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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

CIVIL DIVISION

OCT 16 1969



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Dear Mr. Podesta:

We have made a survey of the Economic Development Administration's (EDA) technical assistance program authorized by the Public Works and Economic Development Act of 1965 (42 U.S.C. 3121). Our survey included an examination of technical assistance and planning grant projects in EDA's Southeastern and Southwestern areas, as well as the planning and technical assistance activities of the Ozarks and Coastal Plains regional commissions. We interviewed officials at EDA headquarters in Washington, D.C., and in the Southeastern and Southwestern area offices; the headquarters and field offices of the Ozarks and Coastal Plains regional commissions; and selected EDA project grantees and beneficiaries.

Our survey indicated several improvements that could be made in the administration of the technical assistance and planning grant programs. While we have not made a detailed review of these programs, we believe that the matters observed during our survey demonstrate a need for further development or clarification of certain procedures affecting these programs. Our observations and our recommendations are discussed in the following paragraphs.

NEED FOR CONTROL OVER UNDISBURSED
FUNDS AT END OF GRANT PERIOD

EDA requires recipients of planning grants to submit quarterly financial reports showing cash expended. According to EDA instructions, reports must be filed until all grant funds are fully accounted for. At the end of the grant period (usually one year) all unused funds must be returned to EDA, as provided in the special terms of the grant offer. However, at the end of the grant period, the grantee is allowed to retain funds to cover costs incurred under the agreement which remain unpaid. Our survey disclosed one instance where, as a result of the aforementioned procedures, the grantee was allowed to retain funds in excess of the unpaid costs.

On June 21, 1966, EDA awarded a planning assistance grant of \$79,725 to the Mississippi Agricultural and Industrial Board, the planning agency for economic development for the State of Mississippi. EDA awarded a second grant to the planning agency on June 26, 1967, for \$61,000. The Board contracted with the Mississippi Research and Development Center to provide consulting services to the Board, as authorized under the terms of the grants. Our review of the grants awarded to the Board showed that although the period covered by the second grant ended on June 28, 1968, more than \$26,000 of Federal funds remained in the Board's bank account

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at the time of our review in January 1969. According to the EDA State Coordinator, the Federal funds remained in the bank account because the Center had not submitted its final billing to the Board.

The records of the Board showed that at the time the Board submitted its quarterly financial report to EDA for the period ending June 28, 1968, invoices submitted by the Center to the Board totaled less than the maximum amount of the two contracts with the Center. Since the financial reports show only actual cash expended, the unpaid amounts were not included in the reports. However, EDA allowed the Board to retain more than \$26,000 to cover the unpaid costs of the Center at the end of the grant period. The Board made no further reporting of the funds retained beyond the expiration of the grant period, and, at the time of our review, in January 1969, none of the remaining funds had been disbursed by the Board. Since no further reports were made, EDA had no way of determining whether the total funds retained by the Board for the unpaid costs were subsequently disbursed or otherwise accounted for.

We discussed this matter with an official of EDA's Office of Development Districts (OOD) who concurred with us that the reporting system did not provide for the reporting of funds retained by the grantee after the expiration of the grant. However, he told us that to his knowledge, only a few, if any other grantees would have had a need to retain funds for unpaid costs. Subsequently, on September 15, 1969, he informed us that his Office had contacted the Board regarding this matter. He stated that based on information obtained from the Board, approximately \$4,000 would be required to cover unpaid costs of the Center leaving a balance of about \$22,000 to be returned. He stated that he would inform us as to the amount of funds subsequently returned to EDA.

In our opinion, this situation existed primarily because EDA does not require financial reports after the close of the grant period for funds held by the grantee for payment of unpaid costs. While we recognize that EDA has instructed its grantees to fully account for all grant funds, we believe the above example demonstrates the need for EDA to follow up and retrieve unnecessarily retained funds. Also, we believe that EDA should review all planning grants where the grant period has expired and funds have been retained by the grantee to cover unpaid costs since a similar situation may exist with respect to other planning grants.

Recommendation

We therefore recommend that the Assistant Secretary for Economic Development require grantees to continue submitting financial reports after the expiration of the grant period until all planning funds have either been disbursed by the grantee or returned to EDA. Further, we recommend that the Assistant Secretary conduct a review of any expired planning grants where funds were retained by the grantee at the end of the grant period to determine if the grantee has made a full accounting to EDA. We also recommend that where quarterly financial reports show funds being retained after the end of a grant period to cover unpaid costs, EDA periodically follow up to retrieve funds being retained unnecessarily.

IMPROVEMENTS NEEDED IN COORDINATION BETWEEN HEADQUARTERS AND AREA OFFICE PERSONNEL

In February 1967, EDA established a policy to provide maximum coordination and communication between the Office of Technical Assistance (OTA) and field personnel in the processing of technical assistance projects. This policy requires that OTA submit copies of all project documentation to the area office directors and that the area office be provided an opportunity to comment on all proposed projects in its area. In addition, EDA policy provides that any proposed project for technical assistance may be submitted either to OTA directly or through the appropriate area office.

Our survey showed a number of instances where documentation relating to project approval and implementation was omitted from area office files. We noted about 15 instances where items were missing from the area office files. These items included: project applications, progress reports from contractors and grantees, and contracts and supporting documentation. We believe that complete documentation of all significant information relating to the approval and implementation of the project would assist the area office in monitoring of technical assistance projects.

We also noted that, in some cases, technical assistance applications were submitted directly to EDA/Washington and were not being forwarded to the area office for comment prior to project approval as required by EDA policy. In this regard, the Director of the Southwestern Area Office informed Washington officials that when the area office is not provided the opportunity to comment on projects, it is difficult for his office to develop and implement an effective area plan.

We believe that the appropriate area office should be provided the opportunity to comment on all projects contemplated within its respective area in order to achieve maximum communication between OTA and the area office.

Recommendation

We recommend that EDA's policy concerning maximum coordination regarding documentation be adhered to in order to ensure that all pertinent documentation be made available to the area offices.

NEED FOR PROCEDURES FOR UNDERSTANDING CAPABILITIES OF, AND MONITORING ACTI- VITIES OF UNIVERSITY CENTERS

As part of our survey of technical assistance activities, we examined into contracts awarded under EDA's University Center Program. Under the program, EDA awards contracts to certain universities and private organizations to provide all types of technical assistance to applicants who are located within the geographic areas served by the centers.

The program is intended to assist long-run economic growth by: (1) providing specialized technical and managerial counseling to small businesses, (2) assisting and encouraging the development of a university institution with expertise and experience in the economic development process, (3) providing supplementary services for other EDA activities, and (4) providing assistance in the form of a supporting role to community groups in their economic development planning activities.

We reviewed the records pertaining to 12 EDA technical assistance projects located in the same geographic areas served by two University centers in the Southwestern area and noted several instances of projects being approved by EDA which appeared to be similar in nature to the types of projects handled by the University centers.

For example, on June 27, 1966, EDA contracted with the Oklahoma Economic Development Foundation in Norman, Oklahoma, to operate a center for Economic Development to serve the designated counties in Oklahoma. Subsequently, EDA approved the following technical assistance projects in Oklahoma, which we believe could possibly have been handled by the Foundation:

<u>Project Number</u>	<u>Location</u>	<u>Type of Assistance</u>
08-6-09144	Ardmore	Appraisal of financial requirements
08-6-09066	Sulphur	Management Assistance
08-6-09178 B	Oklmulgee	Accounting and marketing assistance

During our review, we found no indication that EDA had ascertained if these projects could have been carried out by the Foundation. Although we have not determined whether the Foundation could have conducted all three of the projects, the possibility exists that one or more of the projects funded by EDA could possibly have been handled by the Foundation under the existing contract. In this connection, we noted that EDA procedures do not require that University centers be consulted before EDA decides to fund projects in the same geographical area as the area served by the center.

We also noted during a review of project files relative to the activities of a University center in the Southwestern area that in its progress reports submitted to EDA, the center reported about 60 jobs as the number of jobs saved or created as a result of the center's assistance. Since the center's records did not contain support for the employment gains cited in its progress reports, we visited two of the companies assisted by the center to verify the reported accomplishments of the center. Discussions with officials of one company indicated that the employment gain of the company was about 25 jobs while the center had claimed about 40 jobs. The other company indicated that the employment gain was not directly attributable to assistance received from the center.

We believe that there is a need for WPA to establish procedures which will provide for coordinating the activities of University centers and activities to be carried out directly by WPA in the same area, in order to obtain better utilization by the centers. We believe there is also a need for WPA to establish procedures for monitoring the activities of University centers and to provide for a more realistic measurement of project accomplishments.

Recommendations

We recommend that WPA Institute appropriate policies and procedures to provide for more adequate use of the capabilities of University centers and the monitoring of reports submitted by the centers.

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We appreciate the cooperation extended to our representatives during the review, and we will be glad to discuss our report with you if you so desire. We plan no further reporting on the matters discussed in this report at this time; however, your comments on the action taken or contemplated on our suggestions and recommendations will be appreciated.

A copy of this report is being sent to the Assistant Secretary for Administration and the Director, Office of Audits, Department of Commerce, and the Federal Chairman of the Coastal Plains and Oceans regional commission.

Sincerely yours,

HARRY REICHENBERG

Harry Reichenberg
Associate Director

The Honorable Robert A. Podawka
Assistant Secretary for
Economic Development
Department of Commerce