



March 21, 2018

To: ARC Executive Director
ARC General Counsel
ARC Director, Community Investments
ARC Assistant General Counsel
From: Hubert Sparks, Inspector General

Subject: Memorandum Report 18-11, Applications and Approvals

Summary

The report follows up on prior reports dealing with timelines of applications and approvals. A review of FY 2017 applications and approvals identified overall improvement. However, a continued pattern of approvals in the last quarter of the fiscal year or carry over of allocations was noted for several states.

Applications were considered timely for 65 percent of area development grants based on use of June 30, 2017 as the extended due date for application submission. 54.8 percent of FY 2017 approvals were made in the last quarter, including 36.5 percent in September. This resulted in about \$43.9 million being approved in the last quarter, including about \$29.2 million in September.

Background and Scope

ARC guidance issued March 2011 advanced the application deadline for 75 percent of grant proposals from June 30 to May 31. The change was intended to accomplish several objectives, these included: 1) help level out the project load to be more manageable, 2) give states more time to develop and submit backup projects if problems arise with original lists, and 3) increase the likelihood of construction projects being obligated within the fiscal year.

The review emphasized area development (AD) direct project applications and approvals that included regular AD allocations, distressed county allocations and State technical assistance grants. Grants related to regional priorities and the POWER program and CO grants were not included in the review. Also, the 73 Local Development (LDD) grants were eliminated since these are repetitive annual grants primarily for LDD staff salaries and are administered by a different unit at ARC.

The last quarter of FY 2017 was used as a basis for conclusions although ARC guidance uses May 31 for submission of applications.

Results

1666 CONNECTICUT AVENUE, NW

*Alabama
Georgia*

*Kentucky
Maryland*

WASHINGTON, DC 20009-1068

*Mississippi
New York*

*North Carolina
Ohio*

(202) 884-7675

*Pennsylvania
South Carolina*

FAX (202) 884-7696

*Tennessee
Virginia*

www.arc.gov

West Virginia

Tables A and B identify the patterns of FY 2017 applications and approvals. The overall pattern is skewed by several states submitting applications with large requested funds late in the fiscal year and/or lack of applications resulting in unobligated balances. Six states accounted for the largest percentage of late applications and approved funds.

Also, one state continued the pattern of FY allocations being carried over to the next fiscal year. For the FY 2017 allocations one grant for \$290,000 was submitted and approved and \$3,197,459 was carried over until FY 2018. This process adds significantly to the agency amount of unobligated funds.

Continuance of this pattern could be attributable to various circumstances such as a lack of match, easements, rights of way, environmental study or retention of funds for higher priority projects. Conversely, the need for projects and the extent of program priority could be surfaced.

ARC and State personnel involved with the grant process generally agree that more timely submission of applications would improve the process, including a significant reduction in year-end approvals, obligations and unobligated funds and provide more balanced annual workload.

Although ARC notifies potential grantees that applications not received by a specific August date might not be approved prior to the end of the fiscal. ARC generally approves the late submitted applications and information prior to the September 30, 2017 to avoid unobligated balances.

We concluded that although the percentage of FY 2017 approvals and dollar amounts in the last quarter were lower than in FY 2016 continued further improvement is possible.

ARC policy states that all area development funds allocated to a State must be approved for grants within 24 months after the appropriation becomes available and funds not approved for grants within this time period shall be immediately redistributed among all the other States.

We recommend continued actions to balance the approval process throughout the year with emphasis on late applications or lack of applications.