

LIMITED-SCOPE AUDIT PROPOSAL

Reviewing BASE 1.0 and BASE 2.0 Grant Program Matching Contributions

SOURCE

This audit proposal was requested by Representative Kristey Williams.

BACKGROUND

The Building a Stronger Economy (BASE) grant program used federal pandemic funds (ARPA funds) to address infrastructure and economic development projects that were delayed or slowed due to the COVID-19 pandemic. Local governments, economic development organizations, community foundations, certain nonprofit organizations, and private developers and commercial property owners were eligible to apply for the funding. The funding could be used for economic development projects such as developing new business parks or renovating existing business parks; signage and parking facilities; industrial office and residential space; and infrastructure to support business development and expansion such as railroad, water, wastewater, and other utilities as well as cybersecurity investments.

The Department of Commerce was responsible for administering and allocating awards for the grant program. It oversaw two rounds of BASE grant funding. The first round of funding, called the BASE 1.0 grant, awarded nearly \$100 million to 35 recipients in April 2022. The second round of funding, called the BASE 2.0 grant, awarded nearly \$50 million to 39 recipients in April 2023.

Recipients of BASE grant funding were required to provide at least a 25% funding match on the total project costs. For example, a project with \$1 million in total costs would have received \$750,000 in grant funds and the recipient would have been required to contribute at least \$250,000 in matching contributions. The department required grant recipients to sign an award agreement before receiving grant funds. Among other things, the award agreements included recipients' planned spending of grant funds and matching funds by major categories.

Legislators would like to know what types of matching expenses the Department of Commerce allowed in BASE grant recipients' award agreements, and how many recipients' agreements included spending that preceded the agreement.

AUDIT OBJECTIVES AND TENTATIVE METHODOLOGY

The audit objective listed below is the question we would answer through our audit work. The steps listed for the objective convey the type of work we would do. These may change as we learn more about the audit issues.

Objective 1: What types of spending did the Department of Commerce allow recipients to include as planned matching contributions in their BASE 1.0 and 2.0 grant award agreements? Our tentative methodology would include the following:

- Work with Department of Commerce staff and review BASE grant documentation to understand the matching requirements for the BASE 1.0 and BASE 2.0 grant programs. This would include any federal and state rules regarding funds that may be used for matching contributions.
- Review all BASE 1.0 and BASE 2.0 grant award agreements to determine what spending categories the department allowed recipients to include in their planned matching expenditures. As part of this work, also determine how many agreements allowed recipients to include spending that pre-dated the award agreement. Note: This work would review recipients' planned matching expenditures only; it would not review recipients' actual matching expenditures. If documentation is not readily available for all grant award agreements, this work would review a selection of the award agreements instead.
- Talk to Commerce staff as needed to understand any planned matching contributions allowed in recipients' award agreements that did not align with federal and state rules for matching contributions. Also talk to them about the reasons they allowed pre-award expenditures.

ESTIMATED RESOURCES

We estimate this audit would require **100 staff hours** to complete. Note: