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Audit Report

**American Recovery and Reinvestment Act
“Jobs Created” Reporting**

February 22, 2011

Office of the City Auditor
Austin, Texas

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A full copy of this report is available for download at our website:
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oca_auditor@ci.austin.tx.us.
Please request Audit No. AU11106.

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City of Austin



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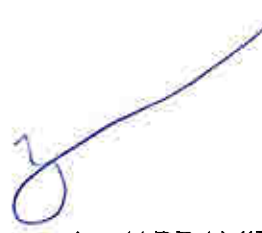
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Date: February 22, 2011

To: Mayor and Council

From: Kenneth J. Mory, City Auditor 

Subject: American Recovery and Reinvestment Act (ARRA) "Jobs Created" Reporting

I am pleased to present this audit report on the American Recovery and Reinvestment Act (ARRA) "Jobs Created" Reporting. This audit is part of our office's Fiscal Year 2011 Strategic Audit Plan.

Our office audited the following grant programs for compliance with ARRA reporting requirements for "jobs created":

- Austin Energy (AE): Energy Efficiency & Conservation Block Grant
- Austin Energy: Weatherization Assistance Program
- Austin Water Utility (AWU): Hornsby Bend Biosolids Management Plant Upgrades
- Neighborhood Housing & Community Development (NHCD): Community Development Block Grant

Three out of four projects reviewed generally comply with federal guidance for reporting "jobs created." The remaining project has not applied the correct methodology to calculate "jobs created," which has resulted in underreporting.

We appreciate the cooperation and assistance we received from Austin Energy, Austin Water Utility, Neighborhood Housing & Community Development, and Recovery Office staff during this audit.

cc: City Manager
Assistant City Managers
AE General Manager
AWU Director
NHCD Director
Recovery Officer
Public Information Officer

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COUNCIL SUMMARY

The audit objective was to confirm compliance with ARRA reporting requirements for job creation. Audit work was performed for the period between the inception of the grant or loan and the 3rd quarter of 2010.

Our findings were as follows:

Three out of four projects reviewed generally comply with federal guidance for reporting “jobs created;” the remaining project has not applied the correct methodology to calculate “jobs created,” which has resulted in underreporting. In brief:

- Austin Energy’s (AE) Weatherization Assistance Program (WAP) staff did not use the correct formula provided in federal guidance and did not include all relevant positions in its reports, resulting in underreporting of “jobs created.” Furthermore, documentation used in support of the reported “jobs created” estimates could be improved.
- AE’s Energy Efficiency & Conservation Block Grant (EECBG) project staff and Neighborhood Housing and Community Development’s (NHCD) Community Development Block Grant – Recovery (CDBG-R) project staff, submitted ARRA reports timely, used the correct “jobs created” formula, and maintained appropriate support documentation. However, for the CDBG-R project, reports submitted did not include hours for all relevant positions, resulting in underreporting of “jobs created.” For the EECBG project, some support documentation was not available at the time of our review.
- The Austin Water Utility’s (AWU) Hornsby Bend Biosolids Management Plant Upgrades project staff submitted ARRA reports timely, used the prescribed formula provided in federal guidance, and maintained appropriate support documentation for reported “jobs created” information.



**ACTION SUMMARY
BOARDS & COMMISSIONS AUDIT:
Construction Advisory Committee**



| Recommendation Text | Management Concurrence | Proposed Implementation Date |
|---|-----------------------------------|---|
| 1. WAP project coordinators should develop an oversight process to ensure staff is following the required ARRA procedures for calculating and reporting “jobs created,” and ensure the most accurate FTE information is used to support the estimates reported. | Concur | March 2011 |
| 2. EECBG project coordinators should ensure that support documentation for estimates reported is maintained and readily available for review. | Concur | March 2011 |
| 3. CDBG-R project coordinators should ensure that all applicable hours for internal (City) staff are used to calculate and report “jobs created” estimates as required by federal guidance. | Concur | April 1, 2011 |

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BACKGROUND

Between 2009 and 2010, the City of Austin received 20 American Recovery and Reinvestment Act (ARRA) grants or loans totaling \$83 million. Grants management and reporting is decentralized at the City, with departments performing primary oversight duties specific to the grants received. However, for ARRA-related projects, the City created a Recovery Office to coordinate reporting, provide training and technical assistance to departments, and share information on the City's ARRA projects with the public.

Our office conducted an audit of the City's monitoring readiness that was released in 2010.¹ In that audit, we found that departments managing ARRA funding are experienced in grant monitoring, but needed additional training and documentation for internal control and monitoring processes.

One of the main purposes of ARRA was to preserve and create jobs. Out of the 20 projects funded by ARRA for the City, 10 projects create or save jobs and the majority of the jobs created are represented by the four projects selected for review. For this audit, we focused on compliance with "jobs created" reporting requirements for these four projects, which account for approximately 89% of "jobs created" and 57% of total funding.

Several federal, state, and local organizations have the authority to conduct audits and reviews related to ARRA-funded projects and programs. In addition to the Office of the City Auditor, audit or review work related to City's ARRA projects has been conducted by the following federal, state, and City entities:

- Government Accountability Office (GAO)
- Department of Energy (DOE)
- Department of Housing & Urban Development (HUD)
- Texas Water Development Board (TWDB)
- Texas Department of Housing and Community Affairs (TDHCA)
- Austin Water Utility Internal Audit Group

The City's external auditor has also performed work related to the Single Audit, which is audit work related to compliance with the Office of Management and Budget (OMB) Circular A-133. To date, there have not been any significant issues noted by other agencies.

¹ This report is posted on the City of Austin website, for the Office of the City Auditor. See: <http://www.ci.austin.tx.us/auditor/downloads/au10104.pdf>

OBJECTIVES, SCOPE, AND METHODOLOGY

Objective:

The objective was to determine whether selected ARRA-funded projects comply with federal requirements for reporting “jobs created”.

Scope:

The audit scope focused on the jobs creation reports required under ARRA Section 1512 for the following ARRA-funded projects from grant inception to the 3rd quarter of 2010:

1. Austin Energy: Energy Efficiency & Conservation Block Grant (EECBG)
2. Austin Energy: Weatherization Assistance Program (WAP)
3. Austin Water Utility: Hornsby Bend Biosolids Management Plant Upgrades
4. Neighborhood Housing & Community Development (NHCD): Community Development Block Grant (CDBG-R)

Methodology:

To achieve the objective we:

- interviewed staff that prepared “jobs created” reports and reviewed the “jobs created” calculation methodology;
- analyzed support documentation maintained by departments and compared it to the reports submitted to grantor; and
- tested department “jobs created” calculations for accuracy and compliance with the grant requirements.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

AUDIT RESULTS

Three out of four projects reviewed generally comply with federal guidance for reporting “jobs created;” the remaining project has not applied the correct methodology to calculate “jobs created,” which has resulted in underreporting.

The OMB issued guidance in June 2009 related to calculating “jobs created,” but clarified this guidance in OMB M-10-08 issued in December 2009. All jobs funded or reimbursed by ARRA monies should be reported based on the total number of hours that were funded in the quarter. Prime recipients report an estimate of jobs directly created or retained on a quarterly basis by project, and submit this information to FederalReporting.gov.² The OMB also requires that ARRA recipients should be prepared to justify their reported estimates and use reasonable judgment in determining how best to estimate the job impact of ARRA dollars, including the appropriate sources of information used to generate such estimates. The required calculation methodology is below:

$$\frac{\text{Total Number of Hours Worked and Funded by Recovery Act within a Reporting Quarter}}{\text{Quarterly Hours in a Full-Time Schedule}} = \text{FTE}$$

Failure to comply with this guidance may result in a loss of funding thereby negatively affecting the City’s ability to continue using ARRA grant funds.

The Weatherization Assistance Program (WAP) staff has not applied the appropriate methodology or included all applicable hours for “jobs created” estimates, which has resulted in underreporting of job creation.

For WAP, administered by AE, staff submitted the required ARRA reports timely, but the “jobs created” information was not calculated correctly. For example, the calculation methodology used to estimate “jobs created” was not the formula provided in the OMB guidance. In addition, WAP staff initially reported only internal positions to TDHCA and excluded external positions, which resulted in underreporting of “jobs created” estimates.³ Furthermore, WAP staff used “head counts” to calculate “jobs created,” despite the availability of payroll documentation, which provides stronger support for the job creation calculation. The “head count” methodology results in hours reported that may not add up to the number of hours for a Full Time Equivalent (FTE) employee.

WAP staff reported that roles, responsibilities, and requirements for calculating and reporting “jobs created” are unclear, and there is no review or verification of information submitted.

² Quarterly reports are due to the www.federalreporting.gov website 10 days following the end of reporting period.

³ According to staff, external positions were included in subsequent quarters. The subsequent quarters were not within the scope of the audit and therefore were not verified by auditors.

The CDBG-R and EECBG projects generally comply with “jobs created” reporting requirements, but could improve the retention of support documentation and report hours worked by City staff.

The CDBG-R, administered by NHCD, and EECBG, administered by AE, projects generally comply with the “jobs created” reporting requirements by:

- submitting reports on time;
- supporting their methodology with payroll documentation; and
- using the prescribed formula.

For the CDBG-R project, “jobs created” reports did not include hours associated with one internal position within the City as required by federal guidance. For the EECBG project, a small amount of support documentation for the “jobs created” reported was not available at the time of our visit, but was subsequently provided.

The Hornsby Bend Biosolids Management Plant Upgrades project generally complies with “jobs created” reporting requirements.

The Hornsby Bend Biosolids Management Plant Upgrades project, administered by AWU, generally complies with the “jobs created” reporting requirements by:

- submitting reports on time;
- supporting their methodology with payroll documentation; and
- using the prescribed formula.

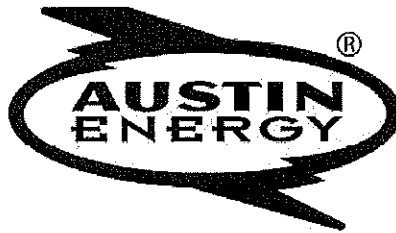
No significant issues were noted, and no recommendations were issued for this project.

Recommendations:

The recommendations listed below are a result of our audit effort and subject to the limitation of our scope of work. We believe that these recommendations provide reasonable approaches to help resolve the issues identified. We also believe that operational management is in a unique position to best understand their operations and may be able to identify more efficient and effective approaches, and we encourage them to do so when providing their response to our recommendations. As such, we recommend the following:

01. WAP project coordinators should develop an oversight process to ensure staff is following the required ARRA procedures for calculating and reporting “jobs created,” and ensure the most accurate FTE information is used to support the estimates reported.
02. EECBG project coordinators should ensure that support documentation for estimates reported is maintained and readily available.
03. CDBG-R project coordinators should ensure that all applicable hours for internal (City) staff are used to calculate and report “jobs created” estimates as required by federal guidance.

APPENDIX A
MANAGEMENT RESPONSE



MEMORANDUM

TO: Rachel Snell, Assistant City Auditor

FROM: Larry Weis, General Manager *LW*

CC: Greg Canally, Dep. Chief Fin. Officer
Diane Siler, Fin. Svcs. Budget Mgr.
Karl R. Rábago, VP, Distributed Energy Services

DATE: February 17, 2011

SUBJECT: Response to the Performance Audit of American Recovery and Reinvestment Act (ARRA) Compliance Audit: "Jobs Created" Reporting

Austin Energy submits the attached response to the Performance Audit for the **American Recovery and Reinvestment Act (ARRA) Compliance Audit: "Jobs Created" Reporting, February 22, 2011**. Austin Energy has carefully reviewed the performance audit and concurs with the two recommendations.

The Austin Energy ARRA grant compliance team is reviewing the OMB M-10-08 issued in December 2009 relating to calculating "Jobs Created." The project team will develop an oversight process and internal procedures to ensure staff is following the ARRA reporting requirements. The new process and procedures will be completed in March 2011 in time for the next quarterly report.

Austin Energy appreciates the work of the City of Austin Auditors Office on this audit.

Attachment: Action Plan American Recovery and Reinvestment Act (ARRA) Compliance Audit: "Jobs Created" Reporting

ACTION PLAN Austin Energy ARRA Compliance Audit: "Jobs Created" Reporting

| Rec # | Recommendation Text | Concurrence | Proposed Strategies for Implementation | Status of Strategies | Responsible Person/ Phone Number | Proposed Implementation Date |
|--------------|--|--------------------|---|--|---|---|
| 01 | WAP project coordinators should develop an oversight process to ensure staff is following the required ARRA procedures for calculating and reporting "jobs created", and ensure the most accurate FTE information is used to support the estimates reported. | Concur | AE grant compliance team will get educated on OMB M-10-08 issued in December 2009 relating to calculating "Jobs Created". AE grant compliance team will develop an oversight process and internal procedures for tracking, calculating and reporting estimated number of jobs directly created or retained on a quarterly basis by project. The procedures will be standardized and used across all ARRA grants assigned to AE. | Action is currently underway but is not complete | Fred Yebra, Director of Energy Efficiency Services 482-5305 | March 2011 (before next quarterly report) |
| 02 | EECBG project coordinators should ensure that support documentation for estimates reported is maintained and readily available for review. | Concur | Standardized internal procedures developed from recommendation #1 will be used to ensure that support documentation is reported and maintained. AE's oversight procedures will also ensure documentation is readily available for review. | Action is currently underway but is not complete | Fred Yebra, Director of Energy Efficiency Services, 482-5305 | March 2011 (before next quarterly report) |

| Rec # | Recommendation Text | Concurrence | Proposed Strategies for Implementation | Status of Strategies | Responsible Person/ Phone Number | Proposed Implementation Date |
|-------|--|-------------|---|----------------------|----------------------------------|------------------------------|
| 3 | CDBG-R project coordinators should ensure that all applicable hours for internal (City) staff are used to calculate and report “jobs created” estimates as required by federal guidance. | Concur | NHCD will obtain confirmation from HUD to ensure that the interpretation regarding the creation of a City FTE is correct. Once confirmation is obtained NHCD will ensure that future reports capture this calculation. Corrections to previous reports will be documented for future audit reference. | Planned | Elizabeth A. Spencer, Director | April 1, 2011 |
| | | | | | | |
| | | | | | | |



City of Austin


Neighborhood Housing and Community Development

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(512) 974-3100 * Fax: (512) 974-3112 * www.cityofaustin.org/housing

Date: February 18, 2011

To: Kenneth J. Mory, City Auditor

From: Elizabeth A. Spencer, Director 

Subject: Management Response to the American Recovery and Reinvestment Act (ARRA) Compliance Audit: "Jobs Created" Reporting

We recognize the value of the effort set forth by the Office of the City auditor staff to meet with Neighborhood Housing and Community Development staff throughout this audit process. We also appreciate the opportunity to incorporate management feedback on the draft into the final report for the "American Recovery and Reinvestment Act (ARRA) Compliance Audit: "Jobs Created" Reporting".

NHCD concurs with the recommendations outlined in the final report and the strategies will be implemented beginning April 1, 2011. We would like the opportunity to connect with HUD to ensure that we implement the proposed recommendation with their full guidance. Please find management's "Action Plan" attached.