



092586
1
UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D C 20548

Publications Branch, OAS

CIVIL DIVISION

SEP 2 1971

Dear Mr. Hyde:

During our current reviews of community development programs of the Department of Housing and Urban Development (HUD) we noted certain matters relative to the administration of the Water and Sewer Facilities Grant Program which we wish to bring to your attention. These matters concern the need for HUD to establish policies and procedures for withdrawing funds reserved for water and sewer projects when it appears that grantees will not be able to construct such projects within a reasonable time period.

Our work was performed primarily at the HUD central office. During this review we obtained pertinent information from four HUD regional and area offices and also from selected grantees. In addition, we obtained information on specific water and sewer projects from the Environmental Protection Agency (EPA).

HUD records showed that as of February 28, 1971, the Department had reserved approximately \$62 million in Federal funds for 127 proposed water and sewer projects for periods ranging from 1 to 4 years after grant agreements had been signed. Construction work on these projects had not been initiated by the grantees. HUD records showed also that as of this date, HUD had 222 applications requesting about \$111 million in Federal funds for projects that it was unable to approve primarily because of a lack of funds.

During this review, we selected 21 projects for which, as of February 28, 1971, funds had been reserved by HUD for about 2 years. In view of the length of time that Federal funds had been reserved, we examined into these projects to ascertain whether construction was expected to begin in the near future.

HUD central office officials told us in June 1971 that construction had not been initiated for 15 of these 21 projects. As of June 1971 about \$12 million had been reserved by HUD for these 15 projects for periods ranging from 27 to 62 months as shown below.

<u>Projects</u>	<u>Funds reserved for . . .</u>	<u>Amount reserved</u> <u>(millions)</u>
4	27 to 29 months	\$ 3.7
4	34 to 37 "	3.0
3	40 to 42 "	2.5
2	50 to 54 "	1.2
<u>2</u>	61 to 62 "	<u>1.6</u>
<u>15</u>		<u>\$12.0</u>

7-5049

092586

HUD officials said that construction of these projects was delayed for a number of reasons which included: untimely completion of plans and specifications; difficulties encountered by grantees in obtaining funds to cover their share of the project costs; high construction costs; inability to acquire land for the project site; and major changes in the scope of projects.

HUD officials said also, in June 1971, that they expected that nine of these projects would be constructed in the near future. For the remaining six projects, HUD officials said that bids were currently being advertised for two projects, one project was being redesigned, and construction of another project was expected to begin in 1974. HUD officials added that they were unable to determine when construction would begin for the remaining two projects.

Information pertaining to 2 of the 15 projects is presented below.

WALL TOWNSHIP, NEW JERSEY
PROJECT WS-NJ-170

About \$700,000 in Federal funds was reserved by HUD in March 1969 for construction of a \$2.9 million sanitary sewage collection system in Wall Township, New Jersey. Although construction of this project was not expected to begin until sometime in 1974, we noted that in August 1971, HUD continued to reserve funds for this project.

HUD records showed that when HUD signed the grant contract in May 1969, construction of the sewage collection system was expected to begin in 6 months, or in November 1969. These records showed also that a local sewage treatment plant was to be constructed in conjunction with the HUD-assisted project and that this plant, according to EPA, would meet the applicable Federal water quality standards. The sewage treatment plant was to be constructed with Federal financial assistance from EPA.

In discussing this project with HUD area office representatives, we were advised that shortly after HUD awarded a grant to the township and EPA approved the plant, the township decided to join with several nearby communities in constructing a regional sewage treatment plant instead of the local sewage treatment plant. We were further advised that in January 1970 the township requested authorization from HUD to use the sewage treatment plant of a nearby township--Belmar Township--until the regional sewage treatment plant was completed. HUD subsequently requested EPA to determine whether the Belmar Township sewage treatment plant could satisfactorily be used in connection with the Wall Township sewage collection system.

EPA advised HUD in April 1970 that the Belmar Township plant would not be capable of adequately treating the additional sewage from the Wall Township sewage collection system and, therefore, EPA could not certify that this system would meet applicable Federal water quality standards.

Officials of Wall Township advised us in August 1971 that the regional sewage treatment plant would not be completed until about 1975. Construction of the Wall Township sewage collection system was scheduled to begin, according to these officials, sometime in 1974.

In August 1971, 16 months after EPA advised HUD that it could not certify the Wall Township sewage collection system's use of the Belmar Township plant, and 21 months after construction of the original Wall Township sewage treatment plant was supposed to begin, HUD continued to reserve funds for this project which, as previously mentioned, would not be completed until about 1975.

FORREST CITY, ARKANSAS
PROJECT WS-ARK-20

Our review of another project--Forrest City, Arkansas--showed that HUD reserved about \$460,000 in Federal funds in March 1969 to financially assist the city in improving its water and sanitary sewer systems and that at the time HUD approved the project, construction was expected to begin 8 months after the date of the grant contract, or in January 1970. We noted that 29 months later--in August 1971--HUD continued to reserve funds for this project although construction had not been initiated.

Prior to the HUD grant approval, EPA approved the use of a sewage treatment plant that was to be constructed in conjunction with the HUD-assisted project. EPA then awarded the city funds to assist it in the construction of the plant.

Officials of Forrest City advised us in August 1971 that the construction of this project had been significantly delayed primarily because the city encountered a number of problems in acquiring land for the sewage treatment plant site and also experienced difficulties in obtaining funds for the construction of this project.

We discussed these matters with HUD area office representatives who advised us that, subsequent to our inquiry, they requested Forrest City officials to take action to resolve the problem of site acquisition, and also asked that they submit to HUD, within 90 days, final plans for the construction of the project. HUD area office representatives advised us, however, that, even if the grantee did not comply with this request, as a matter of policy they still would not withdraw the Federal funds reserved for this project.

- - - -

As discussed above, our review of the administration of the Water and Sewer Facilities Grant Program shows that HUD reserved, and continues to reserve, funds for long periods of time although grantees may not be in a position to initiate the proposed construction of their projects within a reasonable time frame.

In view of the large number of applicants seeking Federal financial assistance under this program, we believe that certain HUD actions are needed to help ensure that the limited amount of Federal funds available for water and sewer projects are being utilized by grantees to accomplish program objectives in a timely manner. In this regard, there does not appear to be a Departmental policy, or the necessary procedures, to effect the transfer of Federal funds to other projects when grantees are unable to initiate--within a reasonable period of time--their proposed projects.

RECOMMENDATIONS

Accordingly, we recommend that you examine into the status of water and sewer projects for which the Department has reserved funds and construction work has not been initiated within a reasonable period of time after the expected starting date has passed. On the basis of the results of this examination, we recommend also that you consider establishing a policy for HUD regional and area offices to follow with respect to withdrawing and transferring to other acceptable projects those funds which were reserved for projects which apparently will not be initiated within a reasonable period of time.

- - - - -

We appreciate the cooperation given to our representatives during this review, and we shall be pleased to discuss with you or members of your staff the matters discussed in this report. A copy of this report is being forwarded to the Assistant Secretary for Administration.

We would appreciate your views and comments on any action taken or planned with respect to the above matters.

Sincerely yours,

B. E. Birkle

B. E. Birkle
Assistant Director

The Honorable Floyd Hyde
Assistant Secretary for
Community Development
Department of Housing and
Urban Development