

## State told to speed up tracking of stimulus

by **Ronald J. Hansen** - Apr. 24, 2009 12:00 AM  
The Arizona Republic

Federal auditors are cautioning that Arizona will have to speed up its financial-reporting practices to meet the requirements to track stimulus spending.

In a 303-page report, the Government Accountability Office pointed to recent delays in the state's examinations of its own finances as a potential problem toward complying with the federal law. Also, layoffs of state workers may make it harder for Arizona to keep up with the monthly reporting of how the stimulus money is being spent, the report said Thursday.

The report outlined the readiness of Arizona and 15 other states and Washington, D.C., for monitoring the federal aid. Many of the states expressed concern about being able to properly keep track of the money.

The GAO report is the first bimonthly update to Congress on how President Barack Obama's \$787 billion stimulus plan is working in these selected areas, which account for 65 percent of the nation's population.

A strict accounting of stimulus spending is

a centerpiece of Obama's promised oversight of the American Recovery and Reinvestment Act. Auditing requirements aim to ensure that the funds are accounted for and being spent appropriately.

Arizona seemed generally as prepared as the others for the extra-close oversight from the GAO over the next several years.

The GAO report, however, cited the fact that Arizona's annual audit of its own finances was six months late in 2008 and that this year's review figures will be late, as well.

By contrast, the stimulus law requires quarterly reporting from states.

"At this point, we're not treating this as a fatal flaw," said Eileen Larence, who heads the Arizona review team for the GAO. She said that Arizona officials brought up the matter and that the GAO will watch to ensure the state complies with the stimulus-reporting requirements.

Eileen Klein, director of the governor's strategic planning and budgeting, said Wednesday that she welcomed the federal oversight as a way of averting later problems. A spokesman for the state's Department of Administration, which provides support services for the state's agencies, could not be reached for comment.

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The GAO highlighted several other potential problems for officials here.

Perhaps most significantly, layoffs have left fewer hands across the state to do the added work of tracking the stimulus.

The Arizona General Accounting Office has trimmed its staff to 50 from 74. The Department of Economic Security has more than 8,200 workers taking furloughs and had 800 layoffs. About a quarter of the 229 jobs at the state's Auditor General's Office are vacant.

"I don't think all the states had as big a problem as Arizona," Larence said. Officials in Colorado, Florida and Massachusetts, for example, also reported significant vacancies among auditors who would normally track spending. By contrast, Illinois and Texas reported they expect to hire additional staff to help manage the extra work.

Staffing isn't the only potential snag.

Arizona auditors noted in a 2007 report that education officials were not monitoring closely enough those who received federal aid for helping disabled students.

Furthermore, the DES expects it could be difficult to separately track stimulus aid from other federal dollars because its systems "are old, are not very flexible and were not

designed for these purposes," according to the GAO report.

Other state officials acknowledged "data-reliability problems" or problems getting timely reports from contractors receiving federal dollars.

During the 10-year life of the stimulus, Arizona figures to receive about \$4.2 billion in aid, not counting federal income-tax cuts that are also part of the legislation.

About 90 percent of the funds Arizona gets this fiscal year are for Medicaid expenses, education and building roads. The state already has received \$286 million for Medicaid, about 54 percent of its overall allotment for the program this year.

The Arizona Department of Transportation has 41 approved stimulus-funded projects totaling nearly \$350 million. Bids for the first project are due today, and work is expected to begin around the state close to Memorial Day. The federal government reimburses the state for the work.

Arizona will get about \$681 million for education this year, though it won't get the funds until state officials submit a plan certifying how the money will be used. The bulk of stimulus funds are expected for fiscal 2010.

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