



April 12, 2019

To: Federal Co-Chair
ARC Executive Director
ARC General Counsel
ARC Assistant General Counsel
From: ARC Inspector General, Hubert Sparks

Subject: Memorandum Report 19-24, Advances

A review of advances provided to approved grantees for the Partnership for Opportunity and Workforce and Economic Revitalization (POWER) program identified grantees that did not utilize the advances on a timely basis. Federal regulations and ARC policy emphasize use of advances within a reasonable time frame to reimburse immediate expenses.

A review of 28 grants approved prior to September 30, 2017 for which advances were disbursed identified 8 grants for which the advances, or portion thereof, are not considered spent or reported in a reasonable period after payment disbursement. Table A identifies these grants that involved about \$530,114 in untimely use of advances.

Federal regulations in 2 CFC 200.305 states that advance payments to a non-Federal entity must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the non-Federal entity in carrying out the purpose of the approved program or project.

ARC policy is ARC will advance funds, but usually for no more than one reporting period and never for the final payment. The advance payment request should include:

1. A statement explaining why an advance is necessary;
2. A "Request for Advance or Reimbursement" (SF 270); and
3. A backup worksheet showing estimated expenditures for each approved line item in the official budget for the forecasted period.

With respect to grant PW-18942 another recent independent audit of the grantee reported untimely use of advances as a material weakness.

Although not reported as untimely use of funds the reporting about disbursements of a \$530,000 advance made May 30, 2018 was not made until January 31, 2019.

We recognize that extenuating circumstances such as unanticipated delays in grant (project) implementation may occur. However, except for identification of supportable exceptions emphasis should be placed on precluding large advances and timely follow-up on untimely use of advanced funds that involve a risk to the Commission.

Table A

Grants with Untimely use of Advances

<u>Grant no.</u>	Estimated value of untimely use of <u>advances</u>	<u>Date of advance</u>	
PW-18601	\$80,145.00	6/22/2018	
PW-18616	\$140,082.00	7/5/18 & 10/3/18	
PW-18642	\$28,055.33	10/5/2018	
PW-18714	\$20,129.00	5/25/2018	
PW-18773	\$22,888.96	6/13/2018	
PW-18895	\$19,826.00	7/6/2018	
PW-18925	\$23,052.00	7/23/2018	
<u>PW-18942</u>	<u>\$195,936.00</u>	<u>10/30/2017</u>	1/
8	<u>\$530,114.00</u>		

1/Reported as material weakness in annual Single Audit of grantee