



March 13, 2012

To: Federal Co-Chair
ARC Executive Director

Subject: Memorandum Survey Report 12-5 - Grant Processing

We reviewed a sample of grants to evaluate the processing of grant applications with emphasis on the time span between receipt of the grant application and grant approval and the time frames for receipt and processing of applications during the fiscal year.

Grant applications received from the applicable Appalachian State Alternate are reviewed and processed by ARC project coordinators and forwarded through the ARC Executive Director for approval by the Federal Co-Chair. An ARC.net report titled "45 Day Rule Report" contains information including date application received, date of approval and days between receipt and approval.

A. Grant Processing Timeliness

A review of 28 ARC administered and 50 Basic Agency administered grants disclosed that approval time frames varied substantially based on the 45 day rule that we considered the guideline for grant application processing. We recognize that additional information is often required prior to grant approval. Also, information on the "45 day rule report" was inconsistent and this report was apparently not used as an effective control.

We recommend that a control such as noted by the 45 day report be used to alert staff about the need to review the applicable grants and possibly expedite grant approval.

B. Seasonal Grant Workload and Processing

A review of ARC.net printouts noting application receipt dates confirmed that the large majority of approvals and obligations are made in the last two quarters of a fiscal year.

This resulted from factors related to the dates applications are received, time required to approve applications and finalize obligations, and the process whereby grant applications are not received from States until after States submit an Annual Strategy Statement that is due December 15. In most cases applications are not received until March of a fiscal year and the majority of applications are received in the last few months of the fiscal year. Consequently, the majority of approvals and obligations are finalized in the last two months. This process also limits time available for project coordinators to review grants and obtain additional necessary information.

Numerous ARC administered grants, including LDD and T&A grants are approved annually in line with similar purposes and objectives and it appears practical and possible for more of these applications to be submitted early in the fiscal year. We noted substantial improvements with respect to these types of applications in FY 2011.

A more balanced workload for grant processing including more equal distribution throughout the year would, in our opinion, allow for improved distribution of staff time and permit increased and more balanced attention to review of grant applications.

We recommend that ARC including State and Federal partners, implement actions to assure that grant applications and approvals are better distributed during the fiscal year including consideration of actions such as earlier receipt of Annual Strategy Statements and forwarding of grant applications of ARC.

ARC Comments

A. Grant Processing Timelines –

The 45-Day Rule Report is not an effective assessment of the time taken to review an ARC project. The design and data fields of ARC.net have undergone several iterations over the past 15 years. At its inception, ARC.net included a field labeled “45-Day Rule Applies” and staff were asked to uncheck this box if the application was missing any key pieces of information or documentation that prevented the project from being forwarded for final approval (the default was a checked box for all projects). While it may have served a purpose initially, the effort to continually keep this single field updated was time consuming and staff rarely changed its status regardless of the state of an application. Therefore any report that uses this data field will be inaccurate.

We are able to assess the length of time of a project’s review by alternative measures that are much more accurate. This can be accomplished by measuring the difference between the date of a project’s log in and the data of its approval. So the information can be collected and assessed by alternative methods.

B. Seasonal Grant Workload –

ARC continually encourages states to submit their project applications once the agency’s annual allocation is approved. The states did agree in March 2011 to move ARC’s June 30th “75-Percent” project submission deadline forward one month to May 31st, effective in 2012. This date change is intended to accomplish several objectives: 1) help level out the project load to be more manageable, 2) give states more time to develop and submit back-up projects if

problems arise with their original list, 3) increase the likelihood of construction projects getting obligated within the fiscal year, and 4) improve the availability of funds to the Commission in the event of future Continuing Resolution situations.

OIG Comments

We recognize and concur with OIG comments and actions.

With respect to application processing we recommend that the alternative method noted include guidelines with respect to reasonable processing expectations and a control to identify cases where follow-up action is necessary.

We recommend continued encouragement for states to submit project applications as early as possible to further achieve the objectives noted in the ARC comments.

A handwritten signature in cursive script that reads "Hubert Sparks".

Hubert Sparks
Inspector General