CALIFORNIA STATE AUDITOR
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FACT SHEET

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The California State Auditor released the following report today:

High Risk Update—American Recovery and Reinvestment Act of 2009

The California Recovery Task Force and State Agencies Could Do More to Ensure the Accurate Reporting of Recovery Act Jobs

BACKGROUND

The American Recovery and Reinvestment Act of 2009 (Recovery Act), was enacted to, among other things, preserve and create jobs and to stimulate the economy. Due to numerous federal requirements, the large amount of funds anticipated, the quickness with which funds must be spent, and various internal control weaknesses we identified in our April 2009 audit of federal funds—*California's System for Administering Federal Recovery Act Funds* (Report 2009-611)—we designated the State's implementation of the Recovery Act as a high-risk issue. The U.S. Office of Management and Budget (OMB) issues guidance regarding the administration of federal programs while the California Recovery Task Force (Task Force) tracks Recovery Act funding the State receives and administers California's central reporting system for reporting to the federal government jobs data. California reported that more than 57,000 jobs were funded with Recovery Act dollars for the period April through June 2010.

KEY FINDINGS

Our assessment of the State's job-reporting processes and related internal controls of selected agencies that received Recovery Act funds revealed the following:

- Of the five state agencies for which we reviewed recipient-level jobs data, four did not report the data accurately limiting the task force's ability to compare the data across state agencies and projects.
  - ✓ Two state agencies did not follow explicit guidance and failed to use the actual number of hours worked in calculating the jobs data—one of the two agencies overstated its jobs data by 71 jobs because it triple-counted the number of jobs funded.
  - ✓ Three did not include paid time-off in their jobs data calculation, possibly understating their jobs data.
  - ✓ One did not report jobs data for the correct time period.
- Some state agencies may report inaccurate jobs data to the task force due to a lack of monitoring of subrecipient jobs data. Of the six state agencies that received jobs data calculated by their subrecipients, none reviewed the supporting documentation to verify its accuracy and five did not review their subrecipients' methodologies for calculating the jobs data. As a result, one state agency overstated its subrecipients' jobs data by 545 net full-time equivalent positions.
- Two federal audit agencies and one state audit agency have reviewed California's administration of the jobs data reporting for the Recovery Act and reported errors or concerns in subrecipient data reporting, failure to use the federal correction period, concerns about the data's reliability, and its quality and consistency.

KEY RECOMMENDATIONS

We made numerous recommendations to the task force, such as providing targeted technical assistance and training to state agencies that are not calculating their jobs data in accordance with the guidance. Also, we recommended that the task force issue clarifying guidance to state agencies to ensure that they do not triple-count jobs, they report data for the correct months and use the correction period to revise reported jobs data as needed, and they understand the task force's guidance for including paid time off. Finally, we recommended that the task force instruct state agencies to review their subrecipients' methodologies for calculating jobs data and, at least on a sample basis, review supporting documentation to ensure the accuracy of their subrecipients' jobs data, or use alternate procedures that mitigate the risk of certifying inaccurate jobs data.

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