



March 31, 2016

To: Federal Co-Chair
ARC Executive Director
ARC General Counsel
Program Director

From: Hubert Sparks, Inspector General

Subject: OIG Report 16-14, Applications, Approvals and Obligations

A review of FY 2015 applications, approvals and obligations confirmed that a significant amount of applications continued to be received and approvals and obligations processed in the final quarter. Although some of the last quarter information includes significant funds for several major projects and programs for which last quarter actions were appropriate the overall pattern of last quarter area development actions were consistent with prior year actions.

ARC guidance issued March 2011 advanced application deadline for 75 percent of requested grants 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. Applications within the recommended time frame would reduce last quarter workloads and increase time available for application review and obtaining necessary information, increase fiscal year approvals and obligations, reduce unobligated funds and reduce appearances of year end spending.

Table A notes that 41 percent of applications were received in the last quarter of FY 2015. Table B compares FY 2014 and 2015 and notes no discernible overall differences with respect to application submissions. In four instances states submitted more than 70 percent of applications in the last quarter of FY 2015. Table A also identifies that, as a result of late applications, 237 or 71 percent of the 329 FY 2015 states applications were approved in the last quarter.

Table B identifies the generally consistent pattern for FYs 2014 and 2015.

Tables C and D identify extent of obligations during FY 2015 for individual states, including 83 percent in last quarter and 58 percent in September 2015.

Although recognizing that the information for Alabama and Mississippi is skewed since the bulk of last quarter approvals and obligation was appropriately processed for the Automotive Workforce Program the amount of approvals and obligations in the last quarter, including September is generally considered a result of late applications.

The patterns of applications and approvals also increases the amount of unobligated funds. The timing of applications, approvals and amounts approved in the last quarter, and particularly the last month of the FY, can create impressions about a scarcity of priority projects in the applicable states and results in extraordinary year-end efforts to approve grants and avoid large balances of un-obligated funds.

The combination of late applications processing and approvals in the latter months of the fiscal year also contributes to an unbalanced staff workload that impacts time available for review of applications and obtaining necessary additional information. ARC staff and State representatives involved with grant applications, reviews and processing generally agreed that more timely submission of applications would be beneficial for improving the grant approval process. The impact of the unbalanced workload is identified by the extent of approvals in August and September 2015.

Contacts with ARC State Alternates and Program Managers identified several factors impacting submission of grant applications. These include finalization of available ARC funding, availability of additional needed funding, including required match, large number of pre-applications and applications needing reviews, differences between ARC and State budget years, Governors review process and retaining ARC allocations in case needed projects are identified near the end of the year.

Several states start the pre-application process before or just after the October 1 beginning of the ARC fiscal year which results in more timely submission of applications. Also, State Annual Strategy Statements that are due December 15 and according to the ARC Code shall describe the areas of emphasis for the use of ARC funds during the coming year could be a useful document for identifying project priorities and submission of applications.

Follow-up with State Partners to identify and address barriers to the extent possible should be emphasized in order to better distribute applications, approvals and obligations throughout the fiscal year and avoid extensive year end approvals, obligations and un-obligated funds. Emphasis should be placed on receiving 75 percent of applications by May 31, including AD applications. Consideration should be given to advancing the deadline unless extensions are requested and justified, increasing the percentage of applications due by May 31, and/or limiting approvals in the current fiscal year for applications received after July 31.

Applications - FY 2015

State	# of Applications Received (10/01/2014-					Total	% in last quarter
	<u>06/30/2015)</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>			
AL	54	0	7	3	64	16	
GA	1	15	3	2	21	95	
KY	6	7	19	3	35	83	
MD	16	0	2	0	18	11	
MS	18	6	11	0	35	48	
NC	18	1	0	8	27	33	
NY	14	0	0	1	15	7	
OH	17	3	0	1	21	19	
PA	25	3	5	3	36	30	
SC	18	0	1	0	19	5	
TN	9	12	5	7	33	73	
VA	8	1	0	2	11	27	
WV	<u>1</u>	<u>0</u>	<u>10</u>	<u>0</u>	<u>11</u>	<u>91</u>	
Total	<u>205</u>	<u>48</u>	<u>63</u>	<u>30</u>	<u>346</u>	<u>41</u>	

Approvals FY-2015

State	# of Applications Approved(10/01/201					Total	% last quarter	% Sept. 2015 1/
	<u>4-06/30/2015)</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>				
AL	30	5	6	20	61	51	33	
GA	0	0	5	11	16	100	69	
KY	5	0	10	24	39	87	62	
MD	9	3	3	2	17	47	12	
MS	8	4	6	12	30	73	40	
NC	12	1	3	13	29	59	45	
NY	1	2	5	5	13	92	38	
OH	7	4	2	8	21	67	38	
PA	5	11	3	14	33	85	42	
SC	4	2	7	5	18	78	28	
TN	10	2	3	15	30	67	50	
VA	1	0	3	7	11	91	64	
WV	<u>0</u>	<u>1</u>	<u>0</u>	<u>10</u>	<u>11</u>	<u>100</u>	<u>91</u>	
total	<u>92</u>	<u>35</u>	<u>56</u>	<u>146</u>	<u>329</u>	<u>71</u>	<u>44</u>	

1/ Five states with 50% or more approvals in September 2015

Table B

Comparison of FY's 2014 and 2015 Area Development Application Patterns

State	Applications	Applications	Total	Percent in last quarter	Applications	Applications	Total	Percent in last quarter
	Received 10/1/14 - 6/30/14	Received 7/1/14 - 9/30/14			Received 10/1/15 - 6/30/15	Received 7/1/15 - 9/30/15		
AL	33	7	10	18	54	10	64	16
GA	10	11	21	52	1	20	21	95
KY	13	28	41	68	6	29	35	83
MD	12	8	20	40	16	2	18	11
MS	22	16	38	42	18	17	35	48
NC	12	4	16	25	18	9	27	33
NY	17	1	18	6	14	1	15	7
OH	20	5	25	20	17	4	21	19
PA	21	17	38	48	25	11	36	30
SC	13	1	14	8	18	1	19	5
TN	8	22	30	73	9	24	33	73
VA	12	4	16	25	8	3	11	27
WV	<u>1</u>	<u>11</u>	<u>12</u>	<u>91</u>	<u>1</u>	<u>10</u>	<u>11</u>	<u>91</u>
	<u>194</u>	<u>135</u>	<u>329</u>	<u>41</u>	<u>205</u>	<u>141</u>	<u>346</u>	<u>41</u>

Table C

Obligations FY 2015

<u>State</u>	<u>\$ Amount ARC Obligated (10/01/2014-</u>					<u>% last quarter</u>	<u>% Sept. 2015</u>
	<u>06/30/2015)</u>	<u>Jul-15</u>	<u>Aug-15</u>	<u>Sep-15</u>	<u>Total</u>		
AL	\$2,995,174.00	\$441,000.00	\$956,860.00	\$6,680,746.00	\$11,073,780.00	73	54
GA	\$0.00	\$0.00	\$1,309,774.00	\$1,844,796.00	\$3,154,570.00	100	58
KY	\$250,000.00	\$0.00	\$2,714,773.00	\$7,246,626.00	\$10,211,399.00	97	71
MD	\$729,921.00	\$92,500.00	\$118,825.00	\$260,000.00	\$1,201,246.00	39	22
MS	\$1,628,416.00	\$372,778.00	\$1,469,436.00	\$8,924,912.00	\$12,395,542.00	87	67
NC	\$1,335,160.00	\$300,000.00	\$388,000.00	\$2,985,717.00	\$5,008,877.00	73	60
NY	\$150,000.00	\$286,048.00	\$590,504.00	\$524,125.00	\$1,550,677.00	90	34
OH	\$1,275,000.00	\$750,000.00	\$500,000.00	\$1,250,339.00	\$3,775,339.00	66	33
PA	\$400,000.00	\$3,209,133.00	\$75,000.00	\$1,013,990.00	\$4,698,123.00	91	22
SC	\$809,932.00	\$591,000.00	\$1,675,547.00	\$1,258,020.00	\$4,334,499.00	81	29
TN	\$2,819,204.00	\$650,000.00	\$288,000.00	\$3,330,561.00	\$7,087,765.00	58	47
VA	\$0.00	\$0.00	\$668,304.00	\$1,793,468.00	\$2,461,772.00	100	73
WV	<u>\$0.00</u>	<u>\$350,000.00</u>	<u>\$0.00</u>	<u>\$4,353,164.00</u>	<u>\$4,703,164.00</u>	<u>100</u>	<u>93</u>
total	<u>\$12,392,807.00</u>	<u>\$7,042,459.00</u>	<u>\$10,755,023.00</u>	<u>\$41,466,464.00</u>	<u>\$71,656,753.00</u>	<u>83</u>	<u>58</u>

1/ Six states with more than 60 % of obligations in September 2015. These states accounted for \$45,934,534 or 60% in the last quarter

Table D

Last Quarter Obligations FY 2015

State	Last Quarter <u>Total</u>	% of yearly <u>obligations</u>	Sept 15 <u>obligations</u>	% of last quarter Sept. 2015 <u>obligations</u>
AL	\$8,078,606.00	82	\$6,680,766.00	83
GA	\$3,154,570.00	100	\$1,844,796.00	58
KY	\$9,961,399.00	97	\$7,426,626.00	73
MD	\$471,325.00	39	\$260,000.00	55
MS	\$10,767,126.00	87	\$8,924,912.00	83
NC	\$3,673,717.00	73	\$2,985,717.00	81
NY	\$1,400,677.00	90	\$524,125.00	37
OH	\$2,500,339.00	66	\$1,250,339.00	50
PA	\$4,298,123.00	91	\$1,013,990.00	24
SC	\$3,524,567.00	81	\$1,258,020.00	37
TN	\$4,268,561.00	58	\$3,330,561.00	81
VA	\$2,461,772.00	100	\$1,793,468.00	73
WV	<u>\$4,703,164.00</u>	<u>100</u>	<u>\$4,353,164.00</u>	<u>93</u>
	<u>\$59,263,946.00</u>	<u>83</u>	<u>\$41,646,484.00</u>	<u>70</u>