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# **Auditing Oversight of Federal Grants to Fiscally-Distressed Municipalities**

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**National Intergovernmental Audit Forum**

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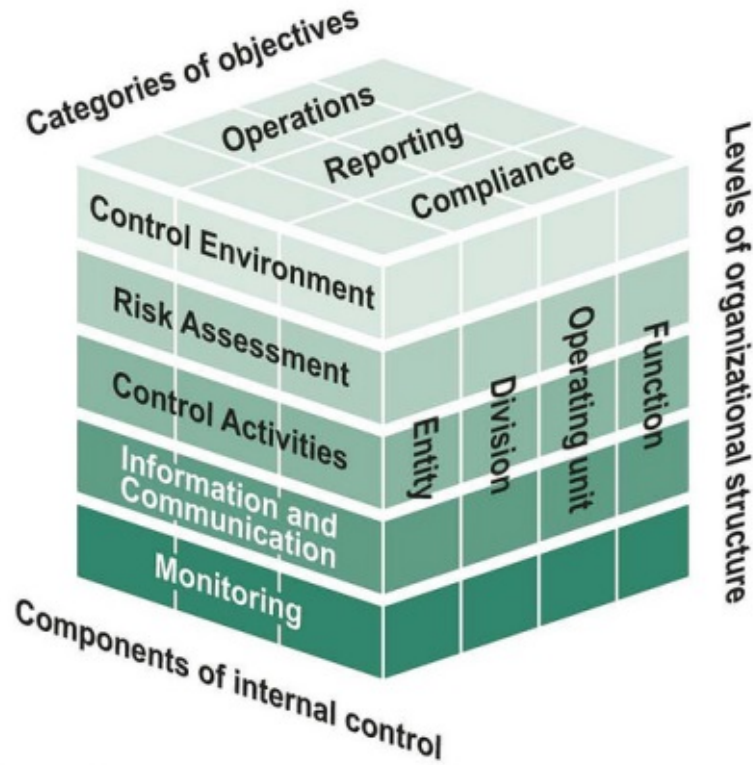
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# What is Municipal Fiscal Distress and Why Should We Be Concerned About It?

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- No single universally-accepted definition
- Continuum ranges from distress to crisis to municipal bankruptcy (Chapter 9)
- Federal nexus: grants to municipalities in fiscal distress
- Important to place cases of municipal fiscal distress in appropriate context

# For Municipalities in Fiscal Distress, Potential Implications for Internal Control



Sources: COSO and GAO. | GAO-14-704G

# GAO Report on Federal Grants to Municipalities in Fiscal Crisis (GAO-15-222)



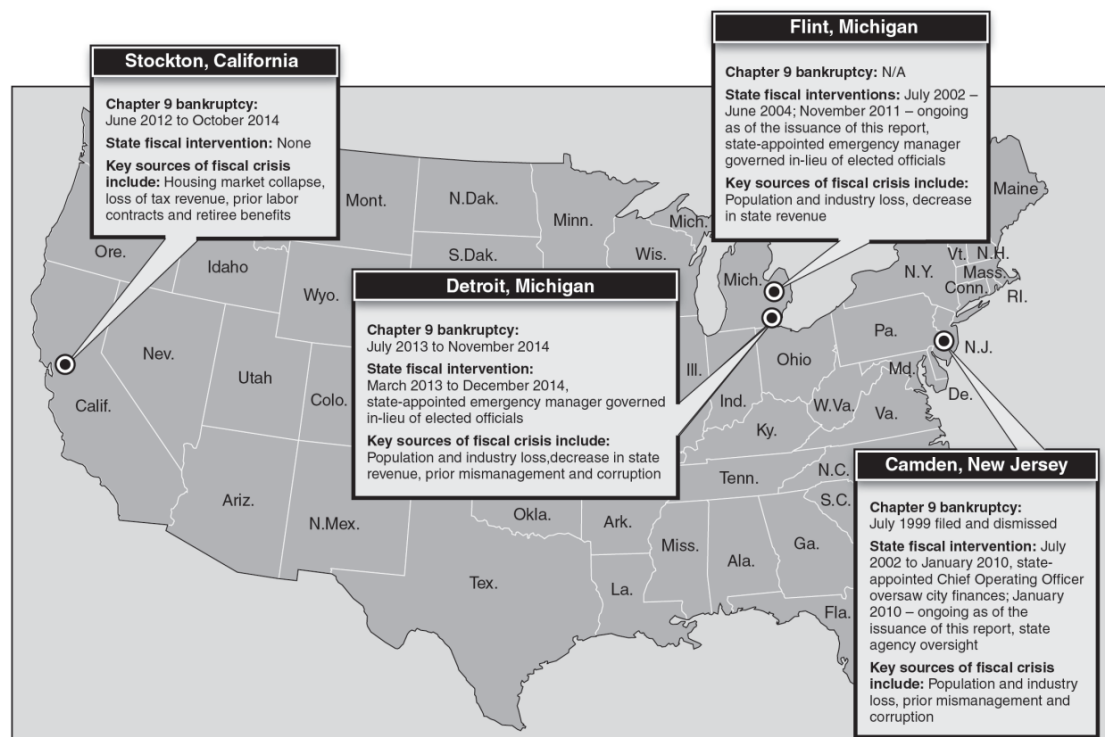
United States Government Accountability Office  
Report to Congressional Requesters

March 2015

## MUNICIPALITIES IN FISCAL CRISIS

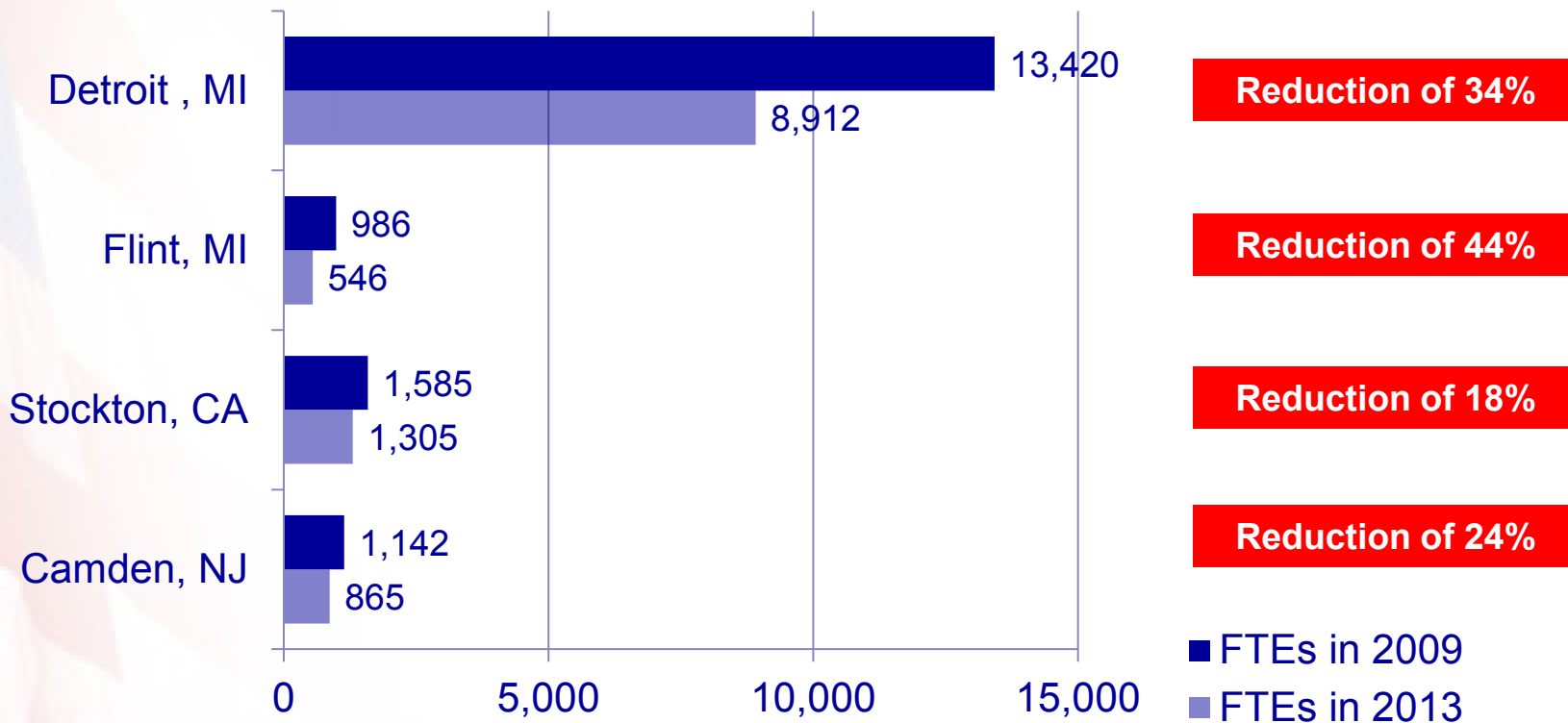
Federal Agencies Monitored Grants and Assisted Grantees, but More Could Be Done to Share Lessons Learned

GAO-15-222



Source: GAO presentation and analysis of state and local government budget documents and reports. | GAO-15-222

# Each of These Municipalities Experienced a Reduction in Human Capital Capacity



Source: GAO analysis of Fiscal Year 2013 Comprehensive Annual Financial Reports for Detroit, MI; Flint, MI; and Stockton, CA and Municipal State Aid Applications for Fiscal Years 2010/2011 and 2014 for Camden, NJ.

## **Reduced Capacity Hindered Municipalities' Ability to Manage Federal Grants**

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- Reductions in staff led in some cases to a grant management skills gap
  - Decreased financial capacity reduced municipalities' ability to obtain federal grants
  - Limited organizational/information technology capacity
  - Municipalities took actions to address some of these challenges and improve their management of federal grants
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# Most Grant Programs We Reviewed Assessed Risk to Identify and Respond to Deficiencies

**Risk Assessment, In-Depth Monitoring Actions, and Number of Monitoring Findings by Selected Federal Grant Programs in Detroit, Flint, Camden, and Stockton, Fiscal Years 2009-2013**

Agency	Grant program	Detroit	Flint	Camden	Stockton
Housing and Urban Development	Community Development Block Grant	25	0	6	0
	HOME Investment Partnerships	4	14	0	
Department of Justice	Byrne Justice Assistance Grant	0		0	
	Community Oriented Policing Services Hiring Grant	0	1	1	3
Department of Homeland Security <sup>a</sup>	Assistance to Firefighters Grant			0	
	Staffing for Adequate Fire and Emergency Response				
Department of Transportation	Federal Transit Formula Grant <sup>b</sup>	63	<i>no open grants</i>		

- Grant assessed for risk
- In-depth monitoring review conducted
- # Number of deficiencies found during in-depth monitoring review

Source: GAO analysis of grant monitoring documents from HUD, DOT, Justice, and FEMA. | GAO-15-222

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## **Actions Taken by Federal Agencies and the White House**

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- **Coordination of resources**
    - Justice Department's public safety coordination for Flint and Stockton
    - White House Tech Team for Detroit
  - **Flexibility with grant requirements**
    - FTA assistance with bus security system in Detroit
    - White House initiative to allow Detroit to leverage previously-allocated grant funds to address urban blight
  - **Technical assistance and training**
    - FTA liaison and procurement training for Detroit
    - HUD's comprehensive needs assessment and updating of work systems and policies in Flint
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## Some Closing Thoughts

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- Different municipalities in fiscal distress present different combination of challenges
  - There are a variety of federal tools to assist distressed municipalities that don't require additional appropriation of funds
  - We found that that documentation and sharing of lessons learned was limited
  - We recommended that OMB collect lessons and good practices from the administration's efforts to assist Detroit and share them with other federal agencies and local governments. OMB neither agreed nor disagreed with our recommendation.
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### **For additional information on this work:**

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