31, 2010

Locality	Grant source	Planned use of Recovery Act JAG funds	Award
Allentown	DOJ	Supported new police substation and purchased six new police vehicles to replace high mileage vehicles, computers, and police equipment, including security cameras.	$580,171
		Passing subgrants on to four localities.	$91,986
	PCCD	Funded Pennsylvania Weed & Seed Program coordinator positions.	$80,000
Bethlehem	DOJ	Purchased computers and records management system; purchased two horses and the necessary equipment, as well as training for the horses and officers to establish a mounted patrol unit.	$172,216
		Passing subgrants on to six localities.	$182,322
Dauphin	DOJ	Passing subgrants on to nine localities.	$745,169
	PCCD	Funded district attorney and public defender positions, the Victim Witness Assistance Program, and the Prison Reentry Program.	$749,468
Harrisburg	Dauphin County pass through	Purchased computers, scanners, and electronic evidence storage to replace costly storage of more than 5 million paper records.	$483,441
	PCCD	Funded Pennsylvania Weed and Seed initiative program coordinator and community police liaison positions.	$150,000
Philadelphia	DOJ	Purchased tasers and batons, funded training courses and the Real Time Crime Center to improve incident response. Funded mural restoration work for at risk youths and reentry programs for ex offenders in the areas of, cleaning and sealing of vacant properties, and training and certification for “green jobs” such as weatherization and pest control services. Funded 52 municipal court positions.	$13,544,604
	PCCD	Developed a database to track performance measures, funded victims’ services, job retention in courts, and parole officers for adults and juveniles.	$2,957,166
York County	DOJ	Supplemented salaries of officers to expand the Nuisance Abatement program.	$54,862
		Passing subgrants on to 12 localities.	$524,690
	PCCD	Funded adult probation officers, a drug/alcohol case manager, and victim services programs.	$574,657
York City	York County pass through	Purchased three police vehicles and equipment, including tasers, radios, and computers.	$273,276
	PCCD	Funded Pennsylvania Weed and Seed program.	$80,000

Source: GAO analysis of data from PCCD, cities of Allentown, Bethlehem, Harrisburg, Philadelphia, and York and Counties of Dauphin and York.

In some cases, localities are using JAG funds for programs and may face challenges in sustaining funding once the Recovery Act support ends. For example, some localities, such as Allentown, Harrisburg, and York City, are using Recovery Act JAG funds for their ongoing Pennsylvania Weed and Seed programs. Philadelphia used JAG funds to avoid disbanding the city community court, and the court may again face possible elimination once the Recovery Act funding ends unless the City reinstates funding in its fiscal year 2012 budget. Bethlehem used $45,000 in JAG funds to purchase two horses and related equipment, supplies, and training services to fund a Mounted Patrol Unit, and police officials said that they are soliciting private donations to help cover the estimated $10,000 in annual operating costs.

Monitoring and Oversight of Recovery Act JAG Funds

PCCD plans to monitor Recovery Act grant subrecipients through report reviews, telephone interviews, and on-site visits. PCCD grants managers contact recipients within the first three months after awarding the grant to review reporting requirements, project status, and any areas of concern. In late March 2010, PCCD grants managers completed their first two subrecipient visits to review timesheets and verify equipment purchases, among other tasks. In the event of any noncompliance, PCCD plans to withhold reimbursement until requirements are met. To help with monitoring and oversight, PCCD plans to hire two temporary staff using Recovery Act funds. Local recipients of direct JAG grants we visited said they generally focus on activities such as compiling applications, submitting invoices for reimbursement, submitting quarterly recipient reports, and providing assistance to subrecipients. Two of the four recipients of direct DOJ grants said they did not plan any additional monitoring and oversight of the subrecipients. Philadelphia plans to monitor its mural arts and green jobs training programs. York County plans to monitor subrecipient inventory systems and use of equipment.

Philadelphia and Harrisburg Used CHRP Funds to Hire New Police Officers

Nineteen localities in Pennsylvania received CHRP grants totaling about $20.2 million to hire or retain police officers. Philadelphia received $10.9 million to hire 50 officers—an increase of 0.7 percent of 6,672 sworn officers currently, and Harrisburg received $1.7 million to hire 8 officers—4.79 percent of 167 sworn officers currently. In addition, $7.6 million was provided to 17 other localities to hire 35 officers. In Philadelphia, the officers will be responsible for responding to service calls and preventing crime in designated community policing areas. In Harrisburg, the officers will be assigned to high-crime areas. Philadelphia officials said that they expect the department's general operating fund will be able to meet the CHRP grant's fourth year retention requirement. Harrisburg officials acknowledged that financial difficulties may affect the city's ability to fund the positions in the fourth year as the city may need to leave vacant officer positions unfilled to cover salaries for the CHRP positions.[31]

Pennsylvania Fiscal Challenges Continue

For fiscal year 2009-10, Pennsylvania is using $921 million in SFSF funds (discussed above) as well as state funds freed up as a result of the almost $1.78 billion in increased Federal Medical Assistance Percentage (FMAP) funds to help stabilize the $27.8 billion state general fund budget.[32] The state also drew $755 million from and exhausted its Rainy Day Fund in this fiscal year. Despite using these funds, as of December 2009, Pennsylvania had laid off 721 state employees during the fiscal year. Pennsylvania's general fund revenues for fiscal year 2009-10 remain lower than expected; as of May 1, 2010, its revenues have been about $1.1 billion, or 4.6 percent, below expected.

The Governor's proposed fiscal year 2010-11 general fund budget is $29 billion, including about $2.8 billion in Recovery Act funds—$921 million in SFSF funds and $1.835 billion in funds freed up by the increased FMAP.[33] General fund revenue estimates are 2.8 percent lower in fiscal year 2010-11 than for fiscal year 2009-10. Furthermore, the 2010-11 budget included an estimated $472 million in Interstate 80 tolling revenue for the state's motor license fund, but Pennsylvania's application to implement tolling on Interstate 80 was rejected by the U.S. Department of Transportation on April 6, 2010. The Governor convened a special session of the General Assembly to explore other means to raise revenues for transportation funding.

[31]Harrisburg is facing debt service payments due this year on debt guaranteed for the city's incinerator plant.

[32]The use of Recovery Act funds must comply with specific program requirements but also, in some cases, enables states to free up state funds to address their projected budget shortfalls. 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 a state would otherwise have to use for its Medicaid programs. As we previously reported, Pennsylvania plans to use the funds made available as a result of the increased FMAP to cover the state's increased Medicaid caseload, ensure that prompt payment requirements are met, maintain current populations and benefits, and help stabilize the state budget.

[33]Pennsylvania's estimate of the funds freed up by an increased FMAP includes $850 million based on the assumption that pending federal legislation will be enacted to extend the increased FMAP by two quarters through June 30, 2011.

According to the latest state budget, Recovery Act funds helped Pennsylvania mitigate the need for drastic service cuts or broad-based taxes to balance the budget in fiscal year 2010-11. However, Pennsylvania faces the end of Recovery Act funds in fiscal year 2011-12 and a sharp increase in pension costs beginning in fiscal year 2012-13.[34] To help minimize the effect of the drop off in Recovery Act funds, Pennsylvania required state agencies to use limited-term positions when hiring using Recovery Act funds.[35] To address future budget deficits, the Governor has proposed creating a stimulus transition reserve fund to help the next administration and legislature deal with fiscal challenges that remain as the economy recovers. The new fund would be financed through a package of tax measures with revenues, reserved for use after June 30, 2011.[36]

As we previously reported, Pennsylvania enacted its fiscal year 2009-10 budget on October 9, 2009, 100 days after the fiscal year began, and this budget impasse delayed the release of some Recovery Act funds, including the SFSF disbursements discussed above. Under Pennsylvania law, federal funds generally are appropriated by the General Assembly.[37] Various state agencies could not move forward with Recovery Act contracts and subgrant agreements until after October 9, 2010. Continued use of Recovery Act funds in fiscal year 2010-11 will hinge on Pennsylvania enacting its fiscal year 2010-11 state budget.

Local Governments Are Using Recovery Act Funds for Onetime Expenses as Well as to Fund Ongoing Programs

To learn more about the effect of Recovery Act funds on local governments, we visited the cities of Allentown and Philadelphia as well as the counties of York and Dauphin. Figure 4 provides recent

[34]Under current law and using the state pension systems' annual earnings assumptions, Pennsylvania projects its employer contributions will increase from $1.3 billion in fiscal year 2011-12 to $3.7 billion in 2013-14. For fiscal year 2009-10, Pennsylvania's contribution is $561 million.

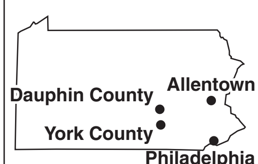
[35]As of May 11, 2010, Pennsylvania had filled 349 positions specifically for Recovery Act programs, including 207 staff for food stamp eligibility and processing and 120 for workforce investment and unemployment compensation. Another 36 positions are approved.

[36]Measures include lowering the state sales tax from 6 percent to 4 percent and eliminating 74 exemptions, enacting a natural gas extraction tax, as well as other revenue raisers.

[37]72 Pa. Cons. Stat. § 4615.

demographic information for these localities.[38] Dauphin County is located in a medium-sized urban area encompassing the state capitol with a county unemployment rate below the state's average of 9.0 percent. York County has an unemployment rate above the state average. Philadelphia is the largest city in Pennsylvania, and Allentown is located in the third largest urban area in Pennsylvania; both have unemployment rates higher than the state's average. The four local governments we visited generally plan to use the Recovery Act funds for a variety of projects and service expansions that would otherwise have remained unfunded.

Figure 4: Demographics for Four Local Governments Visited in Pennsylvania



	Philadelphia	Allentown	York County	Dauphin County
Estimated population (2008)[a]:	1,447,395	107,250	428,937	258,934
Unemployment rate (March 2010):	11.3%	13.2%	9.6%	8.7%
2010 General Fund Budget:	$3.97 billion	$81.2 million	$164.7 million	$199.0 million
Locality type:	City	City	County	County

Source: GAO analysis of U.S. Census Bureau, U.S. Department of Labor, Bureau of Labor Statistics (BLS), Local Area Unemployment Statistics (LAUS) data, cities of Allentown and Philadelphia and counties of Dauphin and York.

Notes: City population data are from the latest available estimate, July 1, 2008. County population data are from the latest available estimate, July 1, 2009. Unemployment rates are preliminary estimates for March 2010 and have not been seasonally adjusted. Rates are a percentage of the labor force. Estimates are subject to revisions.

City of Allentown. Allentown officials said that the city has received about $3.7 million in Recovery Act funds. To help prevent homelessness, Allentown is working with surrounding counties of Lehigh and Northampton and the city of Bethlehem to provide rent and utility assistance to low-income families to prevent homelessness. According to city officials, the local nonprofit service providers are concerned about Recovery Act administrative and reporting requirements and have faced difficulties in paying for assistance services before seeking reimbursement under the grant. City officials said they have completed the environmental reviews needed to start construction on the Community Development Block Grant projects, and plan to issue the request for proposals in spring

[38]Our examination of Recovery Act funds included only funds that have or will be received by the specific entities we visited. In the four areas we visited, local school districts, transit agencies, and public housing authorities also have or will be receiving Recovery Act funds.

of 2010. Allentown officials said that Recovery Act funds will allow the city to provide services or enhancements that would not have been available otherwise and that these services will likely be scaled back or discontinued when the Recovery Act funding ends. The city's controller conducts audits of expenditures in Allentown.

Dauphin County. Dauphin County officials said that the county expects to receive about $7.5 million in Recovery Act funds. Dauphin County will use Recovery Act funds to provide additional services, such as weatherizing homes and preventing homelessness. Dauphin County has also used Recovery Act funds to fund onetime projects, such as water line replacement and repaving. Dauphin County has also applied for but not yet received a $5 million Energy Efficiency and Conservation Block Grant. In December 2009, we reported that Dauphin County officials said that Recovery Act funding would have minimal effect on future budgets. However, Dauphin County is a co-guarantor of $140 million in debt for an incinerator owned by the Harrisburg Authority.[39] If Dauphin County is held responsible for the debt, officials said that the budgetary effect in 2011 would be significant, and existing programs, including those funded by the Recovery Act would be reduced or eliminated. The county Controller's Office conducts financial audits, including the county's Single Audit report which it lists on the office's Web site.

County of York. County of York officials said that the county has received about $11.4 million in Recovery Act funds. Officials said that a significant portion of the county's revenue comes from real estate property taxes, which have not grown during the housing market downturn. Officials said the county took steps to avoid further raising property taxes in the 2010 budget, including implementing a workforce reduction of 59 positions. York County will use Recovery Act funds to provide additional services to county residents, such as weatherization and housing assistance. York County officials said that the Homelessness Prevention and Rapid Rehousing funds are helping keep families together in their homes, which is important because most county shelters serve mostly single men. York County is also using Recovery Act funds for onetime

[39]The Harrisburg Authority, a municipal authority, owns and manages the incinerator. When the authority issued debt in 2003, the debt was guaranteed by the City of Harrisburg, with Dauphin County acting as a secondary guarantor. The authority is facing default on its debt and, according to County officials, the county will be required to make a $35 million debt service payment in December 2010 if the authority and the City of Harrisburg are unable to make the payment.

projects, such as improvements for county streetscapes to comply with the Americans with Disabilities Act of 1990, and improvements in energy efficiency in county buildings. The county Controller's Office conducts financial audits and conducts monitoring and validation of county expenditures. The office issues the county's annual Single Audit review, but according to an official with the office, is not conducting any audits specifically focused on Recovery Act spending in the county.

City of Philadelphia. Philadelphia officials said that as of March 31, 2010, the city had been awarded about $216 million in Recovery Act grants.[40] Philadelphia received about $179.4 million in grants directly from the federal government to support anticrime programs, community development projects, energy-efficiency projects and other improvements. The city reported that it had been awarded $36.4 million in grants passed through the state. Some of these funds were for programs that help residents at risk of becoming homeless stay in housing and resurfacing city streets. In addition to $84.4 million in formula grants, Philadelphia was awarded $130.2 million in competitive grants, including $44 million for a Neighborhood Program 2 grant from HUD to help redevelop or stabilize neighborhoods affected by foreclosure or blight. Philadelphia has used Recovery Act funds not only to expand services for a limited time and fund onetime projects but also to create new programs that will end when the Recovery Act funding ends unless additional funding can be found. Philadelphia officials said that they face the pressure of developing a balanced budget, with an estimated 4 percent decline in the city's budget between 2009 and 2011.[41] They voiced concerns that the Recovery Act does not directly alleviate the city's fiscal pressures because Recovery Act funds are generally targeted for specific federally designated purposes. Although the Recovery Act funds provided funds for street paving in Philadelphia, the city nevertheless had to cut some city social programs. In addition, city officials said that Recovery Act funds passed through the state were delayed during Pennsylvania's 2009 budget impasse. For the Community Services Block Grant (CSBG), Philadelphia did not receive its contract from the state until January 26, 2010. As of March 2010, the city was working to award funds to service providers and spend $8.3 million before the award period ends September 30, 2010.

[40]According to city officials, an additional $42.2 million has been announced by the federal government for Philadelphia, but the City is awaiting the formal award letters.

[41]As of May 7, 2010, the City Council had not passed the city's 2011 budget.

To provide transparency, and help manage the city's grant applications, awards, and federal reporting requirements, Philadelphia created a centralized Recovery Office in the fall of 2009. The Philadelphia City Council approves spending of any Recovery Act funds the city receives, and the initial approval process in late 2009 delayed the city in spending its awards. The city Inspector General and the Chief Integrity Officer set up a Recovery Act compliance and control program to focus on fraud and compliance. In addition to pre-audit reviews of Recovery Act transactions, the City Controller will conduct the city's Single Audit.[42] Controller Office officials said that their office not receive any additional funds for Recovery Act audits.

Pennsylvania's Accountability Office Has Issued Performance Measures for State Recovery Act Activities, and Some State Recovery Act Audits Are Under Way

The Pennsylvania Accountability Office, headed by the Chief Accountability Officer appointed by the Governor, is responsible for oversight and reporting on the use Recovery Act funds and ensuring compliance with federal reporting requirements. In April 2010, Pennsylvania's Accountability Office submitted to the federal government 376 recipient reports on behalf of 19 state agencies with information on 1,246 subrecipients and over 2,200 vendors and subrecipient vendors. As we previously reported, Pennsylvania's Accountability Office worked with state agencies to compile both program-specific output measures as well as longer-term outcome measures for each Recovery Act program. In February 2010, the Accountability Office issued its first annual report that provided information on Recovery Act projects and programs funded across the state and, in conjunction with Pennsylvania's quarterly Recovery Act reporting to the federal government, the office publishes a Citizens' Update report on the Recovery Act in Pennsylvania.[43] The office also published performance measures for many Recovery Act-funded programs.[44] For example, the office is planning to develop long-term measures of the pounds of nutrients and sediments in surface or ground water eliminated through wastewater projects. The office also plans to report on the numbers of new housing units and preserved low-income housing units supported by the Recovery Act as well as the longer-term percentage increase in the number of low-income housing rental units.

[42]Philadelphia's 2008 Single Audit report was issued in October 2009.

[43]Commonwealth of Pennsylvania, *The Recovery Act in Pennsylvania: 2009 Annual Report* (Harrisburg, Pa.: Feb. 17, 2010).

[44]Published on the Pennsylvania's Recovery Act Web site, http://www.recovery.pa.gov.

Since March 2009, the Pennsylvania Stimulus Oversight Commission has held public monthly meetings to monitor Recovery Act spending in the state.[45] Further, the Governor's Working Group for Stimulus Accountability, a cabinet-level group, meets on a quarterly basis to help coordinate state agencies' Recovery Act activities.

As of May 2010, the Pennsylvania Bureau of Audits (BOA), an internal agency within the Office of Budget, has reevaluated its June 2009 risk assessments of more than 90 programs expected to receive Recovery Act funds to ensure adequate audit coverage of the highest risks. As of April 2010, BOA has completed one audit of Recovery Act highway and bridge projects and has about 28 more audits under way examining PennDOT compliance with Davis-Bacon, Buy American, and recipient reporting requirements of the Recovery Act. BOA completed one of these audits in January 2010 and had no adverse findings.[46] BOA also began its review of Pennsylvania's Recovery Act weatherization program and plans to have results by September 2010 so that DCED can implement any needed corrective action before local agencies spend the second half of their Recovery Act funds. In March 2010, BOA initiated reviews of eight Recovery Act Clean Water and Drinking Water projects. BOA also recently began a review of the State Energy Program focusing on procurement and adherence to federal requirements on expenditures and reporting as well as a review of U.S. Department of Education Elementary and Secondary Education Act of 1965 Title I funding for cyber charter schools. This will review charter school compliance with federal and state laws and regulations, including reporting requirements. BOA Recovery Act audit costs will be billed to state agencies through the statewide cost allocation plan. BOA officials said that limited staff availability affects their audit pace.

In the ongoing 2009 Single Audit, Pennsylvania's elected Auditor General is auditing Recovery Act spending as of June 30, 2009, including FMAP,

[45]In addition to the Chief Accountability Officer, the commission is composed of the Governor, the Recovery Act Chief Implementation Officer, four representatives selected by Pennsylvania's congressional delegation, members of each of the four caucuses in Pennsylvania's General Assembly, and representatives from the Pennsylvania Chamber of Business and Industry, United Way of Pennsylvania, and Pennsylvania AFL-CIO.

[46]In addition, BOA completed an audit in March 2010 on the use of Recovery Act Workforce Investment Act of 1998 (WIA) funds by the Philadelphia Workforce Development Corporation. This audit did not contain any findings.

extended unemployment benefits, and highway and bridge projects.[47] Although the deadline was March 2010, officials in the Auditor General's office said that the 2009 Single Audit report will be issued in June, as it has been in recent years.[48] They added that the 2009 single audit report will be late because the state budget impasse delayed the year-end closeout. Pennsylvania's Office of the Budget did not request an extension to the March deadline on behalf of Pennsylvania because officials were told that the federal government would not grant an extension. The Auditor General has one Recovery Act audit of PennDOT procurement on Recovery Act highway projects ongoing and results will be available in the spring of 2010. The Auditor General did not receive additional funding to undertake other Recovery Act audit work outside of the Single Audit work.

State Comments on This Summary

We provided the Governor of Pennsylvania with a draft of this appendix on May 10, 2010. The Chief Implementation Officer responded for the Governor on May 11, 2010, and agreed with the draft and provided technical comments that we incorporated where appropriate.

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Staff Acknowledgments

In addition to the contacts named above, MaryLynn Sergent, Assistant Director; Eleanor Cambridge; John Healey; Richard Jorgenson; Richard Mayfield; James Noel; Jodi M. Prosser; Matthew Rosenberg; and Stephen Ulrich made major contributions to this report.

[47]According to Pennsylvania's Comprehensive Annual Financial Report for the fiscal year ending June 30, 2009, the Recovery Act provided $1.2 billion of funding to Pennsylvania by June 30, 2009.

[48]Many nonfederal entities, particularly states, will submit their annual Single Audit reports by March 30, 2010 (for entities with fiscal year-end June 30, 2009).