

HOUSE COMMITTEE ON  
OVERSIGHT & GOVERNMENT REFORM

**CHAIRMAN EDOLPHUS TOWNS**

**OPENING STATEMENT**

HEARING

“TRACKING THE MONEY: PREVENTING WASTE, FRAUD  
AND ABUSE OF RECOVERY ACT FUNDING”

JULY 8, 2009

Good morning and thank you for being here.

This is the third in a series of hearings this Committee has held on the implementation of the American Recovery and Reinvestment Act of 2009. The purpose of this hearing is to examine the unique challenges faced by states, localities, and agencies in using and tracking Recovery Act funds.

This hearing will also examine the paramount question:  
Is the Recovery Act working?

Five months ago, Congress committed nearly \$790 billion of taxpayer money to an effort to stave off and reverse a tidal wave of state deficits, rampant layoffs, and sinking personal income. With billions of taxpayer money on the line, it is vital that we keep a watchful eye on the money being spent, the programs being executed, and the methods by which we measure progress toward revitalizing our economy.

Today, GAO is releasing its second bi-monthly report on state and local use of Recovery Act funds.

Frankly, there is good news and bad news.

The good news is that money is flowing from the Federal government to the states at a faster rate than the Congressional Budget Office predicted at the beginning of this year. I am also pleased that the Recovery Act has helped states and localities reduce the severity of budget cuts to the programs that unemployed people need most.

In New York, for example, GAO found that the New York City School District anticipates saving 14,000 jobs as a result of Recovery Act funding.

But there is also bad news. GAO found significant shortcomings in the targeting and tracking of Recovery Act spending.

The Recovery Act places a priority on directing funds toward projects in “economically distressed areas.” However, there is substantial variation among states as to what constitutes an economically distressed area. For this reason, it is unclear as to whether Recovery Act funds are going where they are needed most.

This is particularly important with respect to transportation-related spending in distressed areas.

Therefore, today I am requesting a personal meeting with the Secretary of Transportation to discuss the importance of ensuring that Recovery Act spending on highway and other transportation infrastructure projects is focused on these economically distressed areas. I believe

this is one of the key ways in which we can help create real jobs and do it quickly.

I want to note, however, that without appropriate guidance from the Office of Management and Budget (OMB) and other Federal agencies on spending and accounting for Recovery Act funds, it will be difficult to measure our true progress in creating jobs and in minimizing waste, fraud, and abuse of Recovery Act funds. GAO found this to be a critical issue for New York and for other states as well.

OMB's failure to provide timely and necessary guidance begs the question: are we asking the states to do the impossible? Can they really provide accurate and reliable data on Recovery Act spending and job creation by the October 10 reporting deadline?

I look forward to hearing how OMB intends to resolve this problem.

I also remain concerned that the states are being asked to administer a funding program of unprecedented size without being given the necessary resources. They have been asked to fix the car, but not given the mechanic, the tools, or the spare parts. And I see that GAO agrees with us that this is a serious problem.

In fact, that's why I introduced H.R. 2182, the Enhanced Oversight of State and Local Economic Recovery Act, which is cosponsored by Ranking Member Issa. Our bill increases the percentage of Recovery Act funds that may be used by states and localities to conduct administrative and oversight functions.

The House has passed H.R. 2182, but it has yet to be taken up in the Senate. I hope that one result of today's hearing and the release of the GAO report is that it will reinforce the message to the Senate that this bill needs to be enacted as soon as possible. I would hope we can find ourselves in conference with the Senate prior to the August recess, at which time I also intend to address the Single Audit issues highlighted by GAO in its report.

Both this Congress and the Administration have instituted an unprecedented level of oversight designed to ensure transparency and accountability for Recovery Act spending. In doing so, we have committed to an enormous undertaking to deal with the toughest economic times this country has faced since the 1930s.

I hope that our distinguished witnesses can help us identify what needs to be done, what lessons have been learned so far, and what best practices have been identified so that we can ensure that taxpayer money is being used effectively and responsibly.

Again, I want to thank our witnesses for appearing today, and I look forward to their testimony.

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