



January 5, 2021

MEMORANDUM FOR: Dana Gartzke
Performing the Delegated Duties of the Assistant Secretary of
Commerce for Economic Development
Economic Development Administration

FROM: Frederick J. Meny, Jr.
Assistant Inspector General for Audit and Evaluation

SUBJECT: *EDA Was Effective in Implementing the Requirements for Awarding
Funds Under the CARES Act*
Final Report No. OIG-21-017-I

This memorandum provides the results of our evaluation of the Economic Development Administration's (EDA's) plan for the implementation of Coronavirus Aid, Relief, and Economic Security Act (CARES Act)¹ funding. Our objective was to determine whether EDA implemented and followed the requirements of the CARES Act. Specifically, we determined (1) what steps EDA took in implementing the CARES Act, (2) challenges EDA faced during implementation, and (3) EDA's ongoing efforts in awarding funds under the CARES Act.

Introduction

On March 27, 2020, the President signed into law the CARES Act to respond to the coronavirus disease 2019 (COVID-19) outbreak and its impact on the economy, public health, state and local governments, individuals, and businesses. The CARES Act appropriated the EDA a total amount of \$1.5 billion,² to remain available until September 30, 2022, to prevent, prepare for, and respond to coronavirus. This memorandum represents the first product in the U.S. Department of Commerce Office of Inspector General's (OIG's) review of EDA's implementation of the CARES Act.

EDA is responsible for providing financial assistance to communities and regions as they respond to and recover from the impacts of the COVID-19 pandemic. EDA has allocated \$1.467 billion in supplemental program funds among its offices (see table I) and "intends to

¹ Pub. L. No. 116-136.

² The CARES Act provides that EDA may transfer up to 2 percent of the appropriated \$1.5 billion, or up to \$30 million, to its "Salaries and Expenses" account for administration and oversight activities and requires EDA to transfer \$3 million to OIG to carry out audits and investigations.

deploy its CARES Act funding as quickly, effectively, and efficiently as possible, and in a manner that meets [the needs of the community].”³

Table I. EDA’s Allocation of CARES Act Funds

EDA Office	CARES Act Funds Allocated
Headquarters	\$40,000,000
Atlanta Regional Office	\$248,000,000
Austin Regional Office	\$236,000,000
Chicago Regional Office	\$225,000,000
Denver Regional Office	\$193,000,000
Philadelphia Regional Office	\$259,000,000
Seattle Regional Office	\$266,000,000
Total	\$1,467,000,000

Source: FY 2020 EDA Public Works and Economic Adjustment Assistance Programs Notice of Funding Opportunity (FY 2020 PWEAA NOFO)

Findings

As part of our mandatory oversight responsibilities, we evaluated EDA’s implementation of the CARES Act. Overall, we found that EDA implemented and followed the requirements of the CARES Act. EDA has put in place measures to mitigate challenges resulting from employees working from home due to the COVID-19 pandemic, and it is on track to obligate all CARES Act funds before September 30, 2022. EDA, however, still faces challenges in its workforce planning for emergency and disaster relief efforts.

See appendix A for further details on the objective, scope, and methodology of our evaluation.

I. EDA Was Proactive in Implementing the Requirements of the CARES Act

We found that EDA proactively took steps to implement the CARES Act and expedite the deployment of funds with its use of both noncompetitive and competitive application processes. For the noncompetitive awards, EDA’s regional offices invited existing economic development districts, tribes with current Partnership Planning grants, revolving loan funds (RLFs), and University Center recipients in good standing to apply for awards up to a maximum dollar amount.⁴ For competitive awards, eligible applicants⁵ could apply through

³ Economic Development Administration. *EDA CARES Act Recovery Assistance* [online]. <https://eda.gov/coronavirus/> (accessed December 8, 2020).

⁴ Maximum award amounts were \$400,000 for economic development districts, \$150,000 for tribes, and \$300,000 for University Centers. The maximum amount offered to RLF recipients ranged from \$500,000 to \$10 million and was determined separately for each recipient based on the combined capital base of the recipient’s existing RLF awards and the recipient’s amount of cash available for lending.

⁵ Eligible applicants include district organizations; an Indian tribe or a consortium of Indian tribes; state, county, city, or other political subdivision of a state, including a special purpose unit of a state or local government engaged in economic or infrastructure development activities, or a consortium of political subdivisions; institution of higher

their respective EDA offices (headquarters or applicable regional office) for any project eligible under EDA's Economic Adjustment Assistance program (including, but not limited to, construction, nonconstruction, planning, technical assistance, and RLF grants). EDA awarded 771 grants, totaling \$759,017,296, from May 7, 2020, through August 31, 2020, under the CARES Act.

II. EDA Mitigated Challenges During Implementation of the CARES Act

EDA has taken steps to mitigate challenges faced in implementing the CARES Act, but would benefit from having a comprehensive workforce plan. EDA faced challenges such as the current work-from-home environment, increased workload, and insufficient staffing levels. To mitigate these challenges, EDA has leveraged the use of technology such as shared drives, electronic signatures, and team meeting and collaboration software to facilitate work and open communication. In addition, EDA has implemented training such as webinars, grants management courses, "coffee breaks" for open questions, and on-the-job training by assigning mentors to new employees.

According to the *U.S. Department of Commerce CARES Act Implementation Plan*,⁶ EDA anticipated hiring 70 to 80 employees using direct hiring authority granted under the CARES Act. To meet staffing challenges in carrying out its CARES Act work, EDA used the direct hiring authority to expedite hiring of 74 employees, as of October 29, 2020, across headquarters and six regional offices. Although the 74 employees hired are primarily funded through the CARES Act appropriation, they may also work on other funded EDA program areas as needed.

We recommended in a previous audit report⁷ that EDA develop and implement a comprehensive workforce plan to determine optimal staffing levels needed and identify any potential staffing shortfalls or gaps. Based on EDA's action plan submitted in response to our recommendation, EDA intends to complete development and implementation of a comprehensive workforce plan by the end of 2021. EDA is currently working with a consultant on a process designed to help the agency recruit, hire, and retain the right staff to effectively and efficiently support recovery and resilience in the communities they serve. While we understand the COVID-19 pandemic is an unprecedented situation that is difficult to plan for, we reaffirm the open recommendation and believe that EDA would benefit from a comprehensive workforce plan for ongoing and future emergency and disaster relief efforts.

education or a consortium of institutions of higher education; and public or private nonprofit organization or association acting in cooperation with officials of a political subdivision of a state.

⁶ U.S. Department of Commerce, June 2020. *U.S. Department of Commerce CARES Act Implementation Plan*. Washington, DC: DOC. Available online at <https://www.commerce.gov/sites/default/files/2020-07/Commerce%20CARES%20Act%20Implementation%20Plan--Section%201501%20PRAC%20Report--June%202020--Final.pdf> (accessed December 7, 2020).

⁷ DOC Office of Inspector General, January 27, 2020. *EDA Should Develop a Workforce Plan and Improve its Hiring Accountability to Successfully Award and Administer the Disaster Supplemental Funds Appropriated by the Bipartisan Budget Act of 2018*, OIG-20-014-A. Washington, DC: DOC OIG.

III. EDA Exceeded Obligation Milestones and Completed Required Certifications

The *U.S. Department of Commerce CARES Act Implementation Plan* outlined milestones for EDA to meet in obligating awards after publication of the *FY 2020 PWEAA NOFO*. The first goal was to obligate \$77 million within 60 days of publication of the *FY 2020 PWEAA NOFO* (\$77 million cumulatively), and the second goal was to obligate \$250 million within 90 days of publication of the *FY 2020 PWEAA NOFO* (\$327 million cumulatively).

We found that EDA exceeded the *U.S. Department of Commerce CARES Act Implementation Plan* 60- and 90-day obligation milestones (see table 2). EDA prioritized awarding of CARES Act funds in order to efficiently meet obligation milestones. As a result, EDA is on track to obligate all CARES Act funds before September 30, 2022.

Table 2. EDA Obligation Milestones

Time ^a	Obligation Milestone	Actual Obligations	Cumulative Obligation Milestone	Actual Cumulative Obligations
60 days (7/6/2020)	\$77,000,000	\$151,084,067	\$77,000,000	\$151,084,067
90 days (8/5/2020)	\$250,000,000	\$586,774,230	\$327,000,000	\$737,858,297

Source: OIG analysis of EDA award data

^a Number of days after publication of the *FY 2020 PWEAA NOFO* on May 7, 2020.

Additionally, applicants applying for financial assistance awards in excess of \$5 million are required to submit to EDA the *Certification Regarding Federal Felony and Federal Criminal Tax Convictions, Unpaid Federal Tax Assessments and Delinquent Federal Tax Returns*⁸ after their application has been recommended.

We reviewed documentation for all 25 grants exceeding \$5 million and determined that all 25 applicants signed the certification regarding criminal violations and unpaid federal tax liability, in accordance with the *FY 2020 PWEAA NOFO*.

We are not requesting a formal response to this evaluation, as the findings discussed in it were briefed to cognizant Departmental officials in advance of issuance. This evaluation will be posted to our public website.

If you have any questions or concerns about this evaluation, please contact me at (202) 482-1931 or Monica Adamo, Director of Acquisition and Grants, at (202) 482-5185.

cc: Deborah Haynes, Audit Liaison, EDA
MaryAnn Mausser, Audit Liaison, Office of the Secretary

⁸ Section H.5 of the *FY 2020 PWEAA NOFO* states “In accordance with current Federal appropriations law, execution by an applicant of the Certification Regarding Federal Felony and Federal Criminal Tax Convictions, Unpaid Federal Tax Assessments and Delinquent Federal Tax Returns . . . will be required in a format requested by EDA before any award will be made under this PWEAA NOFO.”

Appendix A. Objective, Scope, and Methodology

The objective of this evaluation was to determine whether EDA implemented and followed the requirements of the CARES Act. Specifically we determined (1) what steps EDA took in implementing the CARES Act, (2) challenges EDA faced during implementation, and (3) EDA's ongoing efforts in awarding funds under the CARES Act.

To accomplish the objective, we did the following:

- Reviewed relevant policies and guidance, including:
 - Coronavirus Aid, Relief, and Economic Security Act, Public Law 116-136, March 27, 2020;
 - *U.S. Department of Commerce CARES Act Implementation Plan*, June 2020;
 - *EDA's Disaster and CARES Act Internal Control Augmentation Plan*;
 - *Waivers Related to EDA's FY 2020 Coronavirus Supplemental Appropriations*, May 7, 2020;
 - *FY 2020 Public Works and Economic Adjustment Assistance Programs Notice of Funding Opportunity (NOFO) and CARES Act addendum to the NOFO*, May 7, 2020;
 - *The Interim EDA Grants and Cooperative Agreements Policy and Procedures Manual*; and
 - procedures and memorandums pertaining to the administration and oversight of awarding grants for the CARES Act.
- We conducted interviews with EDA officials and staff (including the Chief Mission Integration Officer, Director of Budget and Finance, Chief Counsel, Senior Advisor to the Deputy Assistant Secretary, Chief Financial and Administrative Officer, Deputy Administrative Officer, Director of Performance and National Programs and Trade Adjustment Assistance, Chief of Staff, regional directors, area directors, regional administrative directors, regional counsel, program managers, economic development specialists, and audit liaisons) at EDA headquarters and six regional offices to gain an understanding of how EDA grants are administered in regard to CARES Act funding, as well as challenges EDA has faced during implementation and steps taken to mitigate challenges.
- In addition, we obtained a universe of grants awarded by EDA from May 7, 2020, through August 31, 2020. The universe consisted of 771 grants totaling \$759,017,296. We used the award data to verify whether EDA met obligation milestones and ensured that applicants signed certifications regarding criminal violations and tax liabilities for all awards exceeding \$5 million. For this evaluation, we did not analyze EDA's internal control procedures. We assessed the reliability of computer-generated data by interviewing EDA officials and reviewing documentation. We determined that the data was sufficiently reliable for the purposes of this report.

We conducted our fieldwork from August 2020 through November 2020 under the authority of the Inspector General Act of 1978, as amended (5 U.S.C. App.), and Department Organization Order 10-13, dated April 26, 2013, as amended October 21, 2020. We performed our fieldwork at Washington, DC; Silver Spring, Maryland; Atlanta; and Anchorage, Alaska.

The review was conducted in accordance with the *Quality Standards for Inspection and Evaluation* (January 2012) issued by the Council of Inspectors General for Integrity and Efficiency. Those standards require that the work be adequately planned and that evidence supporting findings and conclusions be sufficient, competent, and relevant and should lead a reasonable person to sustain the findings and conclusions. We believe that our work and the evidence obtained meet those standards.

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