

FACT SHEET

Report on a Performance Audit of Department of Community and Economic Development Community Development Programs

Act 1996-58, which merged the Departments of Community Affairs and Commerce into the Department of Community and Economic Development (DCED), requires the LB&FC to conduct two performance audits. This initial audit focuses on DCED's community development programs. The second audit, due June 2000, will focus on DCED's economic development programs and provide follow-up information on the recommendations included in this report.

This report provides information on the statutory authority, funds available and expended, eligibility, and examples of funded projects for each of the Department's 17 community development programs (see back for a list of the programs). We also reviewed the DCED's management controls to ensure that grants are awarded according to pertinent statutory, regulatory, and program guidelines; are implemented as proposed; and are properly closed out. We found:

- Total funding for DCED's 17 community development programs was \$204.9 million in FY 1996-97, the fiscal year which was the primary focus of this audit. Of this amount, \$138.0 million, or 67 percent, were federal funds.
- Wide variation exists from one program to another in how grant decisions are made, how funds are disbursed, and in compliance with fiscal and programmatic reporting requirements. We generally found DCED had good controls over federally funded programs; controls over state-funded programs were more problematic.
- FY96-97 grant contracts were often not fully executed until the fiscal year was more than half over. Such delays make it difficult for grantees to spend the funds before the contract expires at the end of the fiscal year. Implementation problems with the Single Application and staff reductions were among the reasons cited for the delays.
- Little quantitative performance outcome information was available for the programs we reviewed.
- Grant and loan recipients generally rated their satisfaction with DCED's programs as "good." For most programs, clients rated their satisfaction as higher under DCA than under DCED, but the differences were relatively slight.
- Local government officials gave high marks to the Center for Local Government Services.
- DCED's decision to privatize its training programs has saved the Commonwealth about \$900,000 annually.
- Most grant recipients view the new Single Application/account manager process as an improvement. However, the new process had implementation problems and resulted in an increased paperwork burden for some applicants.
- DCED maintains three separate types of regional offices, which is confusing and counter to the goal of integrating the Department's various community and economic development programs.

The report recommends DCED:

- *Review the Communities of Opportunity program guidelines to ensure they are in compliance with the program's statutory authorization.*
- *Develop an approval process that ensures that all discretionary grant decisions are subject to an objective evaluation component.*
- *Reduce the length of time required to approve and finalize grant contracts.*
- *Require periodic status reports, on-site monitoring, and periodic invoicing for large grant awards.*
- *Review the Single Application process to identify areas where it might be streamlined.*
- *Increase the audit requirement to \$100,000 for state funded grants.*
- *Develop procedures to ensure that key fiscal compliance activities can continue despite staff turnover.*
- *Ensure that the Department's information technology plans, especially regarding financial management systems, are implemented as soon as possible.*
- *Establish the audit review committee required by Management Directive 325.10.*
- *Review the efforts being made by federal agencies and other states to develop meaningful outcome measures.*
- *Pursue its plan to seek competitive bids for the rural leadership program.*
- *Consider merging or consolidating regional offices.*

Community Development Programs Reviewed During This Audit

Community Development and Housing Office

- A. Community Development Block Grant Program
- B. Home Investment Partnerships Program (HOME)
- C. Emergency Shelter Grant Program
- D. Communities of Opportunity

Community Empowerment Office

- E. Community Service Block Grant Program (CSBG)
- F. Neighborhood Assistance Program (NAP)
- G. Employment and Community Conservation Program (ECC)
- H. Weatherization Program

Strategic Planning and Operations Office

- I. Enterprise Zone Program
- J. Small Communities Planning Assistance Program (SCPAP)
- K. State Planning Assistance Grant Program (SPAG)
- L. Floodplain Management Program
- M. Community Revitalization Program

Center for Local Government Services

- N. Shared Municipal Services Program
- O. Act 47 - Municipalities Financial Recovery Program
- P. Local Government Capital Project Loan Program

Entrepreneurial Assistance Office

- Q. Enterprise Development Program