# American Recovery and Reinvestment Act of 2009 Section 1512 Reporting

## Performance Audit
## March 2010

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Members of the Legislative Audit Committee:

This report contains the results of a performance audit of Section 1512 reporting required by the federal American Recovery and Reinvestment Act. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings and conclusions.

Sally Symanski

# Section 1512 Reporting

## Purpose and Scope

Enacted in response to a significant slowdown in the American economy and increased unemployment nationwide, the federal American Recovery and Reinvestment Act (Recovery Act) became law in February 2009. According to Public Law 111-5, the Recovery Act's stated purpose is to:

- preserve and create jobs and promote economic recovery,
- assist those most impacted by the recession,
- provide investments needed to increase economic efficiency by spurring technological advances in science and health,
- invest in transportation, environmental protection, and other infrastructure that will provide long-term economic benefits, and
- stabilize state and local government budgets to minimize or avoid reductions in essential services.

With the goal of furthering the Recovery Act's stated purpose, Colorado's Governor created the Colorado Economic Recovery Accountability Board (Accountability Board) to oversee the State's Recovery Act funding. The mission of the Accountability Board is to ensure state and local agencies direct funding with transparency and accountability and to the highest benefit possible. The Governor's Economic Recovery Team also created a website, *http://www.colorado.gov/recovery/*, to report and track all Recovery Act funds flowing into Colorado, whether those funds are awarded to state, local, or non-profit entities.

The Recovery Act is expected to direct approximately $787 billion in funding and tax relief into the American economy between February 2009 and September 2011. Recovery Act funding is provided through three primary mechanisms:

- **Discretionary program funds**, which are grants, loans, and contracts awarded in fixed amounts for the purpose of implementing programs established by Congress. Funds must be spent for the program's specific purpose, such as for weatherizing homes or funding education. Some discretionary programs were in place prior to the Recovery Act and others were created under the Recovery Act.

- **Entitlement program funds**, which are awarded under certain existing federal programs for payment of benefits to individuals who meet certain eligibility criteria. Examples of entitlement programs receiving Recovery Act funding include the Supplemental Nutrition Assistance Program (referred to as Food Assistance in Colorado), Unemployment Insurance, and Medicaid.

- **Tax relief for individuals and families,** such as the "Making Work Pay" provision in the Recovery Act. The "Making Work Pay" provision is a refundable tax credit of $400 per working individual and $800 for married taxpayers filing jointly.

According to the Governor's Economic Recovery Team, Colorado was awarded a total of $2.85 billion in discretionary funding under the Recovery Act as of March 2010. Of this amount, about $1.6 billion (56 percent) was awarded to state agencies, and the remaining $1.25 billion was awarded to non-state government entities. (See a list of all discretionary funding awarded to state agencies as of January 2010 in Appendix A.) Currently the Governor's Economic Recovery Team estimates that by September 30, 2011 (the end of the Recovery Act funding period), Colorado will have benefitted from a total of about $6.7 billion under the Recovery Act through a combination of discretionary awards, entitlement programs, and tax relief. Recovery Act monies have been used across the state in a variety of ways, including to prevent reductions in Medicaid services, extend unemployment benefits for out-of-work Coloradans, construct and repair bridges and roads, prevent funding cuts in education, and implement energy-saving projects.

A key intent of the Recovery Act is to ensure that taxpayer dollars are spent with transparency, accountability, prudence, and effectiveness. To that end, all recipients of Recovery Act funds, including state and local governments and other entities, are required to spend Recovery Act dollars in accordance with federal guidance. Additionally, under Section 1512 of the Recovery Act, most recipients of Recovery Act discretionary funds must report quarterly on the impact of the funding, including the number of jobs created or retained as a result of the funds spent. This level of reporting is unique to the Recovery Act and provides the public with access to data and information not heretofore available about the expenditure of federal funds. Specifically, Section 1512 of the Recovery Act requires recipients to track and report on up to 99 different elements, depending on whether the prime recipient (i.e., the non-federal entity that is awarded funds directly from the federal government) also has sub-recipients and vendors, including:

- Description of the project.
- Amount of funds awarded.
- Amount of funds expended and obligated.
- Current project status.
- Number of jobs created or retained as a result of the monies.
- Recipient information, including names of business owners and managers and business contact information.

Although the reporting of efforts under Section 1512 is groundbreaking, the reporting requirements do not apply to all Recovery Act-funded programs. Under the Recovery Act and according to guidance issued by the federal Office of Management and Budget (OMB), the reporting requirements apply only to federal discretionary programs; the requirements do not apply to entitlement programs, such as Medicaid, or to tax relief. The Congressional Budget Office reports that nationally, about 20 percent of all Recovery Act funding is subject to Section 1512 reporting. In Colorado, the Governor’s Economic Recovery Team estimates that about one-third of all Recovery Act funding—including monies provided to state agencies and other entities—is subject to Section 1512 reporting requirements. Further, OMB guidance does not require recipients of discretionary Recovery Act dollars to report on the full range of benefits of the Recovery Act funds. Rather, recipients are required to report only “direct jobs” (i.e., those created or retained as a direct result of Recovery Act funding). Recipients are not required to estimate or report either “indirect jobs” (e.g., materials suppliers) or “induced jobs” (e.g., jobs created in the community indirectly, such as workers hired by child care providers because enhanced child care benefits, paid for with Recovery Act funds, increased the demand for child care services). For the first reporting period (February 17 through September 30, 2009), state agencies and non-state entities in Colorado reported that a total of about 8,100 direct jobs were created or retained. Colorado ranked 25th in the nation for the number of jobs reported.

As of January 31, 2010, Colorado state agencies have spent nearly $1.5 billion in Recovery Act funding. The following table shows Colorado state government’s Recovery Act expenditures, by department, for both discretionary and entitlement programs:

| Recovery Act Discretionary and Entitlement Programs<br>Expenditures by Department<br>As of January 31, 2010<br>(in millions) | | |
|---|---|---|
| **Department** | **Expenditures** | **Percent of Total Expenditures** |
| Department of Education | $ 31.1 | 2% |
| Department of Health Care Policy and Financing | 496.3 | 34 |
| Department of Human Services | 21.4 | 1 |
| Department of Labor and Employment | 305.8 | 21 |
| Department of Public Health and Environment | .6 | <1 |
| Department of Public Safety | 2.1 | <1 |
| Governor's Energy Office | 15.0 | 1 |
| Governor's Office[1] | 485.2 | 33 |
| Department of Transportation | 111.1 | 7 |
| **Total** | **$1,468.6** | **100%** |

**Source:** Colorado Financial Reporting System (COFRS).
[1]The Governor's Office is the prime recipient of the State Fiscal Stabilization Fund (Stabilization) grant, which is intended to help stabilize state and local budgets and to minimize or avoid reductions in education and other essential services. In Colorado, the Governor's Office received two Stabilization grant awards, one for education and one for government services. To date, the Governor's Office has chosen to use the Education Stabilization grant entirely for Higher Education and use the Government Services Stabilization grant primarily for services provided by the Department of Corrections.

This audit is the second in a series of performance audits of Recovery Act funds conducted by the Office of the State Auditor. In November 2009 we completed a performance audit of the Workforce Investment Act overseen by the Colorado Department of Labor and Employment. Later this year we will complete a third performance audit on the Weatherization program grants overseen by the Governor's Energy Office.

This audit focused on the State's compliance with federal reporting requirements, as set forth by Section 1512, for state agencies receiving discretionary program funding under the Recovery Act. We reviewed the Section 1512 reports filed by the State for expenditures made and jobs created or retained during the first reporting period, which covered the period from February 17, 2009, to September 30, 2009. The grants we reviewed totaled about $258 million in expenditures, or 75 percent of about $343 million in total expenditures reported by state agencies for this period. The grants reviewed covered about 3,200 jobs, or 66 percent of the approximately 4,860 jobs reported by state agencies as created or retained as of September 30, 2009. As a part of this audit, we reviewed federal guidance for Recovery Act job reporting and interviewed personnel at the Governor's Office and at each of the state agencies that were prime recipients of grant awards included in our sample. Additionally, we reconciled expenditure information reported in the Section 1512 reports to each grant recipient's accounting system; however, we did not review transaction-level supporting documentation, such as invoices or receipts for expenditures, or internal controls over the overall accuracy of the Section 1512 data reported by recipients. We performed our audit work from October 2009 through February 2010.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Summary of Audit Findings

Overall, for the agencies and grants we reviewed during our audit, the Recovery Act expenditures reported in the September 30, 2009, Section 1512 reports accurately reflect the expenditures recorded in the Colorado Financial Reporting System (COFRS). However, as a result of conflicting federal guidance and weaknesses in the federal methodologies for reporting jobs, the reported jobs figures do not accurately represent jobs created or retained in terms of a standardized full-time equivalent (FTE) and cannot be aggregated or compared among agencies within the State or nationally. We discuss these issues below.

# Overview of Section 1512 Reporting

The federal government oversees Section 1512 reporting through guidance issued by the OMB and federal awarding agencies and through federal monitoring. Federal guidance details the specific grants and data elements subject to Section 1512 reporting, the timelines for reporting, and options for state reporting structures. We outline these details in the following three sections.

## Recipients Subject to Section 1512 Reporting

According to federal law, most non-federal entities—or "prime recipients"—that receive Recovery Act monies for discretionary programs must file quarterly reports on spending and performance outcomes. Prime recipients are accountable for meeting all federal program requirements, including Section 1512 reporting requirements, and must ensure that the Section 1512 reports are accurate and timely. Prime recipients file these quarterly reports through an online database located at the website *https://www.FederalReporting.gov*. Prime recipients are also responsible for reporting expenditures and jobs information for Recovery Act funds passed through to sub-recipients and monies in excess of $25,000 that recipients paid to vendors for goods or services provided as part of a Recovery Act project. With respect to vendors, prime recipients must report the identity of the vendor, the amount paid to the vendor, and a description of what was obtained for the payment.

Federal awarding agencies are responsible for ensuring that prime recipients use Recovery Act monies in accordance with the requirements of the grant award. This oversight responsibility includes reviewing and checking the accuracy of the information reported in Section 1512 reports. Prime recipients that do not comply with all requirements of their award, including Section 1512 reporting requirements, may be found in violation of their award agreement, and the expended funds could be subject to recovery by the federal awarding agency.

As mentioned previously, not all programs under the Recovery Act are subject to Section 1512 reporting requirements. Programs exempt from Section 1512 reporting include:

- **The Federal Medicaid Assistance Percentage (FMAP) under the Medicaid program.** The FMAP is the proportion of State Medicaid expenditures paid by matching federal funds. Under the Recovery Act, Colorado's FMAP has increased from 50 percent up to as high as 61.59 percent. Increases to the FMAP are scheduled to last until December 31, 2010, however the FMAP is subject to increases or decreases, depending on the unemployment rate in Colorado. The Recovery Act FMAP is effective for services dated October 1, 2008, through December 31, 2010. The federal Government Accountability Office (GAO) estimates that Colorado will receive a total of about $880 million in Recovery Act funding for the FMAP over this period.

- **Temporary Assistance to Needy Families (TANF).** Formerly known as Aid to Families with Dependent Children, TANF provides cash and other assistance to low-income families with dependent children. Recovery Act funding of $68 million will be used to increase benefits to eligible families in Colorado.

- **Extension of Unemployment Benefits.** The Recovery Act provided for an additional $25 per person, per week in unemployment benefits and extended the length of unemployment benefits for an additional 20 weeks, for a total of 79 weeks. As of December 31, 2009, Colorado has spent about $588 million of Recovery Act funds in increased and extended unemployment benefits.

- **Title IV-E programs**. Federal Title IV-E programs help to ensure the safety and well-being of children who have been removed from their homes and placed in foster care. Recovery Act funding of about $4.4 million is expected to provide adoption assistance and additional support for foster care programs in Colorado.

## Reporting Timeline

Section 1512 reports are due quarterly, with the exception of the first report, which covered the period from February 17, 2009, through September 30, 2009. At the end of the first reporting period on September 30, 2009, prime recipients were required to register their grant information in the federal reporting database at *https://www.FederalReporting.gov*. The first report was due to the federal government on October 10, 2009, and covered Recovery Act funds awarded and expended or obligated through September 30, 2009. Subsequent reports are due 10 days after the end of each quarter. The second report was due January 15, 2010, (the reporting due date was extended to allow for the holidays), and the third report is due April 10, 2010.

The OMB outlined the Section 1512 reporting timeline in its June 22, 2009, guidance. The timeline allows for a two-stage review—first by prime recipients and second by the federal government—to ensure that the data reported are reasonable and to afford time to make corrections, if necessary. After the review period, Section 1512 reports are available online at *http://www.recovery.gov* for public viewing. The following chart outlines the reporting deadlines and the responsibilities of prime recipients and federal awarding agencies. As the chart shows, the elapsed time from when recipients can begin making initial data entry until the release of the data to the public is 30 days.

<table>
<tr><th colspan="6">Recovery Act Section 1512 Reporting Timeline<br>(as set forth in OMB guidance issued June 22, 2009)</th></tr>
<tr><th>No less than 35 days prior to the end of the Quarter</th><th>1-10 days after the end of the Quarter</th><th>11-21 days after the end of the Quarter</th><th>22-29 days after the end of the Quarter</th><th>30 days after the end of the Quarter</th><th>90 days after the end of the Quarter</th></tr>
<tr><td rowspan="3">Prime recipients register at https://www.FederalReporting.gov</td><td rowspan="2">Prime recipients enter draft data on https://www.FederalReporting.gov</td><td>Prime recipients review data and make corrections as necessary</td><td>Federal agencies review data and prime recipients make corrections as necessary</td><td rowspan="3">Recipients’ reports are published for public viewing on http://www.recovery.gov</td><td rowspan="3">The next quarterly report cycle begins</td></tr>
<tr><td>Federal agencies gain access to view data</td><td>Federal agency comment period</td></tr>
<tr><td colspan="3">Recipient may adjust data reported as necessary[1]</td></tr>
<tr><td colspan="6">Source: Federal Office of Management and Budget (OMB) guidance, June 22, 2009.<br>[1]Under OMB guidance issued December 18, 2009, recipients are able to review and correct data through the end of the following quarter.</td></tr>
</table>

## Colorado’s Section 1512 Reporting Structure

OMB guidance allows each state the option of using either a decentralized or centralized approach to Section 1512 reporting. Under a decentralized approach, prime recipients report their Section 1512 information directly to the federal reporting website. Under a centralized approach, prime recipients report Section 1512 information to a central state entity that coordinates the reporting efforts and reports all state prime recipient information to the federal reporting website. Regardless of the option selected, the prime recipient is accountable for using Recovery Act funds in accordance with award agreements and providing accurate data through Section 1512 reports.

The Governor’s Economic Recovery Team chose to centralize the reporting for state agencies on the Recovery Act monies through a collaborative effort of the Governor’s Economic Recovery Team, the State Controller’s Office, and the Office of Information Technology. In other words, all state agency prime recipients submit their Section 1512 information to the central reporting offices, which then compile the information and upload it into the federal reporting database. The Governor’s Economic Recovery Team reports that it chose the centralized approach to minimize the risk of duplicate reporting. According to a

November 2009 report issued by the GAO, which reviewed the Section 1512 reporting of 16 states (including Colorado) and Washington D.C., 9 of these 17 entities used a centralized approach for reporting their Section 1512 data. The other 8 used a decentralized approach.

# Audit Findings

As mentioned earlier, the Recovery Act was enacted in response to a significant downturn in the economy that resulted in massive lay-offs and some of the highest unemployment rates in decades. In exchange for this commitment of about $787 billion, the public was assured that data on the effect of these funds would be measured and reported. As discussed previously, Section 1512 of the Recovery Act requires prime recipients that receive discretionary program funding to report on up to 99 different data elements, including the award description and amount, the amount spent as of the reporting date, and the number of jobs created or retained. Our review focused on two of these elements**:** expenditures and the number of jobs created or retained. First, we reviewed whether expenditures reported in the Section 1512 reports could be reconciled to the prime grant recipient's accounting system and to the State's financial reporting system, COFRS. Second, we reviewed job numbers reported to determine whether the grant recipient calculated the number of jobs in compliance with federal guidance. We reviewed these elements of the Section 1512 reports at four state agencies for the following Recovery Act grants:

- The Colorado Department of Transportation was awarded a Highway Infrastructure Investment grant for about $9.6 million and used the funds to resurface a portion of Interstate 70 between Frisco and Vail. As of September 30, 2009, the Department of Transportation reported that about 37 jobs were created or retained as a result of this project.

- The Colorado Department of Human Services was awarded Recovery Act funding of about $24.3 million in Child Care Development Block Grant funds to supplement the Colorado Child Care Assistance Program. The Department used these funds to provide child care financial assistance to families seeking employment. The Department of Human Services reported that two jobs were created or retained as a result of this grant as of September 30, 2009. Data on induced jobs, or jobs created in the community to address the need for additional child care workers, are not reported as part of the Section 1512 report.

- The Colorado Department of Labor and Employment was awarded a Workforce Investment Act grant for about $31.1 million and used the funds for the Workforce Investment Act programs in Colorado that serve low-income, displaced, and under-skilled adults and disconnected youth who need additional employment services, education, or training to enter, or to re-enter the workforce after a job loss. As of September 30, 2009, the Department of Labor and Employment reported that about 500 jobs were created or retained as a result of this grant.

- The Governor's Office was awarded a State Fiscal Stabilization Fund grant for about $417 million for education. Stabilization grants for education are provided through a one-time appropriation of approximately $48.6 billion that the U.S. Department of Education awarded to governors to help stabilize state and local government budgets and minimize or avoid reductions in education. States must use the Education Stabilization grants to restore state support for elementary and secondary education, public higher education, and, as applicable, early childhood education programs and services. In Colorado, the Governor's Office has allocated all of the Education Stabilization grant funds to higher education. As of September 30, 2009, the Governor's Office reported that about 2,700 jobs were created or retained at institutions of higher education as a result of this grant. The Governor's Office also received a separate State Fiscal Stabilization Fund grant for general government services; this audit did not include a review of Section 1512 reporting related to this grant.

Our audit found that expenditures for these four grants could be reconciled to the grant recipients' accounting systems. However, we identified three concerns with the jobs figures reported. First, we found that recipients were not able to accurately report on jobs retained as a result of Recovery Act funding. Second, we found that, due to problems with the federal guidance and reporting methodology, the number of jobs reported is not representative of a standardized FTE and that the jobs data cannot be reasonably aggregated or compared among reporting agencies. Finally, we identified a number of challenges that increased the complexity of the jobs reporting process, which increases the risk of errors. We discuss these problems in the next three sections.

## Jobs Retained

Our audit found that, for the grants we reviewed, prime recipient agencies were not able to accurately report on jobs that were retained as a result of the Recovery Act monies. Our finding is consistent with similar findings reported on national Section 1512 jobs data by the Government Accountability Office in November 2009 and the Congressional Budget Office in February 2010. The Recovery Act directed federal awarding agencies, in coordination with the OMB, to develop a user-friendly means for Recovery Act grant recipients to report Section 1512 data. The OMB responded by issuing written guidance on Section 1512 reporting on June 22, 2009. OMB guidance directed recipients to report only those jobs that were new (e.g., jobs created) or that would have been eliminated but for the Recovery Act funds (e.g., jobs retained). Measuring only those jobs created or retained was intended to answer the question, "What would have happened in the absence of the Recovery Act monies?" Consistent with this approach, the OMB directed recipients not to report jobs that would have existed without the Recovery Act monies.

We found that recipients were unable to provide accurate figures on jobs retained because Recovery Act funding was provided to recipients *before* they had to make decisions about what positions would have been eliminated without those funds. For example, the Education Stabilization grant was used by Colorado to back-fill budgets for institutions of higher education. Specifically, Colorado used about $232 million in Education Stabilization grant funding as of September 30, 2009, to replace general funds provided to higher education; these general funds were then reallocated to other state agencies to address the State's budget shortfall. According to our audit interviews with staff at the institutions of higher education, the institutions could not reliably determine the number of jobs retained (as opposed to paid for) as a result of the Recovery Act monies. The institutions reported that it was virtually impossible to reliably calculate jobs retained because the institutions were not required to make decisions to cut positions. Further, four institutions reported that they would likely have cut other parts of their budgets—such as equipment, supplies, and operations—before cutting staff positions. In other words, it is not possible to know with certainty what actions the higher education institutions would have taken if they had not been awarded Recovery Act funds.

## Standardized Full-Time Equivalent (FTE)

We also found that the guidance issued by the OMB for calculating and reporting jobs was flawed and did not ensure that jobs were reported as standardized FTE. Typically, one FTE represents one full-time job over a one-year period. For example, the State's budget documents define one FTE as one employee who works full-time (2,080 hours) for a one-year period. OMB guidance required prime recipients to follow specific methodologies which, according to the OMB, were intended to standardize the jobs reporting in terms of FTE. Some federal agencies also issued alternate guidance to their prime recipients with the goal of standardizing jobs reported as FTE. A standardized measure of jobs in terms of FTE is important to ensure jobs data can be aggregated and compared nationally and statewide by agency or program, one of the goals of the Recovery Act. Additionally, a standardized measure of FTE is important for ensuring data are consistently understood and interpreted by public audiences. As stated above, FTE are typically reported over a one-year period.

For the purpose of Section 1512 reporting, the OMB directed recipients to calculate FTE by computing the total hours worked in jobs created or retained during the reporting period and dividing that total by the number of hours in a full-time schedule during the reporting period. Alternately, recipients could calculate FTE by identifying the proportion of the job that was paid for with Recovery Act monies. Guidance issued by federal awarding agencies generally consisted of variations on the OMB guidance.

We reviewed the jobs calculations in our sample of four grants and found that the jobs reported did not represent a consistent, standardized measure of FTE jobs, even though all four recipients had calculated their FTE in accordance with methodologies developed or accepted by either OMB or their respective federal granting agency. This inconsistency occurred because the guidance issued by the OMB and the federal awarding agencies did not standardize the jobs calculation to reflect one FTE over a standardized period of time. Three recipients (the Departments of Human Services, Transportation, and Labor and Employment) used the OMB's job calculation methodology and calculated their FTE as the total number of full-time workers employed over the grant period. However, the grant periods for the awards to the three Departments varied. Specifically, the grant periods for the Departments of Human Services, Transportation, and Labor and Employment were for three-, five-, and six-month time periods, respectively. As a result, the Departments' reported jobs numbers were not based on a standardized period, and therefore were not comparable. Further, because FTE calculations were based on the *grant* period rather than one year, there is a risk that the Departments' reported jobs could appear to overstate the number of FTE paid for with Recovery Act monies. Specifically, the Department of Human Services reported jobs figures that were four times the number that would have been reported under a standardized FTE calculation for a one-year period. The Departments of Labor and Employment and Transportation reported jobs figures that were about twice what would have been reported under a standardized FTE calculation for a one-year period. The fourth recipient, the Governor's Office, developed its own methodology and calculated FTE over a one-year period. The following table illustrates the differences between the calculations performed under each approach, assuming three different projects of varying lengths each employed one full-time person for the entire length of the grant.

**Comparison of Jobs Calculated Under OMB Guidance and a Standardized FTE Methodology**

| | Project I | Project II | Project III | Total FTE for All Projects |
|---|---|---|---|---|
| **Project length** | 3 months | 6 months | 9 months | |
| **No. of people employed full-time for the length of each project** | 1 | 1 | 1 | **N/A** |
| **Jobs reported using OMB guidance**[1] | 1 | 1 | 1 | **3 FTE** |
| **Jobs reported using a standardized FTE measure over a one-year period**[2] | .25 | .5 | .75 | **1.5 FTE** |

**Source:** Office of the State Auditor's analysis.
[1]Federal Office of Management and Budget (OMB) guidance required that recipients calculate jobs by dividing the number of hours worked by the number of hours in the grant period.
[2]This methodology converts full-time employment over a partial year to a standardized FTE measure, in which one FTE equals one full-time worker employed for one year.

As illustrated by the table, the number of jobs reported under OMB's methodology is the same regardless of the length of the employment period. Yet, a person employed full-time for a three-month period, if standardized over one year, equals .25 FTE. A person employed full-time over a six- or nine-month time period, if standardized over one year, equals .5 and .75 FTE, respectively. As the public has access only to the jobs numbers reported and does not know how long a project lasted or how the methodologies differed, the public cannot rely on the reported jobs numbers as a standardized representation of the FTE jobs paid for with Recovery Act monies. This means the public cannot reasonably aggregate or compare jobs reported among state agencies or nationally. Further, as mentioned earlier, one FTE typically represents one full-time job over one year, and it can be argued that creating a job that lasts three months has less impact on the economy than creating a job that lasts one year. By reporting jobs based on a period of less than one year, there is a risk that information communicated to the public may not clearly demonstrate the impact on the economy of jobs paid for under the Recovery Act.

## Other Reporting Challenges

In addition to the problems with the OMB and federal awarding agency methodologies, we identified other challenges that increased the complexity of the reporting process, thus increasing the risk of errors:

- **Conflicting guidance**. Guidance issued by the OMB and federal awarding agencies differed in key ways, making it impossible to aggregate or compare jobs numbers among agencies. For example, OMB guidance required agencies to calculate jobs only for the time period during which Recovery Act funds were spent. Depending on the recipient, funds could have been spent for time periods ranging from one month to nearly eight months. In contrast, the U.S. Department of Labor required all prime recipients to calculate jobs based on a six-month time period regardless of when they were awarded the Recovery Act monies or in which months they spent the monies. The Governor's Office, in an attempt to provide a more realistic jobs measure for the Education Stabilization grant, issued its own guidance to the institutions of higher education. This guidance provided jobs numbers that more accurately represent a standardized FTE; however, the methodology represented a different application of OMB guidance. Therefore, the FTE reported under the Education Stabilization grant are not comparable to jobs numbers reported by the other state Recovery Act recipients.

- **Short timeframes.** Under the Recovery Act reporting requirements, recipients have relatively short timeframes for reporting the Section 1512 data. Specifically, prime recipients, sub-recipients, and federal agencies had only 30 days from the end of the first reporting period to calculate, review, correct, and report up to 99 elements of the Section 1512 data. Additionally, federal oversight agencies issued last-minute guidance that further shortened the time available for prime recipients to collect and review data from sub-recipients and vendors for their Section 1512 reports. The U.S. Department of Labor issued guidance on October 22, 2009, almost two weeks after the prime recipients' report due date and, according to the Governor's Office, the U.S. Department of Education was still providing verbal guidance during the reporting review period.

  Given the short timeframes, the Colorado Department of Labor and Employment was unable to collect all of the necessary jobs information from its sub-recipients; consequently, it reported incorrect jobs numbers for 2 of its 10 sub-recipients. We do not know the extent of the reporting error because, as of the end of our audit, the Department of Labor and Employment had not collected the corrected data from the sub-recipients. We also found that 1 of the State's 17 institutions of higher education had a minor error and did not report about 6 jobs in its jobs calculation. The error was not caught prior to submission to the federal reporting website.

## Next Steps

As oversight of the Recovery Act and Section 1512 reporting is the purview of the federal government, the State has limited options for addressing the issues identified in this report. The federal government has not indicated that prime recipients will be asked to make corrections to data submitted during the first reporting period, even though the methodology used to report the jobs data was flawed. However, through new guidance issued on December 18, 2009, OMB has attempted to address some of the problems outlined in this audit report. First, the OMB eliminated the requirement that recipients report on jobs created or retained; instead, the OMB has asked recipients to report jobs "paid for" with Recovery Act money. Accordingly, recipients are no longer being asked to speculate on the question, "What would have happened in the absence of the Recovery Act monies?" Second, the OMB now requires most recipients to calculate FTE by dividing the number of hours worked by the number of hours in a full-time schedule for the current quarter. Although it will still not result in the typical annualized FTE calculation, the methodology, if applied consistently, will standardize the calculations using one quarter as the basis and will allow jobs reported to be compared among agencies within and among reporting periods, beginning with the reporting period ending December 31, 2009.

The OMB's December 18, 2009, guidance applied to the second reporting cycle, which covers October 1, 2009, through December 31, 2009, and required data to be submitted by recipients for Section 1512 reports by January 15, 2010. In a report issued in March 2010 that reviewed, among other things, this second reporting cycle, the GAO stated, "While significant issues remain, the second round of recipient reporting appears to have gone more smoothly…OMB['s]…responsiveness to feedback and lessons learned during the first reporting round led to new simplified jobs reporting guidance and system enhancements that we believe will ultimately improve data quality and reliability." Although our audit scope did not include reviewing Section 1512 reports for the second reporting period, it appears reporting consistency will improve under the new OMB guidance. However, short reporting timeframes will remain both a significant challenge and a significant risk.

We make no recommendations in this area.

# Appendix A

| Recovery Act Awards for Discretionary Programs<br>State Agencies and Institutions of Higher Education<br>As of January 2010 | | |
|---|---|---|
| **State Recipient** | **Amount of Award** | **Percent of Total** |
| Adams State College | $ 50,500 | <1.0% |
| Arapahoe Community College | 28,700 | <1.0 |
| Colorado Board of Education | 274,139,900 | 16.7 |
| Colorado School of Mines Building Corporation | 51,500 | <1.0 |
| Colorado School of Mines Trustees | 5,077,300 | <1.0 |
| Colorado State University | 29,376,200 | 1.8 |
| Department of Human Services | 42,776,000 | 2.6 |
| Department of Justice | 2,701,000 | <1.0 |
| Department of Labor and Employment | 39,884,700 | 2.4 |
| Department of Local Affairs | 19,700,000 | 1.2 |
| Department of Military and Veterans Affairs | 760,000 | <1.0 |
| Department of Natural Resources | 235,000 | <1.0 |
| Department of Public Health and Environment | 31,458,200 | 1.9 |
| Department of Public Safety | 22,386,300 | 1.4 |
| Department of Transportation | 362,856,700 | 22.2 |
| Fort Lewis College | 578,000 | <1.0 |
| Governor's Commission on Community Service | 1,346,900 | <1.0 |
| Governor's Energy Office | 143,738,900 | 8.8 |
| Governor's Office of Economic Development and International Trade | 314,100 | <1.0 |
| Governor's Office of Information Technology | 2,109,000 | <1.0 |
| Mesa State College | 38,800 | <1.0 |
| Metropolitan State College | 131,800 | <1.0 |
| Office of the Governor[1] | 555,022,700 | 33.9 |
| Otero Junior College Foundation | 1,247,400 | <1.0 |
| Pikes Peak Community College Foundation | 63,700 | <1.0 |
| Public Utilities Commission of the State of Colorado | 875,900 | <1.0 |
| Regents of the University of Colorado | 98,790,400 | 6.0 |
| State Board for Community Colleges and Occupational Education System | 971,700 | <1.0 |
| University of Northern Colorado | 198,300 | <1.0 |
| **Total** | **$1,636,909,600** | **100.0%** |

**Source:** Office of the State Auditor's analysis of Section 1512 data as of January 2010 from *http://www.recovery.gov*.

[1] The Governor's Office is the prime recipient of the State Fiscal Stabilization Fund (Stabilization) grant, which is intended to help stabilize state and local budgets and to minimize or avoid reductions in education and other essential services. In Colorado, the Governor's Office received two Stabilization grant awards, one for education in the amount of about $416.6 million and one for government services in the amount of $138.4 million.

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