

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

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California Recovery Task Force's response as of December 2010

California Government Code, Section 8546.5, authorizes the Bureau of State Audits (bureau) to establish a government agency audit program to identify state agencies that are at high risk for potential waste, fraud, abuse, and mismanagement, or that have major challenges associated with their economy, efficiency, or effectiveness. On April 22, 2009, the bureau designated California's administration of the American Recovery and Reinvestment Act of 2009 (Recovery Act) as a high-risk statewide issue. Since then, the bureau has specifically identified the Recovery Act, Section 1512, jobs data as an area of high sensitivity to federal officials.

Finding #1: The California Recovery Task Force and state agencies could do more to ensure that recipients are following guidance for reporting data on jobs created and retained.

Although California reported that more than 57,000 jobs were funded with Recovery Act dollars for the period April through June 2010, our analysis of the process state and local agencies use to report the number of jobs created and retained each quarter (jobs data) indicates that more can be done to assure the accuracy of the reports submitted to the federal government. Four of the five state agencies for which we reviewed recipient-level jobs data did not report such data accurately. These inaccuracies occurred because the agencies did not follow guidance provided by the federal Office of Management and Budget (OMB) and the California Recovery Task Force (task force). Specifically, some triple-counted some jobs, some reported data for the wrong months, and some failed to include all hours in their calculations of full-time equivalent positions.

We recommended that the task force provide targeted technical assistance and training to state agencies that are not calculating their jobs data in accordance with OMB's guidance. Further, the task force should issue clarifying guidance to state agencies to ensure they do not triple-count jobs, report data for the correct months, use the correction period to revise reported jobs data as needed, and understand the task force's guidance for including paid time off.

Task Force's Action: Pending.

The task force states that it intends to implement our recommendations.

Audit Highlights . . .

Our review of the State's administration of jobs data reporting at the recipient level under the American Recovery and Reinvestment Act of 2009 (Recovery Act) revealed the following:

- » *Of the five state agencies we reviewed that reported recipient-level jobs data, two did not follow federal or state guidance resulting in overstatements of full-time equivalent positions totaling 617.*
- » *Only one of the agencies we reviewed followed the California Recovery Task Force recommendation to review subrecipients' calculation methodologies and none reviewed supporting documentation to verify the accuracy of the jobs data.*
- » *Two federal audit agencies and one state audit agency that have reviewed California's administration of jobs data reporting under the Recovery Act have reported errors or concerns in subrecipient data reporting.*

Finding #2: The task force should clarify its expectations that state agency recipients ensure the accuracy of their local subrecipients' jobs data.

The task force could do more to ensure that state agencies verify the accuracy of their local subrecipients' jobs data. Although OMB explicitly states that its guidance does not establish specific requirements for documentation or other written proof to support reported estimates on jobs data, it does advise recipients to be prepared to justify their estimates. Further, the task force issued guidance with specific recommendations for how to ensure the accuracy of subrecipient data. We found that all of the agencies we reviewed issued guidance to their local subrecipients and conducted high-level assessments of the reasonableness of their reported data, one agency reviewed its subrecipients' calculation methodologies, but none reviewed supporting documentation to verify the accuracy of the jobs data as recommended by the task force. In fact, one state agency reported triple the actual number of jobs. Also, when we tested subrecipient jobs at seven subrecipient agencies, we found errors in jobs data calculations for two of them.

We recommended that the task force instruct state agencies to review their subrecipients' methodologies for calculating jobs data and, at least on sample basis, review supporting documentation to ensure the accuracy of the subrecipients' jobs data reported, or use alternative procedures that mitigate the same risks before certifying their jobs data report.

Task Force's Action: Pending.

The task force states that it intends to implement our recommendation.