



March 30, 2015

To: Federal Co-Chair  
ARC Executive Director  
ARC General Counsel  
ARC Program Director

From: Hubert Sparks, Inspector General

Subject: Memorandum Report 15-16, Open HUD Administered Grants with Potential De-Obligation

Despite ARC attempts to resolve the issue there remains open old HUD administered grants for which de-obligations should be finalized and available funds used for additional needed projects. Several OIG reports have identified this condition and progress has resulted in closing of some impacted grants and de-obligations/recoveries. However, closing and de-obligations with respect to additional old open grants with unused balances is necessary. This report updates our report of September 30, 2014.

HUD, based on a Memorandum of Understanding with the Appalachian Regional Commission (ARC), is responsible for administering construction related grants approved by ARC and keeping ARC informed of project status, including potential for grant closings and de-obligations.

ARC records, including payment documentation and available Basic Agency Monitoring Reports (BAMR), identify projects that have been completed or will not be constructed and the amount of funds that can be de-obligated.

The issue was initially included in a March 2013 OIG report which identified grants with potential de-obligations of \$865,950. During the ensuing period actions were initiated on some grants and several were added resulting in our September 30, 2014 report that identified 20 open grants with balances of \$599,503 that were subject to de-obligations.

As of March 30, 2015, 14 of the 20 grants (Table A) noted in our prior report remained open and the funds eligible for de-obligation totaled \$423,870. These grants were approved between 2004 and 2009 and available information reflected the projects were completed between 2005 and 2011. Table B notes some comments about these grants included in ARC records, including BAMRs.

During the period September 30, 2014 to March 30, 2015, 6 of the previously reported 20 grants were addressed with de-obligations/recoveries totaling \$180,133.

The noted grants have remained open for long periods primarily because information necessary for ARC to close grants and recover funds was not received from HUD. As noted in our prior report, OIG discussion with a HUD representative identified the process necessary to de-obligate funds including involvement of HUD Washington, State Representatives and HUD Finance Office in Texas and difficulty, in some cases, of obtaining information necessary to finalize de-obligations. We recognize some constraints, including the ARC grants being a very minor part of HUDs grant inventory, but believe the time frames noted are excessive and the availability of the noted funds would enable approval of several additional needed projects. ARC staff have made numerous attempts to facilitate HUD closure of these open grants.

Our prior report also identified four additional grants with reported balances totaling \$123,791 for which follow-up was recommended. One of these grants was closed with a recovery of \$40,827.

Table C identifies six additional grants with limited recent activity or small balances for which follow-up is recommended to determine the project status and potential for de-obligations with respect to balances totaling \$136,375.

An available old (1991) HUD issuance on management of ARC grants notes that the HUD Director, Office of Finance and Accounting has responsibilities for recapturing ARC funds from the field for cancelled projects and returns to ARC and periodically reports to ARC approved projects, contracts executed, changes in project costs, cancellations and disbursements.

Due to the extended difficulty in timely resolution of this long standing condition we recommend ARC elevate contacts with HUD, to assure actions necessary to close applicable grants and provide for use of available funds on other projects.

## HUD Grants with Potential De-Obligations as of 3/16/15

| <u>Grant No.</u> | <u>Approved</u> | <u>Contruction<br/>Completed 1</u> | <u>ARC Funds</u> | <u>Cunulative Costs</u> | <u>Potential ARC De-obligations<br/>per ARC.Net Balance</u> |
|------------------|-----------------|------------------------------------|------------------|-------------------------|---|
| MS-14844         | 9/23/2004       | 3/13/2009                          | \$100,000.00     | \$99,485.00             | \$515.00  |
| MS-14889         | 2/2/2005        | 3/13/2009                          | \$108,800.00     | \$98,846.00             | \$9,953.00  |
| MS-15093         | 9/8/2005        | 4/10/2009                          | \$250,000.00     | \$196,010.00            | \$53,990.00   |
| MS-15037         | 5/12/2005       | 3/13/2009                          | \$118,610.00     |                         | \$94.00   |
| MS-15223         | 10/24/2005      | 3/13/2009                          | \$259,633.00     | \$187,625.00            | \$72,004.00   |
| MS-15323         | 5/12/2006       | 3/13/2009                          | \$150,000.00     | \$135,256.00            | \$14,764.00   |
| MS-15379         | 8/22/2006       |                                    | \$250,000.00     | \$224,025.00            | \$25,975.00   |
| MS-15514         | 9/25/2006       | 12/31/2010                         | \$350,000.00     | \$335,489.00            | \$3,751.00  |
| MS-15638         | 8/28/2007       | 12/12/2011                         | \$193,400.00     | \$189,676.00            | \$3,724.00  |
| MS-15915         | 5/14/2008       | 3/31/2010                          | \$129,300.00     | \$125,950.00            | \$3,350.00  |
| MS-16225         | 4/24/2009       | 3/31/2010                          | \$250,000.00     | \$231,003.00            | \$18,997.00   |
| OH-16258         | 2/28/2010       | Cancelled                          |                  |                         | \$181,968.00  |
| OH-16371         | 8/5/2009        | 1/15/2011                          | \$136,800.00     | \$112,225.00            | \$24,275.00   |
| PA-16123         | 11/2/2008       |                                    | \$65,000.00      |                         | \$10,510.00   |
|                  |                 |                                    |                  |                         | <u>\$423,870.00</u>   |

TABLE B

| ARC.Net or BAMR Information |  |
|-----------------------------|--|
| MS-14844                    | \$28,857.60 spent; \$71,142.40 unspent as of 04/30/07. \$33,282.43 spent, \$66,717.85 unspent through 1/4/08. \$35,930 spent, \$64,069.35 balance through 3/4/08. \$36,425.16 spent, \$63,574.84 balance through 4/7/08. \$3,646.72 balance through 8/31/08. Closeout from MS CDBG dated 3/13/09 shows \$514.84 to be recovered -- hold for deobligation and zero balance on HUD detail report (3/25/09).  |
| MS-14889                    | \$98,796.20 spent and \$10,003.80 unspent through 12/31/06. \$98,846.20 spent; \$9,953.80 unspent through 4/30/07. What is status at MS CDBG? No expenditure since 4/07. Closeout from MS CDBG shows \$9,953.80 to be recovered; hold for deob and zero balance on CDBG detail report (3/26/09).   |
| MS-15037                    | \$94 Balance - Need HUD detail report  |
| MS-15093                    | Open at HUD with no expenditures through FY08. MS CDBG please confirm status. Closeout from MS CDBG dated 4/10/09 shows project complete and \$53,990 to be recovered; hold for deob on HUD detail report.   |
| MS-15223                    | (See also MS-15223-R1-07). No funds spent through 6/7/07. \$69,194.76 spent; \$164,886.24 unspent through 8/3/07 HUD report. Additional \$25,552 approved 8/13/07 (MS-15223-R1). \$147,808.59 spent, \$86,272.41 unspent through 9/5/07. Additional \$25,552 reserved and obligated 9/30/07; Total \$165,488.09 spent, \$94,144.91 unspent through 9/30/07. Total \$72,007.50 balance through 2/29/08 (incl \$25,552). Entire balance of \$72,007.50 to be recovered in single closeout per closeout from MS CDBG dated 3/13/09. |
| MS-15323                    | \$135,255.88 spent and \$14,743.77 unspent since 5/31/07. Closeout from MS CDBG dated 3/13/09 shows \$14,743.77 to be recovered -- hold for deob and zero balance on HUD detail report. (3/25/09).   |
| MS-15379                    | No funds spent through 1/3/07 HUD report. \$181,845.19 spent; \$68,154.81 unspent through 4/30/07. \$199,470.07 spent; \$50,529.93 unspent through 6/7/07 HUD report. \$224,025 spent; \$25,975 unspent through 7/31/07. No expenditure since 7/07 -- what is status at MS CDBG?   |
| MS-15514                    | Obligated with no funds spent through 4/30/07. \$55,903.26 spent; \$294,096.74 unspent through 9/5/07. \$267,874.50 spent, \$82,125.50 unspent through 9/30/07. \$346,249.46 spent, \$3,750.54 unspent through 12/31/2007. No expenditure since 12/07 -- possible to close and recover funds? What is status? MDA Closeout dated 12/21/2010 shows an unspent balance of \$14,510.69. Needs to be reconciled with HUD Central. LAF 3/28/12.   |
| MS-15638                    | HUD-185 dated 09/06/2007. \$193,400 reserved and obligated 9/30/07 HUD report. No expenditures through 3/31/09. \$106,868.54 balance through 2/28/10. Closeout dated 12/31/2011 received from MDA. Awaiting the deobligation of \$3,724 from HUD. LAF 3/28/2012.   |
| MS-15915                    | HUD-185 dated 06/18/2008. \$129,300 reserved but not obligated by 8/31/08. \$129,300 obligated 9/30/08. \$108,280.15 balance through 5/21/09. Project complete and to be closed per Dean Patterson at MDA 5/22/09; \$3,350 to be recovered but need closeout from MDA. \$3,350 balance through 2/28/10. Closeout dated 3/31/10 received. Awaiting deobligation from HUD LAF 3/28/12.   |
| MS-16225                    | HUD-185 dated 8/6/09 but funds not reserved through 10/31/09. HUD-185 reissued 11/30/09. \$250,000 obligated and \$18,996.84 balance through 2/28/10. Closeout dated 3/31/10 received. Waiting for zero balance on HUD detail report. LAF 3/28/2012.   |
| OH-16258                    | CANCELLED - DO WE HAVE MEMO FOR CANCELLATION? Yes, Karen is working on this. Balance \$181,988   |
| OH-16371                    | Balance \$24,275 last payment 1/31/11  |
| PA-16123                    | HUD-185 dated 12/09/08. \$65,000 obligated 3/16/09 HUD detail report. All funds spent 2/28/10 -- need closeout from PA CDBG.   |

Table C

## Additional HUD Open Grants with Potential De-Obligations

| <u>Grant No.</u> | <u>Approved</u> | <u>ARC Funds</u> | <u>ARC Balance</u>  | <u>Last ARC Payment</u> |
|------------------|-----------------|------------------|---------------------|-------------------------|
| AL-16523         | 12/17/2009      | \$250,000.00     | \$7,006.00          | 12/31/2012              |
| MD-15917         | 10/2/2008       | \$750,000.00     | \$108,759.00        | 1/30/2013               |
| OH-15935         | 5/4/2011        | \$250,000.00     | \$1,000.00          | 8/31/2013               |
| AL-17472         | 12/19/2012      | \$200,000.00     | \$15,602.00         | 10/21/2013              |
| SC-16727         | 8/18/2010       | \$424,831.00     | \$94.00             | 5/31/2014               |
| WV-16023         | 8/19/2008       | \$1,500,000.00   | <u>\$3,854.00</u>   | 8/31/2014               |
|                  |                 |                  | <u>\$136,315.00</u> |                         |