



SEPTEMBER 7, 2000

OIG REPORT 00-52(H)

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director
ARC General Counsel

SUBJECT: TVA-administered Grants

In coordination with ARC staff, we followed up on the status of 66 open grants with TVA officials responsible for basic agency administration of these grants. Information available at ARC, including financial and status information provided by TVA, was utilized to identify grants for followup. The grants reviewed were approved during the period 1989 to 1998. In 8 cases, multiple grants were provided for the same project; and these are included as one grant.

We also discussed the grant administration process with TVA officials, including actions being implemented to assist with project implementation and closing.

TVA has initiated action to expedite the closing process, and it is anticipated that 50 of the 66 open grants approved prior to 1999 will be closed by September 30, 2000. In most cases, the projects were considered complete; and the primary causes for the projects remaining open were related to difficulties with obtaining information from grantees and realignment/restaffing of TVA project management activities (see Table A).

For the 50 cases ready for closing, all approved funds had been obligated; and in 10 of these cases, unexpended funds totaling \$54,716 were expected to be deobligated and made available for other projects (see Table A).

In 13 cases, all available funds had been obligated and unexpended balances were \$1,846,344, as of the June 30, 2000 financial report; but the projects were considered to be active and, thus, estimates of potential deobligations were not available. In these cases, project managers, based on followup to date, believed the projects would be completed and noted that, in several cases, work had begun but requests for payment had not been received (see Table B).

In 3 cases involving \$145,032, no funds had been obligated (see Table C).

In several cases involving older grants noted as ready for closing and with unspent balances, additional followup was necessary. We recommended that (1) grantees be requested to supply the information necessary to determine if projects could be closed and funds deobligated and (2) in the absence of a response from the grantees, actions be initiated in coordination with the applicable State officials to deobligate unused balances. Also, for projects noted as active (Table B), an estimated completion date should be obtained.

Similarly, additional followup was appropriate with respect to grants for which no funds had been expended within 18 months of project approval; and it was recommended that reports to ARC include information identifying reasons for lengthy delays in project start and/or remaining work with respect to older projects.

With respect to reporting, the Memorandum of Understanding with TVA identifies progress and final reports; but the implementation procedures do not provide time frequency or identify subject matter relative to progress reports. Clarification of progress report expectations would assist TVA and better ensure receipt of timely information on project status.

The TVA project manager noted contract agreements were now citing expenditures of funds within 18 months of approval and a 5-percent retainage pending final reporting. Consideration was being given to including an end date in contracts. We concur that these actions provide a better control framework and provide grantees with improved parameters for project implementation. Further, we believe consideration of a 10-percent retainage is appropriate.

Discussion indicated that some close-out delays had occurred due to TVA interest in visiting all open projects prior to recommending close-out to ARC and an interest in providing ARC information about project outcomes. We recognize the value of these actions; but the number of open projects, including many completed 4-7 years ago, did not permit timely visits to all open projects. An action such as a grantee certification of completion with the provision that the project remained subject to inspection and/or audit could be an alternative if a backlog of open projects reoccurs.

With respect to outcome reporting, we concur that such information would be very useful for grantor agencies but recognize that effective outcome determinations are generally not possible until several years after project completion. Thus, a means to report outcomes without delaying project close-out should be pursued by ARC and TVA.


Records indicated that ARC transferred several million dollars annually to TVA; but at the time of transfer, specific project allocations were not identified. Approvals/allocations by specific projects at the time of fund transfers appeared to be appropriate, if possible, and could be beneficial by providing project management staff with information about workload potential and project type and size. Also, the current practice of transferring appropriated funds for obligations by TVA could conflict with current TVA authorizations and funding which exclude appropriated funds. Alternatives such as obligation of funds by ARC and contracting with TVA for project management should be considered.

Summary Recommendations

ARC should:

1. Review the Memorandum of Understanding with TVA to specify the time frame and content of progress reports.
2. Consider revised allocation procedures, including obligation of funds at time of transfer to TVA.

3. Coordinate with TVA and state agencies about actions on projects with lengthy delays in starting and/or completing project, including deobligations of funds where applicable.
4. In coordination with TVA, establish, to the extent feasible, a system that provides for receipt of information about project outcomes subsequent to project completion.
5. Encourage TVA to:
 - a. Emphasize controls, including project starts within 18 months of approval.
 - b. Include a performance period on project contracts and consider an increase of the retainage to 10 percent of approved funds.
 - c. Close out completed projects and periodically provide ARC more detailed information about delayed projects, including reasons therefor, and estimated completion dates.


Hubert N. Sparks
Inspector General

Attachments

cc: Ms. Judy Rae
Ms. Donna Suber
Ms. Jan Jackson

TABLE A

PROJECTS READY FOR CLOSING

Year	Numbers		ARC Approved	Anticipated Deobligation
1989	AL-10290	TV-79230 A	\$ 150,000	\$ 375
1990/91	TN-10558	TV-82212 V	180,000	
1991	NC-10930	TV-86858 V	92,005	
1992	CO-10958	TV-87262 V	800,000	
1992	AL-11010	TV-85305 V	85,000	
1992	NC-11030	TV-89226 V	200,000	
1992	AL-11109	TV-90758 V	250,000	
1992	MS-11109	TV-90758 V	300,000	
1993	AL-11009	TV-90902 V	88,000	4,426
1993	TN-11237	TV-90940 V	100,000	
1993	AL-11297	TV-90894 V	200,000	600
1993	NC-11440	TV-92227 V	200,000	
1994	NC-11466	TV-92233 V	200,000	
1994	TN-11500	TV-93576 V	490,000	
1994	CO-11503	TV-93580 V	100,000	
1994	CO-11507	TV-93556 V	72,000	
1994	CO-11544	TV-93582 V	200,000	
1994/95	VA-11577	TV-94563 V	500,000	
1994	WV-11611	TV-94504 V	990,318	
1994	CO-11658	TV-98411 V	20,000	
1994/98	AL-11685	TV-93583 V	387,457	
1995	TN-11609	TV-94505 V	168,000	1,502
1995	NC-11710	TV-94600 V	200,000	
1995	CO-11793	TV-94509 V	34,686	4,231
1995	CO-11829	TV-96252V	199,533	
1995	AL-11847	TV-96337 V	113,314	
1995	AL-11856	TV-96296 V	250,000	
1995/98	NC-12011	TV-96306 V	243,750	
1995	AL-12105	TV-96331 V	200,000	1,986
1995	WV-12130	97BKY-197057	500,000	
1995	TN-12159	TV-96345 V	500,000	
1995	TN-12160	TV-96333 V	100,000	
1995	NC-12220	TV-96307 V	135,000	
1995	TN-12237	TV-96342 V	375,500	
1995	TN12238	TV-96305 B	750,000	5
1996	AL-12338	96BKY-19112	200,000	
1996	TN-12357	TV-00569 W	217,485	
1996	AL-12364	97BKY-195877	193,600	
1996/97	CO-12383	97BKY-218996	153,628	
1996	MS-12476	97BKY-197006	250,000	
1997	TN-12135	97BKY-220382	496,000	
1997	AL-12582	97BKY-198560	400,000	
1997	TN-12758	98BKY-214152	137,307	41,129
1997	CO-12763	98BKY-239007	350,000	
1997	MS-12779	98BKY-223261	229,350	1
1997	TN-12802	98BKY-226756	93,060	
1997	TN-12830	97BKY-219466	232,403	461
1998	TN-12150	99BKY-205218	200,000	
1998	AL-13080	99BKY-247635	52,807	
1998	TN-13083	98BKY-238704	181,050	
				\$54,716

TABLE B

ACTIVE PROJECTS WITH
ALL FUNDS OBLIGATED

Year	Numbers		ARC Approved	3/31/00 Unexpended Funds	Notes
1992	MS-10992	TV-89978 V	\$460,000	\$ 60,974	
1992	TN-11149	TV-90685 V	450,000	17,763	
1994	NC-11720	TV-93565 V	101,000	29,717	
1995	MS-12087	97BKY-214503	300,000	96,474	<u>3/</u>
1996	MS-12217	98BKY-226141	106,000	9,056	
1996	TN-12485	97BKY-210433	426,000	426,000	<u>4/</u>
1998	TN-12845	97BKY-255237	300,000	300,000	<u>1/ 4/</u>
1998	MS-12532	98BKY-247519	297,450	297,450	<u>2/</u>
1998	CO-12903	99BKY-247636	60,000	58,488	
1998	AL-13019	98BKY-236007	250,000	7,543	
1998	TN-13108	99BKY-254887	142,600	142,490	<u>5/</u>
1998	TN-13170	99BKY-254888	316,250	316,250	<u>6/</u>
1998	TN-13202	99BKY-254889	137,500	84,139	
				\$1,846,344	

Notes: All of the projects are in some stage of construction. Some specifics include:

- 1/ TVA separated the two grants for Pelham Industrial Park Sewer and Water Tank into two projects and assigned different numbers to each.
- 2/ No ARC funds spent on the project. TVA provided a \$500,000 grant; \$90,000 claimed to date. A scope change appears necessary.
- 3/ Change of scope relative to inclusion of water treatment facility appears necessary.
- 4/ Road relocation contributing to project delay.
- 5/ Project started; limited claims to date.
- 6/ Engineering designs completed. No payments as yet.

TABLE C

GRANTS WHERE FUNDS
HAVE NOT BEEN OBLIGATED

Year	Numbers		Unobligated Funds	Note
1995	MS-12216		\$110,032	
1998	CO-12818	TV-74481 A	20,000	
1998	CO-13092		15,000	
			\$145,032	<u>1/</u>

Note:

- 1/ Followup appropriate to determine status, especially for MS-12216 (approved in 1995 but not started).

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