**Memorandum Report 13-40**  
**September 30, 2013**  

**State Administered Grants**

**Background**

In 2010, the ARC Code was amended to permit the basic agency function for the administration of ARC construction grants to be exercised for ARC by State agencies that are experienced in the management of federally funded construction projects in the same manner as Basic (Child) agencies administer ARC construction related grants. This authorization was intended to expedite project completion and utilize state expertise in administering local projects. Administration responsibilities include monitoring projects and reporting progress annually to ARC. As of September 30, 2013, 35 open grants were state administered. This included 18 grants to Ohio, 12 to Virginia, 4 to South Carolina and one to West Virginia.

**Results**

A review of ARC headquarters guidance and procedures applicable to these grants identified different scenarios with respect to grant administration.

South Carolina and Virginia have an ARC grant to administer construction grants as a basic agency and the cost of administering the grant is shared between the state and ARC. Ohio and West Virginia have no formal agreement with ARC to receive reimbursement.

The South Carolina grant (SC-17046) provides for the South Carolina Department of Commerce to serve as the Basic Agency for Construction Projects. The projects are to be administered in accordance with the State Basic Agency Administrative Procedures for ARC Construction Projects effective September 2012. An annual progress report is required to be submitted to ARC.

The Virginia grant (VA-17076) provides for the use of funds by the Virginia Department of Housing and Community Development (DHCD). The DHCD is to carry out the functions of an ARC Basic agency, and shall carry out the function in accordance with the approved Program Design for Virginia ARC Program Construction Project, dated November 23, 2010. An annual progress report is required to be submitted to ARC.

Although there is not a formal agreement to administer construction grants in West Virginia there is, as part of a construction grant award, a statement that the Office of Abandoned Mine Lands of the West Virginia Department of Environmental Protection will assist ARC in the
administration of this grant. Any ARC assistance with respect to the cost of administering this grant is not identified.

The Ohio process is unique and impacts grant administration in an agreement executed on Feb 2, 2006 ARC funds are being made available to projects through the Ohio Environmental Protection Agency (OEPA) under a Memorandum of Understanding (MOU) among ARC, the United States Environmental Protection Agency (EPA) and the OEPA. The OEPA provides construction project management for the projects under the Memorandum of Understanding. This MOU preceded the ARC authority to use nonfederal agencies to serve as a Basic Agency and thus the U.S. EPA was required to be a party to the agreement. This agreement does not pertain to administering grants outside the scope of the EPA.

The OEPA is to provide for construction and project management and act as fiscal agent for the grantee for the purpose of receiving grant payments from ARC. The agreement is limited to administering ARC grants for water and wastewater infrastructure improvement projects in conjunction with projects being assisted through the Ohio’s two state revolving loan funds.

We reviewed the grant file with respect to closed grant OH-16891, Trumbull County Overland Avenue/Elm Road Sewer Improvement and identified issues reported by the grantee with respect to grant payments, reporting requirements and grantee identification.

The grantee is noted as Trumbull County in the award document and the payment process is that ARC payments are made to OEPA and these payments are forwarded to the Ohio Water Development Authority (OWDA) from whom Trumbull County requests reimbursement for contractor expenses. Major delays were reported to exist between OEPA receiving payment from ARC and Trumbull County receiving payment from OWDA that resulted in delayed payment of contractor invoices.

Confusion was reported about due dates for progress reports including different documents for the same project having conflicting reporting requirements. Also, as noted, the grant award was to Trumbull County but OEPA was listed as the grantee on some documents.

We attributed the Ohio conditions primarily to the 2006 agreement between ARC, OEPA and USEPA and the need to update agreements with Ohio to reflect the ARC policies implemented in 2010.

Thus, based on ARC policy for direct State Administration of ARC construction related grants we recommend that ARC issue or clarify procedures and guidance with respect to State Administered grants, with particular emphasis on updating Ohio agreements.