

Supporting Statement
U.S. Department of Commerce
Economic Development Administration
Revolving Loan Fund Reporting and Compliance Requirements
OMB CONTROL NO. 0610-0095

A. JUSTIFICATION

1. Explain the circumstances that make the collection of information necessary.

The mission of the Economic Development Administration (EDA) is to lead the federal economic development agenda by promoting innovation and competitiveness, preparing American regions for growth and success in the worldwide economy. One of EDA's seven economic development programs is the Revolving Loan Fund (RLF) program, authorized by EDA's statute, the Public Works and Economic Development Act of 1965, as amended (42 U.S.C. § 3149). The corresponding regulations are in 13 C.F.R. part 307.

Under the RLF program, EDA may award competitive grants to units of local government, state governments, institutions of higher education, public or private non-profit organizations, District Organizations, and Indian Tribes to establish RLFs. Following grant award and fulfillment of EDA's pre-disbursement requirements, an RLF grantee may disburse grant funds to make loans at interest rates that are at or below current market rate to small businesses or to businesses that cannot otherwise borrow capital. As the loans are repaid, the grantee uses a portion of interest earned to pay for administrative expenses and adds remaining principal and interest repayments to the RLF's capital base to make new loans. A well-managed RLF actively makes loans to eligible businesses and entities, continues to revolve grant funds, and, therefore, does not have a termination date.

One of the unique features of this program is that, by law, EDA must exercise fiduciary responsibility over its RLF portfolio in perpetuity—a significant challenge given that many RLF grants date back to 1979. To date, EDA has managed its RLF portfolio by requiring grantees to submit the *Semiannual Report for EDA-Funded RLF Grants* (Form ED-209S) every six months; EDA exercised its discretion to allow some grantees to report on an annual basis, and these grantees submitted the *Annual Report for EDA-Funded RLF Grants* (Form ED-209A). Grantees that use 50 percent or more (or more than \$100,000) of RLF income in a given reporting period for administrative costs are required to submit the *RLF Income and Expense Statement* (Form ED-209I); grantees not meeting this threshold are required to complete and retain the ED-209I for four years, and to provide this form to EDA upon request. In addition, all grantees must have a current EDA-approved RLF Plan, which sets out the RLF's financial strategy, policy and portfolio standards, and administrative procedures for operation.

A recent DOC Office of Inspector General (OIG) report titled *Aggressive EDA Leadership and Oversight Needed to Correct Persistent Problems in RLF Program* (Audit Report No. OA-18200-7-0001/March 2007; see <http://www.oig.doc.gov/oig/reports/2007/EDA-OA-18200-03-2007.pdf>) found that EDA failed to exercise adequate oversight of this program. Specifically, the OIG found that EDA:

- Did not have an adequate tracking and oversight system.
- Failed to ensure grantees' compliance with critical financial and audit reporting requirements.
- Failed to ensure efficient capital utilization by grantees. Under EDA's regulations, if an RLF grantee fails to satisfy its capital utilization requirement as set out in its RLF Plan for two consecutive reporting periods, EDA can require the grantee to sequester "excess funds" in a separate interest-bearing account and remit the interest earned on these funds to the U.S. Treasury.¹ EDA's failure to require sequestration of excess funds on a consistent basis has resulted in lower capital utilization rates and lower remittances to the U.S. Treasury than would be commensurate with adequate oversight of the program.
- Did not use single audits as a tool for managing the RLF program. Under OMB Circular A-133, single audits are required of most RLF recipients.

The OIG recommended that EDA develop an action plan to rectify these deficiencies, and that EDA develop a "standard grantee reporting and monitoring system that provides the critical information EDA needs to manage the RLF program and protect its assets." The OIG also recommended that EDA "ensure that all RLF grant recipients undergo required single audits and file reports with the Federal Audit Clearinghouse."

As part of implementing the OIG's recommendations, the agency committed to reviewing each RLF reporting form to: (a) ensure all information needed to manage the RLF program and protect its assets is collected, (b) ensure that the form is suitably integrated into an automated RLF reporting, tracking, monitoring, and management system, and (c) minimize the paperwork burden on RLF grantees to the extent possible.

Through this review, EDA determined the following:

- The use of both annual and semi-annual reports is sub-optimal. The ED-209A contains less useful information than the ED-209S; the lack of identical fields on the two reporting forms makes it difficult, if not impossible, to report on the status of the portfolio as a whole; and the separation of grantees into two groups, with two different sets of reporting requirements and reporting dates, has contributed to the large number of missing or late reports highlighted by the OIG. EDA therefore has determined that all grantees will report semi-annually; this decision is consistent with EDA's regulations, which state that

¹ 13 C.F.R. § 307.16. Under this provision, "capital utilization rate" is the amount of RLF capital as currently loaned out or committed to be loaned out as a percentage of the RLF's capital base and "excess funds" is the difference between the actual percentage of RLF capital loaned and the applicable capital utilization percentage.

allowing a grantee to report on an annual basis is at EDA's discretion. ED-209A and ED-209S has been developed into one form which eliminates redundancy.

- The fact that the current reporting forms do not collect grantee EIN numbers makes it difficult, if not impossible, for EDA to determine whether the grantee has filed its single audit report with the Federal Audit Clearinghouse. Searching by EIN number is the most reliable way to locate single audit reports in the Clearinghouse database.
- EDA needs to begin collecting e-mail addresses to facilitate communication with grantees.
- Many of the fields on the ED-209S are duplicative, and therefore may have contributed to reporting inconsistencies and errors. Some fields should not change from reporting period to reporting period (e.g., amount of EDA investment assistance provided), but are still requested each and every time. Many others are calculated fields (e.g., RLF income (line B.8 of the current ED-209S) = interest earned + earnings from accounts + fees earned (lines B.5, B.6, and B.7)). The use of a hardcopy form with a large number of fields which the grantee must calculate has led to significant numbers of mathematical errors.

EDA addressed the issues highlighted above by creating a web-based grantee reporting system that eliminates all duplicative and calculable fields. This system is designed to allow grantees, if they so choose, to upload data (in .csv format) directly from their accounting software into the web-based system, thus eliminating time-consuming data entry. Alternatively, grantees have the option of manually entering data into the web-based system. All grantees will be provided with a unique user ID and password, and the system will meet all NIST information technology security controls. All grantees will be required to report on a semi-annual basis and to provide e-mail contact information, as well as EIN and DUNS numbers.

The Form ED-209I will not change, although completion of the form will now be through the web-based grantee reporting system. In keeping with transitioning all grantees to semi-annual reporting, the ED-209I will now be collected semi-annually. However, to offset the increased paperwork burden caused by this switch to semi-annual submission, EDA is removing the requirement that all grantees complete the ED-209I. EDA will now **only** require those grantees that use 50 percent or more (or more than \$100,000) of RLF income in a given reporting period for administrative costs to complete and submit an ED-209I. **Grantees not meeting this threshold will no longer be required to complete and retain the ED-209I.**

2. Indicate how, by whom, and for what purpose the information is to be used.

The information contained in the ED-209 and ED-209I will be used by EDA personnel to monitor the compliance of RLF grantees with legal and programmatic requirements, and to ensure that EDA exercises adequate fiduciary responsibility over its portfolio.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or other forms of information technology.

Currently, RLF grantees complete the ED-209S or ED-209A, as applicable, in hardcopy format and submit the completed form to the appropriate EDA regional office. A subset of the information collected on either of these forms is then entered manually by regional office staff into the Revolving Loan Fund Data Management System (RLFDMS). However, beginning with the September 30, 2008 reporting period, EDA will discontinue its use of the RLFDMS and switch to the much more robust Revolving Loan Fund Management System (RLFMS). The RLFMS will fully implement the OIG's recommendation to develop a "standard grantee reporting and monitoring system that provides the critical information EDA needs to manage the RLF program and protect its assets." It will not only allow for web-based grantee reporting, but will also 1) generate automated notices to grantees when reports are past due; 2) allow RLF administrators in the regional offices to enter all pertinent information to track the receipt of single audits and the sequestration of excess cash; 3) and allow staff in both the regional offices and headquarters to generate real-time reports of the portfolio's status.

4. Describe efforts to identify duplication.

The revised form ED-209 will require the grantee to enter less than half of the data fields required in the current ED-209A and ED-209S. This is because the system will store fields entered by the grantee that do not change from reporting period to reporting period, and because calculable fields will be calculated by the automated system rather than the grantee.

5. If the collection of information involves small businesses or other small entities, describe the methods used to minimize burden.

Not Applicable (small businesses are not eligible for RLF investment assistance).

6. Describe the consequences to the Federal program or policy activities if the collection is not conducted or is conducted less frequently.

If the information were not collected or collected less frequently, EDA would be unable to exercise adequate oversight of the RLF Program.

7. Explain any special circumstances that require the collection to be conducted in a manner inconsistent with OMB guidelines.

This information collection is consistent with OMB guidelines.

8. Provide information on the PRA Federal Register Notice that solicited public comments on the information collection prior to submission to OMB. Summarize the public comments received in response to the notice and describe the actions taken by the agency in response to those comments. Describe the efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instructions and recordkeeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

On March 17, 2008, a *Federal Register* Notice (Vol. 73, pg. 14214) was published soliciting public comment. EDA received three public comments in response to this notice (see ROCIS for full text of comments received). Two of these comments do not pertain directly to EDA's RLF program, and therefore EDA is unable to respond to these comments. The third comment raises two issues: (a) the switch from annual to semi-annual reporting for some grantees; and (b) the collection of loan portfolio information for all Closed Loans (defined in EDA's regulations as any loan for which all required documentation has been received, reviewed and executed by an RLF recipient).

While EDA is sympathetic to concerns about the burden on both EDA grantees and staff, for the reasons outlined in the response to Question No. 1 above, EDA believes that it is imperative that all grantees switch to semi-annual reporting. It should be noted that the increased burden on grantees currently reporting annually should be more than offset by the time savings resulting from automation, specifically the automated calculation of all calculable fields. Also, the comment is not correct in stating that the switch will result in an increased burden on EDA staff. The automated system will allow EDA staff to create standard reports tracking grantee compliance with EDA's regulations with a click of a button, and it will therefore significantly reduce the staff time required to ensure that grantees comply with the applicable regulations and that EDA exercises adequate fiduciary responsibility over its portfolio. Finally, it should be noted that EDA's regulations have never given grantees the right to report annually; extending grantees the option of annual reporting has always been at EDA's discretion.

The third comment incorrectly states that the requirement to list all loans since the RLF's inception in the portfolio loan list is a new requirement. In fact, it is not. The current ED-209A and ED-209S forms require grantees to list all Closed Loans. Nowhere in EDA's regulations does it state that fully repaid or written-off loans are not considered Closed Loans. Therefore, the proposed requirement on the ED-209 to list all Closed Loans does not represent a change in EDA policy or an additional burden above and beyond the current burden. It also should be noted that the automated system will store information on each grantee's Closed Loans so that in all reporting periods beyond the initial period, the grantee will only need to update the information contained in the portfolio loan list as opposed to again generating this information from scratch.

EDA made a concerted effort to solicit stakeholder's input. First, the agency formed a taskforce comprised of an RLF administrator from each of EDA's six regional offices to: (a) review the current application and procedures; (b) develop the requirements for the Revolving Loan Fund Management System, including the web-based grantee reporting portal of this system; and

(c) assess the time required to complete the new ED-209. The taskforce work very closely with EDA’s RLF grantees and were able to shed considerable light on the grantees’ paperwork burden. Second, EDA asked two EDA RLF grantees—Bear Paw Development Corporation of northern Montana and Region XII Council of Governments in Iowa—to independently estimate the time required to complete the proposed ED-209. Bear Paw Development Corporation estimated that the time required to complete the form would be 1 hour and 42 minutes, and Region XII Council of Governments estimated 6 hours and 25 minutes. While these estimates show that form completion time will most likely vary considerably, it is interesting to note that both grantees were supportive of the change to streamlined, web-based reporting. The director of Region XII noted in his response to EDA: “I think having this as an on-line submission would be super, especially in time that it would save repeating information every reporting period that does not change.”

9. Explain any decisions to provide payments or gifts to respondents, other than remuneration of contractors or grantees.

No gifts or payments are provided to respondents.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

There is no assurance of confidentiality provided to respondents of this information collection. To the extent that information provided by respondents is not exempt from disclosure under FOIA, such information is generally available to the public.

11. Provide additional justification for any question of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private.

None of these collections of information should include any information of a sensitive nature.

12. Provide an estimate of the hour burden of the collection of information.

EDA estimates that an RLF grantee will spend on average 2 hours and 54 minutes completing the fields required to generate an ED-209 for each semi-annual period, yielding an annual burden of 5 hours and 8 minutes, and an average of an additional 15 minutes completing the ED-209I each reporting period, yielding a total annual burden of 6 hours and 38 minutes. (Note: As described below, the grantee does not complete the ED-209 per se, but rather the fields that the new electronic reporting system, the RLFMS, uses to generate an ED-209. Therefore the estimates below are based on the time required to complete the three data entry screens² the

² Technically, there is a four screen in the grantee module (“RLF Plan Targets”). However, this field is only entered by the grantee the very first time he/she logs on to the system and subsequently is available in read-only format.

grantee must complete to generate the ED-209: the Portfolio Loan List, Additional Information, and the signature page. The actual ED-209—the form automatically generated from the information provided in these screens.

The estimate for the ED-209 was calculated using the following methodology:

First, EDA’s RLF taskforce estimated the time required for a grantee to manually enter its portfolio loan list (excluding fully repaid and written-off loans, which are only entered by the grantee the first time he/she enters the system, after which the system automatically stores this information and pre-populates the portfolio loan list with this information in subsequent reporting periods):

Portfolio Loan List (dynamic)	
Item	Time estimate PER LOAN (minutes)
Loan recipient name, NAICS code, and contact information	10
Loan type (3 dropdowns)	0.5
Financing by source	2
Closing date and loan terms	3
Loan status (check one)	5
Principal repaid, interest paid, amts. delinquent/ in default/ written off	20
Jobs created and saved	10
Total estimate PER LOAN, if entered manually by grantee into web-based system	50.5
Average number of <i>active</i> loans per grantee (excludes fully repaid and written-off loans, because these do not need to be updated)	10
Total estimate PER GRANTEE, if entered manually by grantee into web-based system	505

Second, the RLF taskforce estimated the time required for a grantee to generate a flat file (.csv format) of its portfolio loan list from the grantee’s own accounting software and upload this file into the RLFMS. (The RLFMS will offer grantees the option of uploading this data rather than entering this data manually.) The taskforce estimated that it will take grantees choosing this option 10 minutes to perform this step.

Third, the RLF taskforce estimated that 75 percent of grantees will choose the latter option, resulting in a weighted average of 133.75 minutes (2 hours and 14 minutes) for grantees to input their portfolio loan list.

Only the EDA RLF Administrator may approve changes to the grantee’s RLF Plan and therefore the grantee is not able to edit this data at will.

Fourth, the RLF taskforce estimated the time required for a grantee to complete the information requested in the Additional Information tab of the RLFMS grantee data entry screen:

Additional information tab	
Item	Time estimate (minutes)
Interest earned on deposit accounts	5.00
RLF \$\$ committed but not disbursed	5.00
Amount of funds sequestered	3.00
Name of bank in which funds are sequestered	1.00
Total interest remitted to EDA	1.00
Number of applications received in last 12 months	5.00
Enter month/day of accounting period for RLF income and expense	1.00
Enter RLF income used for admin expenses in most recent 12-month period	5.00
Key staff turnover (yes/no and if, yes, list)	0.50
End of grantee fiscal year	1.00
Date of most recent independent audit	1.00
Type of most recent independent audit	2.00
Submitted to SF-FAC (Federal Audit Clearinghouse?)	1.00
If not submitted to SF-FAC, why not?	2.50
Has your EDA grant been fully disbursed? (yes/no)	0.25
RLF plan certification	1.00
ED-209 signature/certification	5.00
Subtotal	40.25

Fifth, EDA used the estimates above to calculate the total average time required to complete the ED-209:

Average Estimated Time to Complete, Per Reporting Period	
Additional Information tab (minutes)	40.25
Portfolio Loan List (minutes; weighted average of manual entry and data upload)	133.75
TOTAL (minutes)	174.00
TOTAL (hours)	2 hrs and 54 mins

It should be noted that the very first time grantees enter the automated system, additional time for data entry will be required, as instead of merely updating the stored portfolio loan list, grantees will have to either enter this data manually (which the taskforce estimates will take approximately 3 hours and 30 minutes), or generate and upload a flat file of this data.

EDA will continue to collect the information requested on the ED-209I; no changes are requested to this form. However, the automated system will pre-populate the right-hand (previous period) column with information the grantee entered during the previous reporting cycle. In addition, EDA will begin collecting this information semi-annually, but will only require grantees to complete and submit this form if the grantee uses 50 percent or more (or more than \$100,000) of RLF income in a given reporting period for administrative costs. EDA estimates that 25 percent of grantees will meet this threshold, and that the time to complete the ED-209I is 1 hour. Therefore, on average, a grantee will spend an estimated 30 minutes (1 hour/ED-209 * 2 ED-209s/year *25%) each year completing the ED-209I.

EDA also will continue to require that grantees maintain a current RLF Plan on file with EDA. On average, developing a new or revised RLF Plan is estimated to take 40 hours of the grantee's time. The RLF grantee does not submit an RLF Plan annually, but rather as necessary for EDA approval, and must request and obtain EDA's permission to modify the Plan. EDA's regulations at 13 C.F.R. 307.9 set out the requirements for the RLF Plan, including the criteria EDA uses to evaluate Plans. EDA is not requesting a change to the RLF Plan requirements, and there is no template for the RLF Plan.

13. Provide an estimate of the total annual cost burden to the respondents or record keepers resulting from the collection of information (excluding the cost of any hour burden shown in Item 12).

None

14. Provide estimates of annualized costs to the Federal government.

The estimated annual cost to the Federal government with respect to these information collections is \$164,250, calculated as follows:

ED-209:

3 hours/ED-209 * 2 ED-209s/year * 584 reporting units * \$45/hour = \$157,680

ED-209I:

15 minutes/ED-209I * 2 ED-209Is/year * 584 reporting units * 25% of reporting units required to complete * \$45/hour = \$6,570

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14 of the OMB Form 83-1.

By requiring all grantees to report on a semi-annual basis, EDA will increase the estimated number of ED-209 and ED-209I responses from 2,265 (the estimated number of responses in the 2006 PRA statement for the RLF forms) to 2,336 (584 reporting units * 4 reports/year). However, this increase in the number of responses is more than offset by the reduction in the estimated time to complete the ED-209, from 12 hours to 2 hours and 54 minutes. This significant decrease is the result of the elimination of calculated and duplicative fields from the grantee’s data entry screens and the creation of a data upload function.

EDA estimates that the time to complete the ED-209I will be reduced from 2 hours to 1 hour due to the automated system’s pre-population of the right-hand column.

Therefore the total annual burden to the grantee is estimated as:

<u>Form</u>	<u>Number of responses</u>	<u>Burden per response</u>	<u>Total</u>
ED-209	1,168	2 hrs 54 mins	3,387.2 hours
ED-209I	<u>1,168</u>	1 hour	<u>1,168 hours</u>
	2,336		4,555 hours

As part of implementing the OIG recommendations, EDA revised its RLF reporting forms to ensure that the form is suitably integrated into an automated RLF reporting, tracking, monitoring, and management system, and to minimize the paperwork burden on RLF grantees to the extent possible. EDA addressed these issues by creating a web-based grantee reporting system that eliminates all duplicative and calculable fields, as well as using other efficiency measures.

The implementation of the web-based system and the creation of one form, instead of two forms, reduced the burden hour by 18,873.

16. For collections of information whose results will be published, outline plans for tabulation and publication.

Specific details of information collected from respondents will generally not be published. However, some of the information collected may be published in aggregate form as part of EDA’s annual report, GPRA reporting, EDA’s Balanced Scorecard, progress reports to the Department of Commerce (DOC) and/or its Office of Inspector General (OIG), or other summary report.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that the display would be inappropriate.

The OMB control number and expiration date will appear on the RLF website.

18. Explain each exception to the “Certification for Paperwork Reduction Act Submissions” statement identified in Item 19 of OMB Form 83-I.

No exceptions are requested.

B. COLLECTIONS OF INFORMATION EMPLOYING STATISTICAL METHODS

This information collection does not employ statistical methods.