



UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

Code 38226

CIVIL DIVISION

October 13, 1971



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Dear Mr. Hyde:

The Department has, in recent months, directed its efforts to help ensure that certain community development projects, such as water and sewer projects, which are approved and financially assisted by HUD, are constructed by grantees within a reasonable time frame. To this end, we recognize that the Department made certain changes in its grant application review and approval procedures which, according to HUD officials, resulted in significantly reducing the length of time that it takes to complete its review of applications for Federal financial assistance. We noted that in recent hearings before a subcommittee of the House Committee on Government Operations, Secretary Romney stated that the time to process water and sewer facilities grant applications was reduced by the Department from 32 weeks to 11 weeks.

In view of these efforts to reduce the time required to process grant applications, we made a survey, primarily at the HUD Atlanta regional office, of HUD's practices followed in awarding grants under the Water and Sewer Facilities Grant Program. In addition, we performed certain work at the HUD central office and at offices of selected grantees.

Although our preliminary effort did not constitute an in-depth examination into all facets of the Department's practices and procedures in reviewing and approving applications for assistance under this program, we did note certain matters which we believe warrant your attention. In our opinion, certain changes in HUD's procedures for notifying grantees of the disposition of their applications for assistance could be made which would assist grantees in initiating, on a more timely basis, the construction of much-needed water and sewer facilities. Details of our findings are presented below.

NEED TO PROMPTLY ADVISE  
GRANTEES OF PROJECT APPROVAL

We believe that significant reductions in the period of time that it takes grantees to begin construction of water and sewer projects can be accomplished if HUD would advise grantees, as soon as possible, that their proposed projects meet HUD criteria.

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Our review showed that grantees did not initiate construction for periods ranging from about 1 month to approximately 3 years after HUD advised them that their projects were approved. In view of these apparent delays, we selected for review 30 projects in 7 States--Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina and Tennessee. These projects were approved by HUD in 1968 and 1969. In 21 of these projects, construction was not initiated by the grantees for at least 12 months after HUD approval. In the remaining nine projects, construction was started within 6 months after HUD approval.

We examined into these projects to identify factors which were responsible for, or directly related to, delays in the construction of the projects. Based on our review, which included discussions with grantee officials, project engineers, and HUD regional office officials, it appears that one of the most significant factors contributing to delays in starting construction of water and sewer projects is the preparation of detailed plans and specifications for construction. We noted that generally such plans are prepared only after the grantees are notified by HUD that their proposed projects have been approved and Federal funds reserved for the projects. HUD officials, agreeing with our conclusions that the preparation of such plans and specifications is one of the main factors contributing to grantees' failure to initiate construction at an earlier date, said that grantees are reluctant to take action to develop such plans until they receive some type of assurance from HUD that they will receive Federal financial assistance.

As you know, requests for Federal financial assistance under the water and sewer program are submitted by grantees in the form of preliminary applications. Those States and local public bodies which appear to demonstrate the greatest potential for achieving the program objectives are advised subsequently by HUD to submit formal grant applications. Formal applications are then reviewed by HUD for consistency with the overall program criteria and to evaluate the technical feasibility of the proposed project. Upon the completion of its review of the formal application, HUD will either approve or disapprove the proposed project. However, applicants who meet program criteria are not advised by HUD that their projects are approved until such time that Federal funds have been reserved for the projects. In this regard, our survey showed that, because of a lack of available funds, an average of 6 months elapsed between the time HUD completed its application reviews and the time HUD notified applicants of the approval of their projects.

We noted, however, that most applications for assistance which reach the formal application review stage are ultimately funded by HUD. For example, of the 401 projects reviewed by the Atlanta regional office from the inception of the program in 1965 to December 1970, 358 projects, or about 90 percent, were funded; 35 projects were withdrawn by grantees; and 8 projects were cancelled.

Our discussions with grantee officials showed that grantees would in certain instances, be willing to initiate action to develop project plans and specifications, at an earlier date, if they were advised by HUD that their grant applications satisfactorily met existing HUD criteria. Under the present procedures, however, as previously mentioned, HUD does not advise grantees of the approval of their requests for assistance until such time that Federal funds are actually available and are reserved for the projects.

We recognize that some projects which meet program criteria may not be financially assisted by HUD because of factors outside its control, such as the lack of Federal funds. However, we believe HUD should consider advising applicants, under a preliminary funding approval technique, that their projects meet program criteria and that when funds become available the project will be financially assisted by HUD. Notifying grantees, particularly in the case of high priority projects, as soon as possible after the HUD formal review is completed will provide them with the necessary assurance they consider essential to initiate action to develop project plans and specifications.

#### CONCLUSIONS AND RECOMMENDATIONS

Grantee officials agreed that one of the most significant factors affecting their ability to promptly initiate construction of water and sewer projects is the need to develop project plans and specifications for project construction after HUD notifies them that their proposed projects have been approved for Federal funding.

In view of the large number of projects which are funded by HUD after the grant applications are satisfactorily processed through HUD's formal review, we recommend that you consider advising grantees--at an earlier date--that their applications meet existing HUD program criteria and that Federal funds, when available, will be provided to financially assist the project.

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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 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