



John Keel, CPA
State Auditor

A Report on

A Review of State and Federal Oversight of American Recovery and Reinvestment Act Funds in Texas

April 2011

Report No. 11-028



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Overall Conclusion

On February 13, 2009, the U.S. Congress passed the American Recovery and Reinvestment Act of 2009 (Recovery Act) to provide \$787.0 billion in federal funds to stimulate the economy (see text box). Federal and state governments aimed to provide transparency and accountability over Recovery Act funds. Prior to the Recovery Act's inception, the U.S. Office of Management and Budget (OMB) initiated guidance for establishing internal controls and oversight mechanisms to help provide this transparency and accountability. As of February 14, 2011, the State of Texas had been awarded \$22.6 billion¹ in Recovery Act funds. The Health and Human Services Commission, the Texas Education Agency, the Texas Workforce Commission, and the Department of Transportation were awarded the majority of those funds.

Recovery Act funds in Texas have received a significant level of audit coverage. The audit scopes and structures varied among the audit reports released through February 2011; as a result, the findings also varied among the reports.

Federal and state oversight efforts related to Recovery Act funds included:

- Statewide Single Audits.
- U.S. Government Accountability Office (GAO) and federal offices of inspectors general audits and reviews.
- State Auditor's Office audits and reports.
- Entities' internal audit reports.
- Office of the Comptroller of Public Accounts (Comptroller) post-payment audits.

Background Information

The stated goals of the American Recovery and Reinvestment Act of 2009 (Recovery Act) are:

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

The Legislative Budget Board reported that for the first quarter of federal fiscal year 2011 State of Texas agencies created and/or retained 45,997 jobs using Recovery Act funds. It should be noted that the reporting of jobs created is not a cumulative total but represents only the jobs reported as created and/or retained during one quarter.

¹ Based on unaudited data from the Office of the Comptroller of Public Accounts' stimulus tracking reports as of February 14, 2011.

In addition to the audits and reports included in this review, the Office of the Governor provides technical assistance to Texas state entities related to Recovery Act funds. This includes meeting with key state agencies; serving as a single point of contact for federal entities, such as the GAO; and providing guidance to state entities about federal and state reporting requirements. Individual state entities may also conduct internal monitoring activities of Recovery Act funds that are not included in this review.

Statewide Single Audit

The Statewide Single Audit is the most encompassing of the Recovery Act-related oversight efforts. Of the Recovery Act funds expended by the State of Texas during the fiscal year ending August 31, 2010, approximately 97.1 percent received some audit coverage in the fiscal year 2010 Single Audit.

The Single Audit Act Amendments of 1996 (Single Audit Act) requires certain non-federal entities to obtain an annual audit of federal programs. OMB Circular A-133 provisions from the Single Audit Act were in place prior to the implementation of the Recovery Act; however, the OMB Circular A-133 Compliance Supplement 2010 included additional audit requirements for Recovery Act-funded programs.

The State Auditor's Office and its contractor conducted the Single Audits for fiscal years 2009 and 2010. The reports from those audits included findings related to the state entities' non-compliance with program expenditure requirements or other program-specific requirements, federal reporting requirements, subrecipient monitoring requirements, and weaknesses in internal controls. Specifically:

- *The State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009* (State Auditor's Office Report No. 10-339, March 2010) covered 8 federal programs and 11 federal program clusters² that included Recovery Act funding. The report contained 18 findings related to those Recovery Act-funded programs.
- *The State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010* (State Auditor's Office Report No. 11-318, February 2011) covered 8 federal programs and 18 federal program clusters that included Recovery Act funding and contained 38 findings related to those Recovery Act-funded programs.

² A "cluster" is a set of multiple federal programs with different Catalog of Federal Domestic Assistance numbers that are closely related and share common compliance requirements. Although the programs within a cluster are administered as separate programs, a cluster of programs is treated as a single program for the purpose of meeting the audit requirements in OMB Circular A-133.

Federal Oversight Efforts

The Recovery Act included a new requirement that the GAO conduct bi-monthly reviews of how Recovery Act funds are being used and whether they are achieving their stated purposes. Based on the reports from the bi-monthly reviews released through February 28, 2011, the GAO determined that, in general, the Recovery Act programs reviewed in Texas had internal controls in place and that monitoring and oversight efforts were underway to help ensure accountability of Recovery Act funds. However, all three other GAO reports identified areas of improvement related to specific programs' oversight of Recovery Act funds. Those included recommendations for strengthening internal controls and following specific Recovery Act requirements.

In addition, the offices of inspectors general at various federal departments provide oversight of Recovery Act funds. State auditors identified six offices of inspectors general reports related to Recovery Act funding and Texas state agencies that noted some weaknesses in internal controls, specifically in the areas of subrecipient monitoring and complying with federal reporting requirements.

State Oversight Efforts

Additional Recovery Act oversight is conducted at the state level by the State Auditor's Office, state entities' internal auditors, and the Comptroller. Specifically:

- The State Auditor's Office conducted two performance audits in fiscal year 2010 related to Recovery Act funds that identified weaknesses in the agencies' internal controls and in subrecipients' reporting of jobs created and/or retained using Recovery Act funds.
- Twenty-one of the 23 internal audit reports reviewed by state auditors included an assessment of internal controls and concluded that, generally, the state entity had adequate internal controls in place over Recovery Act funds.
- Thirty post-payment audits of Recovery Act funds conducted by the Comptroller indicated that all of the state entities audited demonstrated due diligence over Recovery Act fund revenues, expenditures, and the allocation of costs to Recovery Act funding.

Summary of Objectives, Scope, and Methodology

The objectives of this review were to (1) provide information on compliance with federal requirements determined through required audits of Recovery Act funds and (2) analyze and identify issues related to state entities' expenditures of Recovery Act funds.

The scope of the review covered publicly available audit reports related to Recovery Act-funded programs in the State of Texas from February 17, 2009, through February 28, 2011.

The review methodology included identifying federal and state entities charged with oversight of Recovery Act programs in the State of Texas and determining the types of oversight provided by these entities. For the identified reports, auditors classified and summarized the Recovery Act-related findings. Auditors also compiled information related to the amount of Recovery Act funding provided to the State of Texas, the types of programs receiving Recovery Act funds, and the number of jobs reported as created and/or retained using Recovery Act funds.

Auditors did not verify the accuracy of the information in the federal and state entities' reports reviewed because this project was a review. The information in this State Auditor's Office report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to help ensure accuracy. In addition, auditors did not perform any information technology work.

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Detailed Results

Chapter 1

Various Federal and State Entities Perform Oversight of Appropriated Recovery Act Funds in Texas

As of February 14, 2011, Texas had been awarded \$22.6 billion³ in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds. The Health and Human Services Commission, the Texas Education Agency, the Texas Workforce Commission, and the Department of Transportation were awarded the majority of those funds. In addition, a majority of Recovery Act funds was awarded to existing federal programs, such as Medicaid, Unemployment Insurance, and Highway Planning and Construction (see Table 1). See Appendix 2 for total Recovery Act awards by state entity and Appendix 3 for a complete list of federal programs with Recovery Act-related expenditures in Texas.

Table 1

Top Four State Agencies Awarded Recovery Act Funds and Their Key Recovery Act Program As of February 14, 2011		
State Agency	Amount Awarded to Agency ^a	Key Recovery Act Program ^b
Health and Human Services Commission	\$6,513,096,936	Medical Assistance Program (Medicaid)
Texas Education Agency	\$5,921,058,680	State Fiscal Stabilization Fund - Education State Grants, Recovery Act
Texas Workforce Commission	\$4,374,808,422	Unemployment Insurance
Department of Transportation	\$2,370,248,935	Highway Planning and Construction
^a Pass-through activity between state entities is included in the totals listed. ^b The agencies also were awarded Recovery Act funds for various other federal programs.		

Source: Unaudited data from the Office of the Comptroller of Public Accounts' stimulus tracking reports as of February 14, 2011.

Recovery Act funds in Texas receive oversight at both the federal and state levels. Most encompassing, the Single Audit Act Amendments of 1996 (Single Audit Act) requires certain non-federal entities to obtain an annual audit of federal programs. The U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement 2010 (Compliance

³ Based on unaudited data from the Office of the Comptroller of Public Accounts' stimulus tracking reports as of February 14, 2011.

Supplement 2010) included additional audit requirements for Recovery Act-funded programs. The U.S. Government Accountability Office (GAO) and the offices of inspectors general (OIG) also provide oversight at the federal level over Recovery Act funds awarded through federal programs. Additional oversight efforts occur at the state level, including audits provided by the Office of the Comptroller of Public Accounts (Comptroller), the State Auditor's Office, and state entities' internal auditors.

Chapter 1-A

Federal Oversight Efforts

As a condition for receiving federal funds, the Single Audit Act requires non-federal entities that spend \$500,000 annually in federal awards to obtain an annual audit (see text box). The Single Audit is used by the federal government to ensure that federal funds are expended properly and is intended to provide a cost-effective audit for non-federal entities because one audit is

Single Audit Act, Section 7502

Audits shall be conducted annually by an independent auditor in accordance with generally accepted government auditing standards.

During the course of the Single Audit, the auditor shall:

- Determine whether the financial statements are presented fairly in all material respects in conformity with generally accepted accounting principles.
- Determine whether the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the financial statements taken as a whole.
- Obtain an understanding of internal controls that pertain to each major program's compliance requirements; assess control risk; perform tests of controls if needed; and determine whether the non-federal entity has complied with the provisions of laws, regulations, and contracts or grants pertaining to federal awards that have a direct and material effect on each major program.

conducted rather than multiple audits of individual federal programs. The Single Audit is required by the federal government, but it is conducted at the non-federal entity level. The State Auditor's Office and its contractor have conducted two Single Audits for the State of Texas since the implementation of the Recovery Act.

The OMB issued OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations (OMB Circular A-133) and its related compliance supplements pursuant to the Single Audit Act to set forth standards for obtaining consistency and uniformity among federal agencies for the audit of states, local governments, and non-profit organizations expending federal awards. The OMB Circular A-133 provisions from the Single Audit Act were in place prior to the implementation of the Recovery Act; however, the Compliance Supplement 2010 included additional audit requirements over Recovery Act-funded programs.

The Recovery Act created the Recovery Accountability and Transparency Board (Board) to coordinate and conduct oversight of related funds to prevent and detect fraud, waste, and mismanagement of Recovery Act funds. The Board has the power to audit and review Recovery Act spending on its own or in collaboration with OIGs. As of November 30, 2010, the Board and OIGs had received 5,507 complaints of wrongdoing associated with Recovery Act funds. Of those, 919 triggered active investigations. The Council of the Inspectors General on Integrity and Efficiency conducts additional oversight of federal agencies' implementation of the Recovery Act.

To foster accountability and transparency in government spending, Section 1512 of the Recovery Act also requires some fund recipients to quarterly report to a federal centralized data collection system the amount of Recovery Act funds spent, the status of Recovery Act-funded projects, the number of jobs created and/or retained with Recovery Act funds, and other related details. Specifically, this reporting requirement applies to state agencies and higher education institutions that have received a notification of award of \$25,000 or more in Recovery Act funds and have a federal program subject to Recovery Act, Section 1512 recipient reporting. Some programs, such as Medicaid, unemployment assistance, and other entitlement or other mandatory programs, as well as awards to individuals, are not subject to Section 1512 reporting requirements.

The Recovery Act also added a new requirement for the GAO to conduct bi-monthly reviews of how states are using Recovery Act funds and whether the funds are achieving their stated purpose to preserve and create jobs and assist those most affected by the recession. The GAO selected 16 states, including Texas, on which to focus those reviews. The 16 states selected represent about 65 percent of the U.S. population and collectively received an estimated two-thirds of the intergovernmental federal assistance funds available through the Recovery Act.

See Chapter 2 for additional information on federal oversight efforts and findings.

Chapter 1-B

State Oversight Efforts

The State of Texas has also implemented several efforts to provide oversight of Recovery Act funds. Article XII of the General Appropriations Act (81st Legislature) established limitations on the use of Recovery Act funds and authorized the Comptroller to implement payment and post-payment audit procedures, in cooperation with the State Auditor's Office, to ensure compliance. In addition, the Comptroller, in conjunction with the Office of the Governor and the Legislative Budget Board, required state agencies and higher education institutions to report weekly all Recovery Act funds allocated or requested. The required weekly reporting must include Recovery Act funds received or requested from the federal government, pass-through funds from other state agencies, and pass-through funds from non-state entities, as well as cumulative amounts for programs to date.

The General Appropriations Act (81st Legislature) and the Governor's executive orders also require state agencies and higher education institutions that received Recovery Act funds to submit quarterly reports to the Legislative Budget Board, the Office of the Governor, the State Auditor's Office, and the Comptroller on the expenditure of Recovery Act funds and the estimated

number of jobs to be created or retained using Recovery Act funds. In addition, agencies and higher education institutions are required to post their quarterly reports, track Recovery Act funds separately from other funds, and provide a link on their Web sites to the State Auditor's Office's fraud hotline.

In addition, Texas Government Code, Section 321.013, authorizes the State Auditor's Office to conduct audits of all state agencies and higher education institutions as specified through an audit plan approved by the Legislative Audit Committee. In fiscal year 2010, the State Auditor's Office conducted two performance audits of Recovery Act funds.

Texas Government Code, Chapter 2102, requires state agencies to have an internal audit program if they have an annual operating budget of more than \$10 million, have more than 100 full-time equivalent employees, or receive and process more than \$10 million in cash each fiscal year. Those agencies are also required to file their internal audit reports with the State Auditor's Office. Although the agencies' internal audit programs were not required to audit Recovery Act funds, state auditors identified 17 state entities whose internal audit departments had completed audits of Recovery Act funds through February 28, 2011.

See Chapter 3 for more information on state oversight efforts and findings.

Single Audit and Other Federal Oversight Findings

In accordance with the Single Audit Act, the State of Texas has obtained two Single Audits, which include Recovery Act-funded programs, since the implementation of the Recovery Act on February 17, 2009. Those audits were conducted by the State Auditor's Office and its contractor:

- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009*, State Auditor's Office Report No. 10-339, March 2010.
- *State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010*, State Auditor's Office Report No. 11-318, February 2011.

The Single Audit report for fiscal year 2009 covered 8 federal programs and 11 federal program clusters that included Recovery Act funding. The Single Audit report for fiscal year 2010 covered 8 federal programs and 18 federal program clusters that included Recovery Act funding.

Both the fiscal year 2009 and fiscal year 2010 Single Audit reports contained findings related to state entities' non-compliance with program expenditure or other program-specific requirements, federal reporting requirements, subrecipient monitoring requirements, and weaknesses in internal controls.

In addition, both the GAO and OIGs conducted audits of Recovery Act funds related to Texas state agencies and released several reports as of February 28, 2011. In its bi-monthly reviews, the GAO determined that, in general, internal controls and oversight efforts were in place; however, some GAO reports identified areas of improvement related to specific programs' oversight of Recovery Act funds. Those reports included recommendations for strengthening internal controls and following specific Recovery Act requirements.

In addition, six OIG reports related to Recovery Act funding awarded to Texas state agencies noted some weaknesses in internal controls, specifically in the areas of subrecipient monitoring and complying with federal reporting requirements.

Single Audit Findings

In fiscal year 2010, the State of Texas expended \$56.9 billion⁴ in federal funds, of which \$10.9 billion was Recovery Act funds. Of the \$10.9 billion in Recovery Act funds expended by Texas during the fiscal year ended August 31, 2010, approximately \$10.5 billion (97.1 percent) received some audit coverage in the fiscal year 2010 Single Audit (see Appendix 3 for more information about Single Audit coverage). Because Recovery Act funds are designed to be expended within a defined period of time, there is an increased need for timely identification of and notification about identified weaknesses in the oversight of those funds. As reported by the GAO, the State Auditor's Office participated in an OMB pilot project and issued the Single Audit report for the State of Texas significantly earlier than required by federal law, which provided timely written communication to state entities about the identified internal control deficiencies regarding compliance.

For the Single Audit, auditors used a risk-based approach and a materiality threshold to determine which federal programs should be audited based on

Subrecipient Monitoring

A **subrecipient** is a non-federal entity that expends federal awards received from a pass-through entity, such as a state agency, to carry out a federal program. The pass-through entity is responsible for the monitoring of subrecipients for compliance with laws, regulations, and the provisions of contracts or grant agreements. Examples of subrecipient monitoring include:

- Notifying subrecipients about the federal award number and applicable compliance requirements.
- Monitoring the subrecipients' use of federal awards through reporting, site visits, and regular contact.
- Ensuring that subrecipients expending \$500,000 or more in federal awards during the fiscal year have met the audit requirements of OMB Circular A-133.
- Evaluating the impact of subrecipient activities on the pass-through entity's ability to comply with applicable federal regulations.
- Identifying to subrecipients the requirement to register in the Central Contractor Registration, including obtaining a Dun and Bradstreet Data Universal Numbering System.

Sources: OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations and OMB Circular A-133 Compliance Supplement 2010.

criteria established in OMB Circular A-133. In addition, in compliance with the Compliance Supplement 2010, auditors considered programs and clusters with expenditures of Recovery Act awards to be higher risk.

The Single Audit for the fiscal year ending August 31, 2009, contained 18 compliance and/or internal control-related findings over Recovery Act-funded programs.

The Single Audit for fiscal year 2009 covered 8 federal programs and 11 federal clusters that included Recovery Act funding. Eight of the programs or clusters tested with Recovery Act funding had no findings reported. Of the other 11 programs or clusters, the Single Audit identified findings related to weaknesses in internal controls over Recovery Act-funded programs or non-compliance with program expenditure requirements, other program-specific requirements, or subrecipient monitoring requirements (see text box for more information about subrecipient monitoring).

⁴ Source: Schedule of Expenditures of Federal Awards for Fiscal Year Ended August 31, 2010, *State of Texas' Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010* (State Auditor's Office Report No. 11-318, February 2011).

Specifically, the Single Audit for fiscal year 2009 contained:

- Fourteen findings related to weaknesses in internal controls and instances of non-compliance with program expenditure requirements, other program-specific requirements, or subrecipient monitoring requirements. Internal controls are a system or process designed to provide reasonable assurance that objectives are met, such as written policies and procedures or quality control monitoring processes.
- Three findings that did not identify weaknesses in internal controls but did identify instances of non-compliance.
- One finding that related to a weakness in internal controls over Recovery Act funds that had no associated compliance issue.

The Single Audit for the fiscal year ending August 31, 2010, contained 38 compliance and/or internal control-related findings over Recovery Act-funded programs.

The Single Audit for fiscal year 2010 covered 8 federal programs and 18 federal clusters that included Recovery Act funding. Six of the programs or clusters tested with Recovery Act funding had no findings reported. Of the other 20 programs or clusters, the Single Audit identified findings related to weakness in internal controls over Recovery Act-funded programs or non-compliance with program expenditure requirements, other program-specific requirements, Section 1512 reporting requirements, or subrecipient monitoring requirements. Specifically, the Single Audit for fiscal year 2010 contained:

- Twenty-four findings related to weaknesses in internal controls over Recovery Act funded programs and instances of non-compliance with program expenditure requirements, other program-specific requirements, Section 1512 reporting requirements, or subrecipient monitoring requirements.
- Six findings that did not identify weaknesses in internal controls but did identify instances of non-compliance.
- Eight findings that were related to weaknesses in internal controls over Recovery Act funds that had no associated compliance issues.

Because much of the Recovery Act funds were not appropriated by the State Legislature until fiscal year 2010, the number of Recovery Act-related programs audited increased in fiscal year 2010 compared to fiscal year 2009.

U.S. Government Accountability Office and Federal Offices of Inspectors General Findings

For its bi-monthly reviews of Recovery Act funds issued between February 17, 2009, and February 28, 2011, the GAO determined that the Texas state entities reviewed were taking actions to help ensure that Recovery Act funds were expended appropriately. Specifically, for the three programs in Texas reviewed, the GAO determined that, in general, internal controls were in place and monitoring and oversight efforts were underway to help ensure the accountability of Recovery Act funds.

Although not required specifically by the Recovery Act, GAO released three other reports between February 17, 2009, and February 28, 2011, related to Texas state entities' use of Recovery Act funds. Those reports identified areas needing improvement related to (1) strengthening internal controls to ensure that program funds are spent in accordance with Recovery Act requirements and that eligibility requirements are met and (2) following program-specific requirements, such as identifying contracts as Recovery Act-funded (see Appendix 4 for a list of GAO audit reports).

The Recovery Act appropriated \$221.5 million in funding to individual federal OIGs to carry out the provisions outlined in the Inspector General Act of 1978 and to provide oversight and audits of programs, grants, and projects funded by the Recovery Act. State auditors identified six federal OIG reports related to Recovery Act funding awarded to Texas state entities that were released between February 17, 2009, and February 28, 2011 (see Appendix 4 for a list of OIG reports).

The six federal OIG reports determined that various Texas state entities complied with Recovery Act-specific requirements, such as applying appropriate Medicaid eligibility provisions, or complied with the audited entity's procedures related to the Recovery Act. Additionally, one report determined that the state entity audited had an adequate cash management system in place to track Recovery Act-related expenditures. However, the six OIG reports also noted some weaknesses in the entities' internal controls. Specifically, the OIGs identified inadequate monitoring of systems used for Section 1512 recipient reporting. Additionally, an OIG identified weaknesses in one state entity's monitoring of subrecipients; however, a follow-up report determined that the entity had taken actions to update its policies and procedures to help ensure that subrecipients accounted for and used Recovery Act funds in accordance with requirements.

Additional Oversight Findings at the State Level

In addition to the Single Audits discussed in Chapter 2, other Recovery Act oversight efforts and audits occur at the state level by the following entities:

- State Auditor's Office.
- State entities' internal auditors.
- Comptroller.

The State Auditor's Office conducted two performance audits in fiscal year 2010 related to Recovery Act funds that identified weaknesses in agencies' internal controls and in subrecipients' reporting of jobs created and/or retained.

Internal audit departments at 17 state entities released 23 audit reports related to the Recovery Act as of February 28, 2011. State auditors identified and categorized the findings in those reports and determined that 21 of the reports included an assessment of internal controls and concluded that, in general, the state entity had adequate internal controls in place over Recovery Act funds.

The Comptroller issued four quarterly post-payment audit reports as of February 28, 2011, which included the results for 30 agencies and higher education institutions whose Recovery Act expenditures were audited. Those reports indicated that all of the audited state entities had demonstrated due diligence over Recovery Act fund revenues, expenditures, and the allocation of costs to Recovery Act funds.

Chapter 3-A

State Auditor's Office's Oversight and Findings

In accordance with Texas Government Code, Section 321.013, the State Auditor's Office conducted two performance audits in fiscal year 2010 related to Recovery Act funds:

- *An Audit Report on American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Workforce Commission*, State Auditor's Office Report No. 10-037, July 2010.
- *An Audit Report on American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Education Agency*, State Auditor's Office Report No. 10-024, March 2010.

State Auditor's Office's Audit Objectives

- Review and verify the quarterly reports on expenditures and performance data required by Section 1512 of the Recovery Act that were prepared by selected state entities.
- Review internal controls at selected entities that receive Recovery Act funds.
- Conduct post-payment audits of selected Recovery Act fund expenditures.
- Respond to allegations of suspected fraud, waste, or abuse at various state entities.

Recovery Act Programs Audited at the Texas Workforce Commission

- Workforce Investment Act (WIA) Youth Activities.
- WIA Adult.
- WIA Dislocated Worker Programs.

Recovery Act Programs Audited at the Texas Education Agency

- Title 1, Part A, of the Elementary and Secondary Education Act of 1965.
- Individuals with Disabilities Education Act, Part B (IDEA, Part B).

Those audits included reviewing and analyzing Recovery Act data at the subrecipient level, including local workforce boards and local education agencies (school districts) (see text box for the specific audit objectives). The two agencies audited had collected required Section 1512 information and included the information in the required quarterly reports for their Recovery Act programs (see text box for a list of the Recovery Act programs audited at each agency). Both agencies audited complied with state requirements to track Recovery Act funds separately from other federal funds and to provide a link on their Web sites to the State Auditor's Office for the reporting of suspected fraud, waste, and abuse of Recovery Act funds.

However, auditors identified weaknesses in the agencies' internal controls over Recovery Act funds and in subrecipients' reporting of jobs created and/or retained. In addition, while the subrecipients of one agency audited had adequate processes to ensure that Recovery Act funds were spent in accordance with state and federal requirements, a subrecipient of the second agency audited did not ensure that Recovery Act funds were expended for only allowable costs.

Chapter 3-B

Entities' Internal Auditors' Oversight and Findings

Although there was no federal or state requirement for internal auditors to audit Recovery Act funds, state auditors identified 17 state entities that released 23 internal audit reports related to Recovery Act funds as of February 28, 2011 (see Appendix 4 for a list of internal audit reports). In addition, individual state entities may also conduct internal monitoring activities of Recovery Act funds that were not included in this review by the State Auditor's Office.

The State Auditor's Office identified and categorized the findings for the 23 Recovery Act-related internal audit reports reviewed. Many of the reports contained multiple findings. Specifically:

- Six reports included an assessment of Recovery Act-funded expenditures, and none of those six reports identified any significant issues of non-compliance related to expenditures of Recovery Act funds.
- Twenty-one reports included an assessment of internal controls. Fourteen of the 21 reports stated that, generally, the entities had adequate internal controls over Recovery Act funds in place. These included controls over significant processes such as (1) the awarding and expending of Recovery Act funds and (2) the monitoring and reporting of Recovery Act funds.

- Five reports identified weaknesses in the entities' processes for monitoring and/or reporting of Recovery Act funds, such as not ensuring the monitoring function is independent from the program function or not developing processes to ensure that Section 1512 reporting is accurate and timely.
- Four reports noted improvements that the entity could implement to strengthen less significant internal controls, including (1) ensuring that policies and procedures are adequately documented or (2) developing performance measures to track and evaluate Recovery Act outcomes.
- Seven reports included an assessment of the entity's Section 1512 reports. Six of the seven reports stated that the entities had collected required Section 1512 information and included the information in the required quarterly reports. As discussed in Chapter 1, Section 1512 of the Recovery Act requires certain fund recipients to report quarterly on the amount of Recovery Act funds spent, the status of Recovery Act-funded projects, the number of jobs created and/or retained with Recovery Act funds, and other related details.
- Three reports included an assessment of the entity's calculation of jobs created and/or retained using Recovery Act funds. All three reports stated that the entities had inaccurately reported this calculation.
- Nine reports included an assessment of subrecipient monitoring. As mentioned in Chapter 2, pass-through entities are responsible for the monitoring of subrecipients for compliance. Of the nine reports, two concluded that the entity had appropriate procedures in place to monitor subrecipients; three reports identified weaknesses in the entity's procedures to monitor subrecipients; and four reports stated that the entity did not sufficiently monitor subrecipients.

Comptroller's Oversight and Findings

Comptroller Post-payment Audits

The stated scope and methodology of the Comptroller's post-payment audits were:

- To verify the receipts of federal funds.
- To review the system of internal controls and procedures, specifically those surrounding Recovery Act awards.
- To examine evidence that supported the amounts expended.

As of February 28, 2011, the Comptroller had issued four quarterly post-payment audit reports of Recovery Act expenditures for 30 agencies and higher education institutions (see text box for the scope and methodology of those post-payment audits and see Appendix 4 for the list of entities included in the post-payment audits).

The four post-payment audit reports indicated that all of the entities audited demonstrated due diligence over Recovery Act fund revenues, expenditures, and the allocation of costs to Recovery Act funds. In addition, the majority of the entities reported federal receipts in accordance with the Comptroller's fiscal policies and procedures. However, the Comptroller identified some weaknesses in the state entities' internal controls related to inadequate segregation of duties. In addition, the Comptroller identified minimal amounts of unallowable expenditures.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

The objectives of this review were to:

- Provide information on compliance with federal requirements determined through required audits of American Recovery and Reinvestment Act of 2009 (Recovery Act) funds.
- Analyze and identify issues related to state entities' expenditures of Recovery Act funds.

Scope

The scope of this review covered publicly available audit reports related to Recovery Act-funded programs in the State of Texas released from February 17, 2009, through February 28, 2011.

Methodology

The review methodology included identifying federal and state entities charged with oversight of Recovery Act programs in the State of Texas and determining the types of oversight provided by those entities. For the identified audit reports, auditors classified and summarized the Recovery Act-related findings. Auditors also compiled information on the Recovery Act's impact in Texas regarding the amount of funding provided, the types of programs funded, and the number of jobs reported as created and/or retained using Recovery Act funds.

Because this project was a review, auditors did not verify the accuracy of the information in each report or perform any information technology work.

Information collected and reviewed included the following:

- Internal audit reports from audits conducted by Texas state entities related to the Recovery Act.
- Federal audit reports related to Recovery Act funds in Texas.
- State Auditor's Office audit reports related to the Recovery Act, including Single Audit reports.

- Office of the Comptroller of Public Accounts (Comptroller) post-payment audit reports related to Recovery Act funds.
- Comptroller stimulus tracking reports, including Recovery Act amounts awarded and disbursed.
- State guidance related to audit and oversight requirements of Recovery Act funds.
- Information from the www.recovery.gov Web site.
- Legislative Budget Board Recovery Act reporting and analysis reports, including the number of jobs created and/or retained using Recovery Act funds.
- Schedule of Expenditures of Federal Awards for year ended August 31, 2010, *State of Texas' Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010* (State Auditor's Office Report No. 11-318, February 2011).

Procedures and tests conducted included the following:

- Summarized audit requirements in the Recovery Act, the Single Audit Act Amendments of 1996 (Single Audit Act), and the Office of Management and Budget (OMB) Circular A-133 Compliance Supplement 2010 (Compliance Supplement 2010).
- Determined additional oversight provided over Recovery Act programs at state and federal levels.
- Reviewed, categorized, and identified trends in audit reports related to Recovery Act-funded programs in the State of Texas.

Criteria used included the following:

- The American Recovery and Reinvestment Act of 2009.
- Single Audit Act Amendments of 1996.
- OMB Circular A-133 Audits of States, Local Governments and Non-Profit Organizations.
- OMB Circular A-133 Compliance Supplement 2010.
- Texas Government Code, Chapters 321 and 2102.
- Article XII, the General Appropriations Act (81st Legislature).

- Executive Order RP-72 - *Relating to the American Recovery and Reinvestment Act of 2009 and federal funding for Texas (August 25, 2009).*
- Executive Order RP-70 - *Relating to the American Recovery and Reinvestment Act of 2009 and federal funding for Texas (June 18, 2009).*

Project Information

Fieldwork for this review was conducted from February 2011 through March 2011. This project was a review; therefore, the information in this report was not subjected to all the tests and confirmations that would be performed in an audit. However, the information in this report was subject to certain quality control procedures to help ensure accuracy.

The following members of the State Auditor's staff performed the review:

- Lauren Godfrey, CGAP (Project Manager)
- Jennifer Wiederhold, CGAP (Assistant Project Manager)
- Erin Cromleigh, CGAP
- Ellie Thedford, CGAP
- J. Scott Killingsworth, CIA, CGAP, CGFM (Quality Control Reviewer)
- Kelly Furgeson Linder, CIA, CGAP (Audit Manager)

Recovery Act Funds Awarded and Disbursed by Texas State Entities

Including funds that were awarded to one state entity and passed-through to another entity, Texas entities had been awarded \$25.1 billion and had disbursed \$19.5 billion in American Recovery and Reinvestment Act of 2009 (Recovery Act) funds as of February 14, 2011. In Table 2, pass-through funds are included in the totals for both state entities. As a result, the \$25.1 billion total includes some awards that are counted twice.

Table 2

Recovery Act Funds Awarded and Disbursed by State Entities		
As of February 14, 2011 ^a		
State of Texas Entity	Amount Awarded	Amount Disbursed
Health and Human Services Commission	\$ 6,513,096,936	\$ 6,047,258,361
Texas Education Agency	5,921,058,680	3,719,384,505
Texas Workforce Commission	4,374,808,422	4,196,812,238
Department of Transportation	2,370,248,935	1,381,038,821
Department of Aging and Disability Services	1,538,088,531	1,537,211,720
Department of Housing and Community Affairs	1,159,043,273	647,994,420
Higher Education Coordinating Board	708,756,291	622,601,334
Water Development Board	339,777,900	201,075,327
State Energy Conservation Office (Office of the Comptroller of Public Accounts)	290,193,168	32,670,319
Office of the Attorney General	253,933,828	252,908,215
The University of Texas Health Science Center at Houston	130,572,003	43,312,846
Department of Family and Protective Services	121,729,809	116,952,520
The University of Texas at Austin	116,092,823	45,582,338
Office of the Governor	110,704,187	72,136,558
Department of Assistive and Rehabilitative Services	109,922,078	85,726,751
The University of Texas Southwestern Medical Center at Dallas	88,440,757	47,614,424
Department of State Health Services	72,870,432	45,081,253
Texas Public Finance Authority	56,533,873	4,004,382
The University of Texas M.D. Anderson Cancer Center	52,972,360	20,256,611
Texas A&M University	46,458,843	21,645,222
The University of Texas Health Science Center at San Antonio	40,730,380	19,804,838
The University of Texas Medical Branch at Galveston	35,774,883	20,003,397
University of Houston	32,192,865	18,701,644
The University of Texas at Dallas	32,175,631	17,501,086
Department of Agriculture	28,893,915	28,849,227
Commission on Environmental Quality	27,484,383	20,645,449

Recovery Act Funds Awarded and Disbursed by State Entities

As of February 14, 2011^a

State of Texas Entity	Amount Awarded	Amount Disbursed
Department of Public Safety	27,163,059	17,123,474
Texas Tech University Health Sciences Center	26,763,014	14,146,917
The University of Texas at Arlington	24,793,923	11,505,932
University of Houston System	24,000,624	461,788
The University of Texas at San Antonio	23,574,746	12,834,357
Texas State Technical College System	22,399,438	9,188,243
Stephen F. Austin State University	22,247,613	7,327,176
Texas Engineering Experiment Station	21,128,109	6,997,192
Department of Rural Affairs	19,473,698	11,389,899
University of North Texas	19,321,025	14,407,056
The University of Texas System	18,735,898	18,735,898
Texas Tech University	18,008,397	13,288,431
Texas State University - San Marcos	17,479,606	11,291,619
Railroad Commission	16,817,143	2,549,981
General Land Office	16,695,164	8,777,928
Texas A&M University System Health Science Center	15,578,388	13,209,921
Public Community/Junior Colleges	15,000,000	14,188,331
The University of Texas at El Paso	13,806,215	9,072,791
The University of Texas at Brownsville	8,576,197	2,450,151
Library and Archives Commission	7,955,941	0
Sam Houston State University	7,938,865	6,920,284
The University of Texas - Pan American	6,960,860	5,367,313
Lamar University	6,863,818	3,242,610
Texas A&M University - Texarkana	6,722,549	3,856,757
Texas Woman's University	6,658,788	4,750,898
Department of Criminal Justice	6,293,758	1,896,422
University of North Texas Health Science Center at Fort Worth	5,721,438	4,574,254
University of North Texas System	5,260,500	2,382,109
Texas AgriLife Research	5,238,253	2,947,579
Parks and Wildlife Department	5,018,289	1,534,830
Adjutant General's Department	4,901,000	3,227,896
Texas A&M University - Corpus Christi	4,712,309	3,129,770
Office of the Comptroller of Public Accounts	4,432,619	3,887,066
Employees Retirement System	4,311,630	3,295,328
Texas A&M University - Commerce	3,944,561	3,016,984
University of Houston - Downtown	3,941,148	3,799,326

Recovery Act Funds Awarded and Disbursed by State Entities

As of February 14, 2011^a

State of Texas Entity	Amount Awarded	Amount Disbursed
Angelo State University	3,573,974	2,493,419
Texas A&M University - Kingsville	3,401,197	2,660,136
Tarleton State University	3,152,053	2,395,878
Public Utility Commission	3,067,514	591,369
The University of Texas Health Science Center at Tyler	2,941,930	1,678,253
University of Houston - Clear Lake	2,888,985	1,878,351
The University of Texas at Tyler	2,801,557	2,461,241
West Texas A&M University	2,706,806	2,190,548
Prairie View A&M University	2,689,735	2,325,980
Texas Cooperative Extension	2,373,967	799,415
Teacher Retirement System	2,185,000	1,395,377
Texas A&M International University	1,524,416	1,375,652
Commission on the Arts	1,427,300	1,177,300
Midwestern State University	1,229,167	805,100
University of Houston - Victoria	1,033,081	1,014,196
Historical Commission	1,000,000	199,093
Youth Commission	972,418	399,820
Texas Southern University	868,989	804,676
Sul Ross State University	811,816	757,629
Lamar State College - Port Arthur	808,578	619,112
Texas Engineering Extension Service	778,743	103,806
School for the Deaf	775,852	476,607
Texas A&M University at Galveston	546,056	479,847
Texas A&M University - Central Texas	448,102	396,220
School for the Blind and Visually Impaired	448,024	295,418
Lamar Institute of Technology	400,196	400,196
Texas A&M University - San Antonio	332,921	268,435
The University of Texas at Permian Basin	298,756	14,136
Lamar State College - Orange	243,034	222,972
Totals	\$25,086,723,936	\$19,554,230,499

^a Pass-through activity between state entities is included in the totals listed.

Source: Unaudited data from the Office of the Comptroller of Public Accounts' stimulus tracking reports as of February 14, 2011.

Recovery Act Programs Covered by Single Audit for Fiscal Year 2010

The State of Texas expended \$56,866,833,754 in federal funding in fiscal year 2010, \$10,865,902,130 of which was funded by the American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA). The Single Audit for the fiscal year ended August 31, 2010, provided audit coverage for \$10,548,899,174, or 97.1 percent, of the Recovery Act funds. In addition, some Recovery Act programs received audit coverage for the fiscal year ended August 31, 2009. Table 3 lists the federal programs and clusters in Texas and related Recovery Act funds and Single Audit coverage.

Table 3

Recovery Act Programs' Expenditures and Single Audit Coverage during the Fiscal Year Ending August 31, 2010					
Catalog of Federal Domestic Assistance Number	Federal Program or Cluster	Pass-through Recovery Act Funds to Non-state Entities	Expended Amount of Recovery Act Funds	Total Recovery Act Funds	Single Audit Coverage ^a
10.086	ARRA - Aquaculture Grants Program	\$ 1,692,943	\$ 0	\$ 1,692,943	No
10.578	ARRA - Women, Infants, and Children Grants to States	0	2,067,686	2,067,686	No
10.579	ARRA - Child Nutrition Discretionary Grants Limited Availability	10,351,116	0	10,351,116	No
11.463	ARRA - Habitat Conservation	0	3,214,290	3,214,290	No
12.401	ARRA - National Guard Military Operations and Maintenance Projects	0	2,212,048	2,212,048	No
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program	17,851,244	435,438	18,286,682	No
14.258	ARRA - Tax Credit Assistance Program	28,952,671	0	28,952,671	No
16.588	ARRA - Violence Against Women Formula Grants	1,037,762	25,036	1,062,798	No
16.800	ARRA - Recovery Act - State Victim Assistance Formula Force Program	121,221	146,481	267,702	No
16.801	ARRA - Recovery Act - State Victim Assistance Formula Grant Program	1,877,733	0	1,877,733	No
16.802	ARRA - Recovery Act - State Victim Compensation Formula Grant Program	0	34,298	34,298	No
16.803	ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant Program/Grants to States and Territories	34,561,748	19,388,247	53,949,995	Yes
16.807	ARRA - Recovery Act - Victims of Crime Act Crime Victim Assistance Discretionary Grant Program	0	133,352	133,352	No

Recovery Act Programs' Expenditures and Single Audit Coverage during the Fiscal Year Ending August 31, 2010

Catalog of Federal Domestic Assistance Number	Federal Program or Cluster	Pass-through Recovery Act Funds to Non-state Entities	Expended Amount of Recovery Act Funds	Total Recovery Act Funds	Single Audit Coverage ^a
16.809	ARRA - Recovery Act - State and Local Law Enforcement Assistance Program: Combating Criminal Narcotics Activity Stemming from the Southern Border of the United States Competitive Grant Program	523,827	139,536	663,363	No
17.225	ARRA - Unemployment Insurance	0	2,756,774,751	2,756,774,751	Yes
17.235	ARRA - Senior Community Service Employment Program	1,303,259	0	1,303,259	No
20.106	ARRA - Airport Improvement Program	0	8,800,797	8,800,797	Yes
20.509	ARRA - Formula Grants for Other Than Urbanized Areas	30,721,248	0	30,721,248	No
45.024	ARRA - Promotion of the Arts Grants to Organizations and Individuals	0	160,517	160,517	No
45.025	ARRA - Promotion of the Arts Partnership Agreements	410,866	16,434	427,300	No
47.082	ARRA - Trans-National Science Foundation Recovery Act Research Support	0	508,349	508,349	No
64.005	ARRA - Grants to States for Construction of State Home Facilities	0	2,186,825	2,186,825	No
66.040	ARRA - State Clean Diesel Grant Program	38,850	0	38,850	No
66.454	ARRA - Water Quality Management Planning	241,985	221,572	463,557	No
66.458	ARRA - Capitalization Grants for Clean Water State Revolving Funds	44,837,625	1,744,724	46,582,349	No
66.468	ARRA - Capitalization Grants for Drinking Water State Revolving Funds	49,109,012	1,795,892	50,904,904	Yes
66.805	ARRA - Leaking Underground Storage Tank Trust Fund Corrective Action Program	0	3,404,066	3,404,066	No
81.041	ARRA - State Energy Program	4,722,538	2,230,068	6,952,606	No
81.042	ARRA - Weatherization Assistance for Low-Income Persons	68,915,148	4,226,128	73,141,276	Yes
81.086	ARRA - Conservation Research and Development	1,942,422	2,444,350	4,386,772	No
81.122	ARRA - Electricity Delivery and Energy Reliability, Research, Development and Analysis	0	459,519	459,519	No
81.127	ARRA - Energy Efficient Appliance Rebate Program	0	12,985,478	12,985,478	No

Recovery Act Programs' Expenditures and Single Audit Coverage during the Fiscal Year Ending August 31, 2010

Catalog of Federal Domestic Assistance Number	Federal Program or Cluster	Pass-through Recovery Act Funds to Non-state Entities	Expended Amount of Recovery Act Funds	Total Recovery Act Funds	Single Audit Coverage ^a
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program	747,823	1,043,881	1,791,704	No
93.404	ARRA - Dental Public Health Residency Training Grants	0	50,848	50,848	No
93.405	ARRA - Public Health Traineeship Program	0	47,333	47,333	No
93.407	ARRA - Scholarships for Disadvantaged Students	0	1,969,494	1,969,494	No
93.408	ARRA - Nurse Faculty Loan Program	0	139,173	139,173	No
93.563	ARRA - Child Support Enforcement	0	134,343,844	134,343,844	Yes
93.658	ARRA - Foster Care Title IV-E	985,935	15,850,901	16,836,836	Yes
93.659	ARRA - Adoption Assistance	0	10,002,011	10,002,011	Yes
93.701	ARRA - Trans-National Institute of Health Recovery Act Research Support	0	1,621,507	1,621,507	No
93.703	ARRA - Grants to Health Center Programs	0	605,564	605,564	No
93.711	ARRA - Strengthening Communities Fund	0	106,452	106,452	No
93.717	ARRA - Preventing Healthcare - Associated Infections	0	4,763	4,763	No
93.718	ARRA - Health Information Technology Regional Extension Centers Program	0	289,049	289,049	No
93.719	ARRA - State Grants to Promote Health Information Technology	0	979,482	979,482	No
93.720	ARRA - Survey and Certification Ambulatory Surgical Center Healthcare - Associated Infection Prevention Initiative	0	110,716	110,716	No
93.721	ARRA - Health Information Technology Professionals in Health Care	0	15,896	15,896	No
93.723	ARRA - Prevention and Wellness - State, Territories, and Pacific Islands	27,145	8,142	35,287	No
93.725	ARRA - Communities Putting Prevention to Work: Chronic Disease Self-Management Program	0	21,418	21,418	No
94.006	ARRA - AmeriCorps	70,338	659,470	729,808	No
97.116	ARRA - Port Security Grant Program	0	576,132	576,132	No
Various	Research and Development Cluster	8,235,313	121,889,855	130,125,618	Yes
Various	Student Financial Assistance Cluster	0	4,085,252	4,085,252	Yes

Recovery Act Programs' Expenditures and Single Audit Coverage during the Fiscal Year Ending August 31, 2010

Catalog of Federal Domestic Assistance Number	Federal Program or Cluster	Pass-through Recovery Act Funds to Non-state Entities	Expended Amount of Recovery Act Funds	Total Recovery Act Funds	Single Audit Coverage ^a
Various	Aging Cluster	5,912,503	0	5,912,503	Yes
Various	Community Development Block Grant - Administered Small Cities Program Cluster	5,898,356	347,543	6,245,899	Yes
Various	Childcare Development Fund Cluster	86,200,801	17,415,723	103,616,524	No
Various	Community Services Block Grant Cluster	41,939,968	673,357	42,613,325	Yes
Various	Early Intervention Services (IDEA) Cluster	42,670,576	1,783,790	44,454,366	Yes
Various	Education of Homeless Children and Youth Cluster	2,559,258	0	2,559,258	No
Various	Education Technology State Grants Cluster	32,958,901	1,122,707	34,081,608	Yes
Various	Emergency Food Assistance Cluster	5,683,838	0	5,683,838	No
Various	Employment Services Cluster	2,983,996	16,050,046	19,034,042	Yes
Various	Head Start Cluster	0	29,181	29,181	No
Various	Highway Planning and Construction Cluster	21,920,542	814,425,127	836,345,669	Yes
Various	Immunization Cluster	173,547	8,904,528	9,078,075	Yes
Various	Independent Living Services for Older Individuals Who are Blind Cluster	0	1,220,776	1,220,776	No
Various	Independent Living State Grants Cluster	0	502,081	502,081	No
Various	Medicaid Cluster	9,864,919	2,963,967,397	2,973,832,316	Yes
Various	School Improvements Grants Cluster	12,868,559	28,927	12,897,486	No
Various	Supplemental Nutrition Assistance Program Cluster	0	13,987,018	13,987,018	Yes
Various	Special Education (IDEA) Cluster	461,484,386	762,555	462,246,941	Yes
Various	State Fiscal Stabilization Fund Cluster	1,570,666,609	569,276,318	2,139,942,927	Yes
Various	Temporary Assistance for Needy Families Cluster	37,111,964	61,588,611	98,700,575	Yes
Various	Title I, Part A Cluster	515,148,063	1,245,384	516,393,447	Yes
Various	Vocational Rehabilitation Cluster	0	16,743,140	16,743,140	Yes
Various	Workforce Investment Act Cluster	86,415,881	3,906,158	90,322,039	Yes

Recovery Act Programs' Expenditures and Single Audit Coverage during the Fiscal Year Ending August 31, 2010

Catalog of Federal Domestic Assistance Number	Federal Program or Cluster	Pass-through Recovery Act Funds to Non-state Entities	Expended Amount of Recovery Act Funds	Total Recovery Act Funds	Single Audit Coverage ^a
Total Recovery Act Expenditures		\$3,251,742,446 ^b	\$7,614,159,683 ^b	\$10,865,902,130 ^b	
Total Amount of Recovery Act Expenditures with Audit Coverage				\$10,548,899,174 ^b	
Percentage of Recovery Act Expenditures Provided Audit Coverage				97.1%	

^a If "Yes," the federal program and associated Catalog of Federal Domestic Assistance number were included in the *State of Texas' Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010* (State Auditor's Office Report No. 11-318, February 2011).

^b Amounts may not sum due to rounding.

Source: Schedule of Expenditures of Federal Awards for the Year Ended August 31, 2010, *State of Texas' Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010* (State Auditor's Office Report No. 11-318, February 2011).

Recovery Act-related Audit Reports Used in This Review

For this report, state auditors reviewed publicly available audit reports related to American Recovery and Reinvestment Act of 2009 (Recovery Act or ARRA)-funded programs in the State of Texas from February 17, 2009, through February 28, 2011. Those reports are listed below. Please note that individual state entities may have conducted additional internal monitoring activities of Recovery Act funds that were not included in this review.

Internal Audit Reports in Texas

- *An Internal Audit Report on Audit of Selected Application Controls Over the GCMS*, Office of the Comptroller of Public Accounts, December 2010.
- *Audit of ARRA Implementation for Workforce Services*, Texas Workforce Commission, July 2010.
- *ARRA Child Care Funds: An Evaluation of the Initial Use and Implementation of ARRA Child Care Funds*, Texas Workforce Commission, July 2010.
- *An Audit of the Weatherization Assistance Program's Monitoring Process*, Department of Housing and Community Affairs, April 2010.
- *ARRA Funds Monitoring Report as of November 30, 2010*, Public Utility Commission, December 2010.
- *Audit of ARRA Accountability Processes*, Health and Human Services Commission, April 2010.
- *An Audit of Compliance with the American Recovery and Reinvestment Act (ARRA) Reporting Requirements*, Department of Family and Protective Services, November 2010.
- *American Recovery and Reinvestment Act (ARRA) Funded Petroleum Storage Tank (PST) State Lead Contract Audit of EA Engineering, Science, and Technology, Inc.*, Commission on Environmental Quality, July 2010.
- *WQPD ARRA Contract Audit of the Houston-Area Galveston Council (HGAC)*, Commission on Environmental Quality, August 2010.
- *American Recovery and Reinvestment Act (ARRA) Audit*, Department of Transportation, March 2010.

- *Construction Division: ARRA Monitoring & Reporting Audit*, Department of Transportation, August 2010.
- *Audit Report on Wise & Jack Counties Area Office ARRA Funded Projects*, Department of Transportation, September 2010.
- *Audit Report on Erath, Hood and Somervell Counties Area Office ARRA Funded Projects*, Department of Transportation, September 2010.
- *Construction Records and Reporting (ARRA), San Angelo District*, Department of Transportation, August 2010.
- *Internal Audit Report of TEA’s ARRA Monitoring Activities*, Texas Education Agency, September 2010.
- *American Recovery and Reinvestment Act (“ARRA”)*, the University of Texas Southwestern Medical Center at Dallas, August 2010.
- *Report on American Recovery and Reinvestment Act Funds*, Texas Tech University, November 2010.
- *Report on American Recovery and Reinvestment Act Funds*, Angelo State University, July 2010.
- *Report on American Recovery and Reinvestment Act Funds*, Texas Tech University Health Sciences Center, July 2010.
- *Report on the American Recovery and Reinvestment Act*, the University of Texas Health Science Center at Houston, August 2010.
- *An Internal Audit Report on American Recovery and Reinvestment Act (ARRA) Fund at the Texas Higher Education Coordinating Board*, Higher Education Coordinating Board, September 2010.
- *A Review of American Recovery and Reinvestment Act Grant Program*, Parks and Wildlife Department, November 2010.
- *American Recovery & Reinvestment Act (ARRA) Funds Audit as of October 15, 2010*, Stephen F. Austin State University, January 2011.

Office of the Comptroller of Public Accounts Reports

The Office of the Comptroller of Public Accounts’ Fiscal Management Division issued quarterly reports (“Post-Payment Audits”) for the following 30 entities:

- State Energy Conservation Office.

- Texas Workforce Commission.
- School for the Blind and Visually Impaired.
- Angelo State University.
- Lamar State College – Orange.
- Sul Ross State University.
- Texas A&M International University.
- Department of Agriculture.
- Department of Rural Affairs.
- Department of Housing and Community Affairs.
- Texas Education Agency.
- School for the Deaf.
- Texas State University.
- The University of Texas at Brownsville.
- The University of Texas at Dallas.
- The University of Texas at San Antonio.
- The University of Texas Health Science Center at San Antonio.
- The University of Texas Southwestern Medical Center at Dallas.
- The University of Texas System.
- Employees Retirement System.
- Office of the Attorney General.
- Office of the Governor.
- Commission on the Arts.
- Youth Commission.
- The University of Houston.
- Texas A&M University.

- Department of Transportation.
- Texas State Technical College System.
- Railroad Commission.
- The University of Texas Medical Branch at Galveston.

Federal Offices of Inspectors General (OIG) Reports

- *Controls over Aquaculture Grant Recovery Act Funds - Phase 2*, U.S. Department of Agriculture OIG, March 2010.
- *State Educational Agencies' Implementation of Federal Cash Management Requirements under the American Recovery and Reinvestment Act*, U.S. Department of Education OIG, October 2009.
- *Subrecipient Monitoring under the American Recovery and Reinvestment Act of 2009*, U.S. Department of Education OIG, June 2010.
- *Systems of Internal Control Over Selected ARRA Funds in the State of Texas*, U.S. Department of Education OIG, January 2010.
- *Recovery Act: Actions Needed to Better Ensure Congressional Intent Can Be Met in the Workforce Investment Act Adult and Dislocated Worker Programs*, U.S. Department of Labor OIG, March 2010.
- *Review of American Recovery and Reinvestment Act of 2009 Medicaid Eligibility Requirements in Texas*, U.S. Health and Human Services OIG, July 2010.

U.S. Government Accountability Office (GAO) Reports

- *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability*, (related to the Higher Education Coordinating Board), May 2010.
- *Child Care and Development Fund: Undercover Tests Show Five State Programs Are Vulnerable to Fraud and Abuse*, (related to the Health and Human Services Commission, the Texas Workforce Commission, and the Department of Family and Protective Services), September 2010.
- *Recovery Act: Contracting Approaches and Oversight Used by Selected Federal Agencies and States*, July 2010.

- *Recovery Act: States' and Localities' Uses of Funds and Actions Needed to Address Implementation Challenges and Bolster Accountability, Appendix XVII-Texas, (related to the Department of Housing and Community Affairs and the Water Development Board), May 2010.*

Related State Auditor's Office Work

Related State Auditor's Office Work		
Number	Product Name	Release Date
11-318	State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2010	February 2011
10-037	An Audit Report on American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Workforce Commission	July 2010
10-024	An Audit Report on American Recovery and Reinvestment Act Funds for Selected Programs at the Texas Education Agency	March 2010
10-339	State of Texas Federal Portion of the Statewide Single Audit Report for the Fiscal Year Ended August 31, 2009	March 2010

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The Honorable Jim Pitts, House Appropriations Committee

The Honorable Harvey Hilderbran, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor



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