



September 30, 2013

To: Federal Co-Chair  
ARC Executive Director  
ARC General Counsel  
ARC Program Director  
From: Hubert Sparks, Inspector General *HS*

Subject: Memorandum Report 13-33; Consolidated Technical Assistance Grants

A survey of Consolidated Technical Assistance (TA) grant funding identified opportunity to improve fund management with respect to approval and obligation of TA grants. The issues noted pertain to subsequent grant approvals and obligations when large amounts of prior obligations remain available for use by grantees and large annual de-obligations by some grantees.

Annual TA grants to states range from approximately \$50,000 to \$500,000 annually. These grants help underwrite technical assistance services and coordination efforts relative to state implementation of ARC programs. Technical Assistance includes working with local development districts, units of local governments and agencies and non-profit organizations to identify priority needs and facilitate actions directed at addressing priority economic development initiatives. Activities include administration of the ARC program in the state, including project development, planning and monitoring in line with ARC goals and the state strategy statement.

#### TA Funding

A survey encompassing TA grants for three prior years disclosed opportunity to improve fund management by better correlation of grantee needs with approvals and obligations. This conclusion resulted from analysis of annual approvals and obligations including large de-obligations in some cases.

Table A denotes the status of recent TA grants with respect to obligations and de-obligations as of 9/16/13. Obligations generally result shortly after grant approvals.

#### Funding Request and Approval/Obligations

In many cases subsequent grants are approved and obligated although substantial ARC funds remain available from prior years' obligations.

Table B notes eight instances where, in the absence of additional supporting information, subsequent approvals and obligations were considered excessive or unnecessary based on at least 70% of funds from prior obligations remaining available for disbursement per ARC.Net. In four instances none of the obligations from the prior grant had been disbursed as the date of subsequent obligations.

Three recent grantee audits highlighted this issue and recommended that states review and improve their budgeting process and timely notify ARC of needed budget revisions.

A reason provided for not requesting payments was delayed State actions in submitting requests for payment to ARC.

Audits of several TA grants concluded that technical assistance activities had been implemented in accordance with grant proposals and in three cases States had substantially reduced their latest TA request which we attributed to ARC emphasis and audit recommendations. Also, subsequent to audit field work New York initiated actions on two TA grants that included a final payment, progress payment and de-obligation totaling \$356,677.

#### De-Obligations

In several instances the extent of annual de-obligations was significant, and we consider this condition to be at least partially attributable to the approval and obligation process that results in additional obligations where large balances remain available from prior grants.

Other reasons cited by grantees included uncertainties with respect to annual workloads, including numbers of applications and projects to be processed, administered or monitored and insufficient matching funds.

The limited and long delayed drawdowns of ARC funds raises questions about the need for ARC funds especially where the State program has been funded by State funds for entire grant periods and the potential for use of the obligated but long un-liquidated funds for other needed projects in the applicable State.

Thus, we recommend that ARC, in conjunction with State ARC Program Offices, review and address the budgeting and approval processes for TA grants with the objective of budget requests, approvals and obligations being based on immediate need and use on a timely basis.

TABLE A

Technical Assistance Grants  
 Examples of ARC Funds Available when Subsequent Grants  
Obligated and Resulting De-Obligations

<u>Grant #</u>	<u>Date obligated</u>	<u>Amount</u>	<u>ARC balance at time of Obligation</u>	<u>Amount of funds Deobligated</u>
AL-7805 C-31	9/27/2012	\$136,359.00	\$35,090.00	N/A
AL-7805 C-30	3/23/2011	\$136,359.00	\$33,987.00	\$26,594.00
AL-7805 C29	9/28/2010	\$135,950.00	\$33,962.00	\$33,987.00
GA-7769 C-33	6/13/2013	\$229,200.00	\$233,300.00	N/A
GA-7769 C-32	7/11/2012	\$233,300.00	\$233,300.00	N/A
GA-7769 C-31	3/29/2011	\$233,300.00	\$125,235.00	\$54,389.00
GA-7769 C-30	8/6/2010	\$225,800.00	\$143,685.00	\$56,043.00
KY-7779 C-32	9/28/2012	\$141,340.00	\$160,778.00	N/A
KY-7779 C-31	9/28/2011	\$160,778.00	\$83,917.00	N/A
KY-7779 C-30	9/30/2010	\$105,039.00		\$24,880.00
MD-10952 C-21	2/23/2012	\$50,000.00	\$52,500.00	N/A
MD-10952 C-20	9/29/2011	\$52,500.00	\$26,750.00	
MS-7763 C-33	8/21/2013	\$140,391.00	\$139,377.00	N/A
MS-7763 C-32	7/19/2012	\$222,949.00	\$139,378.00	N/A
MS-7763 C-31	8/23/2011	\$244,538.00	\$179,577.00	\$114,772.00
MS-7763 C-30	8/6/2010	\$291,338.00	\$119,528.00	\$85,907.00
NC-7780 C-33	9/25/2012	\$514,635.00	\$184,563.00	N/A
NC-7780 C-32	4/6/2011	\$515,169.00	\$274,049.00	\$38,326.00
NC-7780 C-31	9/30/2010	\$515,169.00	\$73,455.00	\$32,974.00
NY-7776 C-33	1/11/2013	\$225,199.00	\$266,034.00	N/A
NY-7776 C-32	9/30/2011	\$266,034.00	\$639,512.00	\$79,201.00
NY-7776 C-31	2/27/2011	\$258,285.00	\$381,227.00	\$91,678.00
OH-7781 C-33	4/30/2013	\$100,000.00	\$99,073.00	N/A
OH-7781 C-32	9/30/2011	\$151,022.00	\$65,834.00	N/A
OH-7781 C-31	9/30/2010	\$151,022.00	\$40,516.00	\$56,478.00
PA-7784-34	9/16/2013	\$193,870.00	\$142,105.00	N/A
PA-7784 C-33	9/27/2012	\$181,891.00	\$134,214.00	N/A
PA-7784 C-32	9/29/2011	\$173,617.00	\$136,813.00	\$34,146.00
PA-7784 C-31	9/30/2010	\$168,893.00	\$139,374.00	\$34,118.00

SC-7774 C-25	9/16/2012	\$59,200.00	\$31,767.00	N/A
SC-7774 C-24	9/21/2011	\$56,000.00	\$29,628.00	
SC-7774 C-23	9/30/2010	\$53,000.00	\$29,012.00	\$859.00
TN-7783 C-34	9/16/2013	\$200,000.00	\$220,000.00	N/A
TN-7783 C-33	9/18/2012	\$220,000.00	\$162,671.00	N/A
TN-7783 C-32	9/30/2011	\$220,000.00	\$196,752.00	\$45,562.00
TN-7783 C-31	9/30/2010	\$222,000.00	\$220,000.00	\$55,809.00
VA-7782 C-30	8/14/2012	\$240,000.00	\$79,753.00	N/A
VA-7782 C-29	4/19/2011	\$240,000.00	\$184,020.00	\$79,753.00
VA-7782 C-28	9/21/2010	\$240,000.00		\$120,525.00
WV-7762 C-31	9/10/2013	\$275,000.00	\$105,582.00	N/A
WV-7762 C-30	9/30/2012	\$250,000.00	\$288,635.00	N/A
WV-7762 C-29	3/2/2011	\$350,000.00	\$291,476.00	\$157,398.00
WV-7762 C-28	8/30/2010	\$350,000.00	\$233,469.00	\$222,469.00

TABLE B

## Extent of Funds Available Per ARC.Net when Subsequent Obligation Reported as of 9/16/13

<u>State</u>	<u>Obligation Date</u>	<u>Amount</u>	<u>Available Funds</u>	<u>% Available</u>
Alabama	9/27/2013	\$136,359.00	\$35,090.00	39
Georgia	6/13/2013	\$229,200.00	\$233,000.00	102
Kentucky	9/28/2012	\$141,340.00	\$160,000.00	88
Maryland	2/23/2012	\$50,000.00	\$52,500.00	105
Mississippi	8/21/2013	\$140,391.00	\$139,377.00	100
North Carolina	9/25/2012	\$514,635.00	\$184,563.00	36
New York	1/11/2013	\$255,199.00	\$266,034.00	104
Ohio	4/30/2013	\$100,000.00	\$99,073.00	99
Pennsylvania	9/16/2013	\$193,870.00	\$142,105.00	73
Tennessee	9/16/2013	\$200,000.00	\$220,000.00	110
Virginia	8/14/2012	\$240,000.00	\$79,753.00	33
West Virginia	9/10/2013	\$275,000.00	\$105,582.00	38