



## MEMORANDUM

Date: November 30, 2011

To: Members of the Legislative Audit Committee

From:  Dianne E. Ray, CPA, State Auditor

Re: Status of American Recovery and Reinvestment Act Monies in Colorado

The Office of the State Auditor conducted a series of performance audits of American Recovery and Reinvestment Act of 2009 (Recovery Act) programs in Fiscal Years 2010 and 2011. Specifically, we conducted performance audits of Recovery Act funds awarded to the Workforce Investment Act Program at the Department of Labor and Employment and to the Weatherization Program operated by the Governor's Energy Office. We also conducted a performance audit of Section 1512 Reporting—quarterly reports required to be submitted to the federal government by most Recovery Act recipients to disclose Recovery Act expenditures, obligations, and jobs created.

This review is a follow up to this series of performance audits and is focused on Recovery Act monies that have been granted to state agencies but not yet expended and that may be in danger of expiring.

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

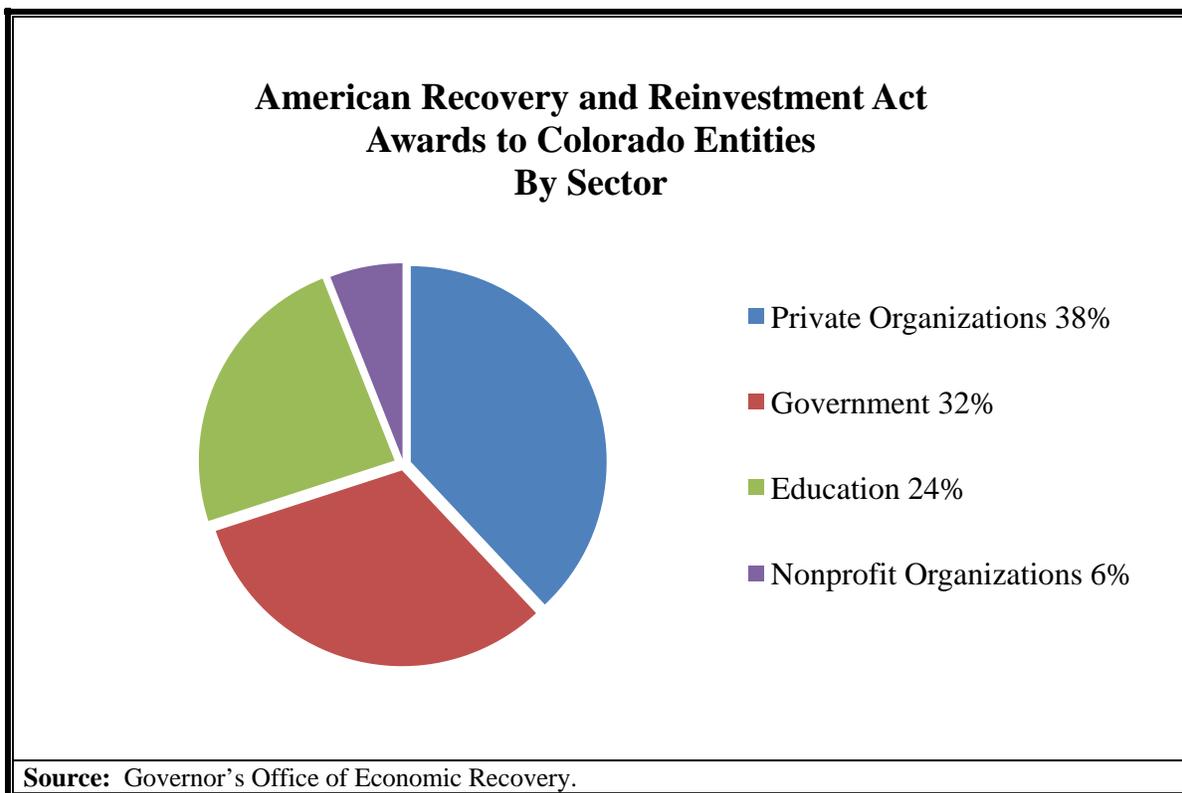
- Preserve and create jobs, promote economic recovery, and assist those most impacted by the recession.
- Provide investments needed to increase economic efficiency by spurring technological advances in science and health.
- Invest in transportation, environmental protection, and other infrastructure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



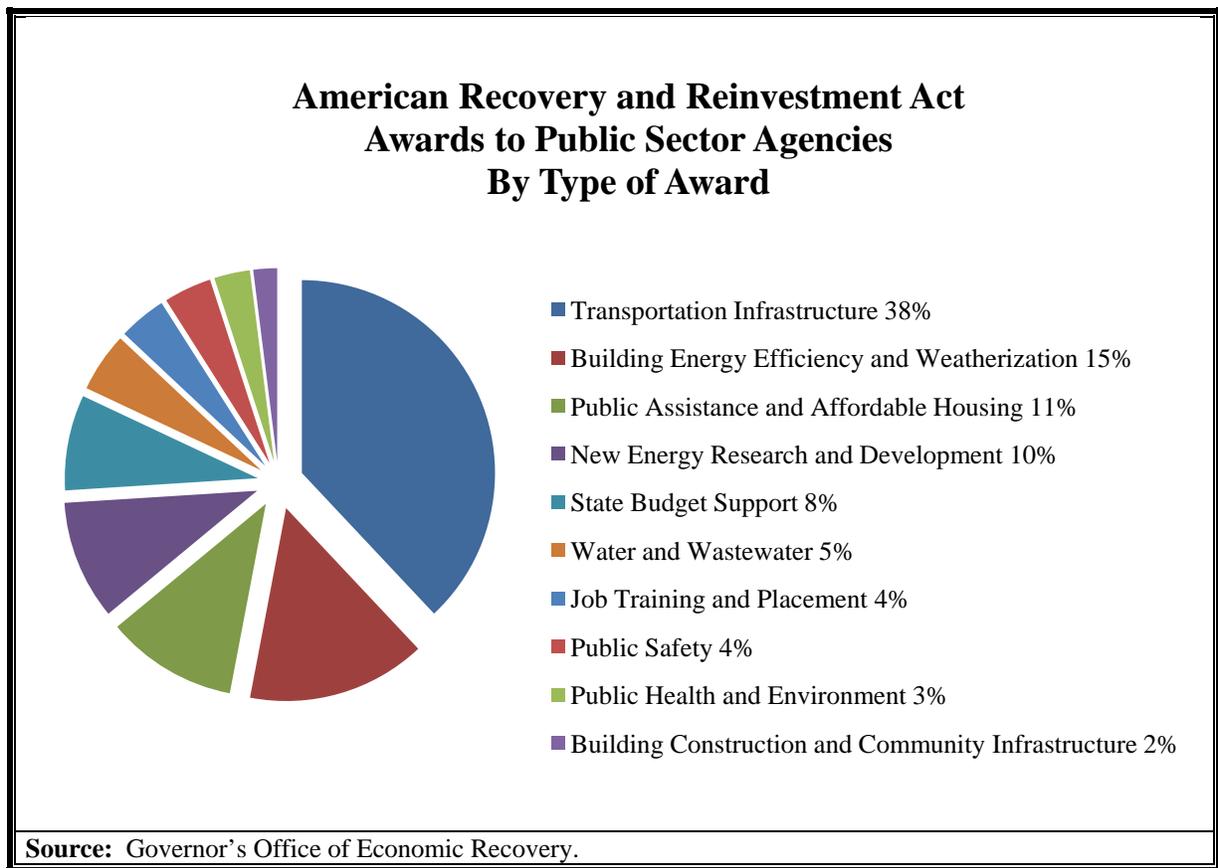
We Set the Standard for Good Government

The Recovery Act is expected to direct approximately \$840 billion in federal funds towards the American economy (including some in the form of tax breaks) between February 2009 and September 2012.

As of September 2011, the Governor's Economic Recovery Team reports that Colorado received about \$7.2 billion in Recovery Act monies, including about \$5.2 billion in grants, contracts, and loans and \$2 billion in tax cuts, tax credits, and safety net benefits. State agencies in Colorado have been awarded nearly \$1.7 billion in Recovery Act funds. The following graph shows the types of recipients receiving the \$5.2 billion in grants, contracts, and loans, all of which are subject to the Section 1512 reporting requirements.



The next table shows how the Recovery Act funds were distributed within the public sector, which includes state, county, and local government entities.



The table above shows that a large percentage of the Recovery Act funds that came to Colorado, 38 percent, went to transportation infrastructure, which includes road maintenance and bridge repair. The next largest investment of Recovery Act funds in the state was to energy efficiency and weatherization.

The Recovery Act also included a commitment to increase accountability and transparency over how the funds are used. In Colorado, the Governor created the Colorado Economic Recovery Accountability Board (Accountability Board) in 2009 to oversee the Recovery Act funding in Colorado. The Accountability Board has since been eliminated. However, the Governor's Office of Economic Recovery has retained oversight of the State's Recovery Act monies. The Governor's Office also created a website at <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 nonprofit entities.

State and local governments and other recipients are required to spend Recovery Act funds in accordance with federal guidance and, in many instances, to report quarterly on Recovery Act expenditures, obligations, and jobs created. This level of reporting is unique to the Recovery Act programs and is not typical of reporting requirements related to other federally funded programs. As a result, the public is expected to have unprecedented access to information about expenditures and program outcomes. Our performance audit of the Section 1512 reporting data found that while grant expenditures could be reconciled to the federal Section 1512 reports for the grants we reviewed, we did identify problems with one of the main performance indicators related to the Recovery Act—jobs reporting. Specifically, we found that (1) recipients were not able to accurately report on jobs retained as a result of the Recovery Act funding; (2) due to problems with the federal guidance and reporting

methodology, the number of jobs reported is not representative of standardized full-time-equivalent staff and, as a result, cannot be aggregated and compared among reporting agencies; and (3) the complexity of the jobs reporting process increases the risk of errors.

## **Unexpended Recovery Act Funds**

Most Recovery Act monies are due to expire on or before September 30, 2012; however, some of the federal agency grantors have given extensions to the grant funds and, therefore, grantees may have longer to spend the funds. This memo provides information on the Recovery Act funds that have been awarded and how much money is still available to be spent. The table on page 5 shows the state programs that have been granted Recovery Act funds but have spent less than 75 percent of the funds as of September 30, 2011. As noted in the table, we did not include those Recovery Act grants that were for scientific studies that are not expected to be completed prior to September 30, 2012.

As the table demonstrates, the amount of unspent Recovery Act monies remains significant. There is a risk that some state agencies will be unable to spend the grant funds by the federal deadlines and will be required to revert funds back to the federal awarding agencies.

We selected two state agencies, the Governor's Energy Office and the Department of Education, to discuss their progress in maximizing the use of Recovery Act funds with the Legislative Audit Committee. These agencies have spent less than 75 percent of the Recovery Act funds they received and appear to be nearing their deadlines for when the grant funds expire. In addition, we have asked that a representative from the Governor's Office present some information on its activities related to ensuring funds are fully utilized and spent for the purposes intended as the Recovery Act enters its final stages.

**American Recovery and Reinvestment Act Spending  
State Agencies with a Significant Amount of Unspent Recovery Act Funds  
as of September 30, 2011**

<b>Agency/ Grantee</b>	<b>Grant Program Description</b>	<b>Award Amount</b>	<b>Expenditures</b>	<b>Percentage of Recovery Act Monies Spent</b>	<b>Remainder Available to be Spent</b>	<b>Current Grant Fund Expiration Date (Including Any Extensions)</b>	<b>Agency Reported Progress on Use of Funds</b>
University of Colorado, Boulder	This grant provides funding for the construction of the University Biotechnology Building, including finishing a major portion of the building's laboratory and research office space.	\$ 15,000,000	\$ 8,785,000	59%	\$ 6,215,000	3/17/2012	University staff report that the building will be open by January 2012. Extensions for the grant are available until June 30, 2015, for any work that needs to be done after the building opens.
Governor's Energy Office	The Governor's Energy Office's Weatherization Assistance Program provides weatherization assistance for low-income persons. The program has weatherized 10,577 homes with Recovery Act funds as of June 30, 2011, achieving just more than 100 percent of its 3-year weatherized unit production goals.	80,484,800	51,491,200	64	28,993,600	3/31/2012	The Governor's Energy Office reports that the U.S. Department of Energy is considering extending the deadline by which grantees must spend the funds.
Governor's Energy Office	The Governor's Energy Office's Energy Rebate Program provides rebates for homeowners who make specific choices about installing energy-efficient appliances and/or increasing the energy efficiency of their homes.	49,222,000	36,080,100	73	13,141,900	4/30/2012	The rebate program is only one part of this 12-part grant. The Governor's Energy Office anticipates reviewing what monies are left in November and reallocating about \$1.5 million to the rebate program from other programs that are not using the money as expediently as the rebate program.
Department of Local Affairs	The Homelessness Prevention/Rehousing Program provides funds for homelessness prevention and rehousing statewide.	8,154,000	5,511,500	68	2,642,500	7/17/2012	Department staff report they will spend all funds by the deadline.

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Governor's Energy Office	The State of Colorado Energy Efficiency and Conservation Block Grant is intended to assist U.S. cities, counties, states, territories, and Indian tribes with developing, promoting, implementing, and managing energy efficiency and conservation projects and programs. These initiatives are designed to reduce fossil fuel emissions; reduce the total energy use of the eligible entities; improve energy efficiency in the transportation, building, and other appropriate sectors; and create and retain jobs.	\$ 9,593,500	\$ 6,675,000	70%	\$ 2,918,500	9/29/2012	Department staff report that they will spend all funds by the deadline.
Governor's Energy Office	The Recovery Act Weatherization Training Partnership Program awards funds to Red Rocks Community College and Pueblo Community College to train weatherization workers.	963,100	113,000	12	850,100	9/30/2012	Agency staff report that they will spend all funds by the deadline.
Department of Public Health and Environment	The Women, Infants & Children Planning grant provides funds to investigate the possibility of moving Women, Infants & Children program benefits to an electronic benefit transfer system instead of paper checks.	444,100	128,500	29	315,600	Extended to 9/30/2012	Department staff report that they will spend all funds by the deadline.
Department of Labor and Employment	The State Energy Sector Partnership and Training Grants provide funds to develop energy-related instructional programs in the state at local higher educational institutions and train workers in the field of energy efficiency.	5,998,100	2,079,400	35	3,918,700	1/28/2013	Department staff report that the Department received the grant monies in January 2010 and began spending in February 2010. Front Range programs have spent all of the monies, and rural areas are on track to spend the funds before expiration.

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Department of Personnel & Administration	The Colorado State Capitol Geothermal Program will fund geothermal heating and cooling at the state capitol building and is expected to save \$95,000 in heating and cooling expenses in the first year.	\$ 4,600,000	\$ 435,600	9%	\$ 4,164,400	Extended to 2/28/2013 for construction  Extended to 2/28/2016 for measurement and verification of savings	Department staff report that the construction will be completed on time.
Lieutenant Governor's Office	The Head Start Advisory Council grant provides funds to the Early Childhood Leadership Commission to advance comprehensive, quality, and sustainable early childhood education.	1,493,900	290,100	19	1,203,800	5/31/2013	The Early Childhood Leadership Commission is statutorily mandated and will sunset when the grant ends. Agency staff report that the funds will be spent entirely.
Department of Education	The Statewide Longitudinal Data Systems grant was designed to aid state education departments in developing and implementing longitudinal data systems to track student achievement and teacher effectiveness.	17,409,100	2,700,000	16	14,709,100	6/30/2013	Department staff report that they are on schedule for spending all funds.
University of Colorado, Denver	The Colorado Health Information Technology Collaborative prepares a workforce of 122 individuals trained in health information technology to be leaders in the state.	2,622,200	948,000	36	1,674,200	6/30/2013	University staff report that they will spend all funds by the deadline.
Department of Education	The Broadband Technology Opportunities Program bridges Colorado's digital divide by partnering with Colorado libraries to enhance public computer access at 76 locations in low-income, diverse, and underserved areas.	2,275,500	1,186,300	52	1,089,200	9/30/2013	Department staff report that they expect to spend the funds by July 2013.
University of Colorado, Boulder	The Strategic Training in Networking for Power Systems grant program provides funds to develop a well-trained, highly skilled electric power sector workforce to address changes in the energy-smart grid.	2,470,300	416,400	17	2,053,900	Extended to 5/30/2014	University staff report that the program began at the beginning of the 2011-2012 school year when the first cohort started classes. Staff report they will spend all funds.

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Governor's Office of Information Technology	The State Broadband Data and Development Program funds mapping and analysis of broadband in Colorado and provides monies to encourage more broadband availability and use in the state.	\$ 5,382,100	\$ 1,151,100	21%	\$ 4,231,000	11/2014	Agency staff report that they will spend all funds by the deadline.
Colorado State University	This grant provides funds for construction to enhance facilities for infectious disease imaging.	6,063,900	434,300	7	5,629,600	3/24/2015	University staff report that the construction will be completed by the deadline.
<b>Totals</b>		\$212,176,600	\$118,425,500	56%	\$93,751,100		

**Source:** Office of the State Auditor's analysis of the State of Colorado's Recovery Act Report, as of September 30, 2011, as generated from the Colorado Financial Reporting System, or COFRS.

**Note:** Recovery Act funding for scientific studies that are not expected to be completed by September 30, 2012, are not included in this table.

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