



APPALACHIAN
REGIONAL
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*A Proud Past,
A New Vision*

Office of the Inspector General

November 20, 2000


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

SUBJECT: OIG Report 01-5(H)

Enclosed is our periodic report on expired grants. As noted, positive actions continue; and the number of open ARC-administered grants for which the performance period expired over 6 months prior to our update is very limited. Also, additional planned ARC actions to ensure timely followup on expired grants are noted.

In view of the successful actions on older open grants including closings, obligations, or extensions, we have placed emphasis on open grants that expired in the last 6 months, with a goal of essentially eliminating open grants with expired performance periods except for identification of a reasonable period in which to receive final reports.

Also, we continue to highlight the Pennsylvania Technical Assistance grant as an example that negatively skews ARC summary information about unliquidated obligations.


Hubert N. Sparks
Inspector General

Attachment



FOLLOWUP REVIEW

EXPIRED GRANTS THAT REMAIN OPEN

OIG Report 01-5(H)
November 14, 2000

BACKGROUND AND OBJECTIVES

This report updates the status of open ARC-administered grants with expired performance dates that were prior to October 1, 2000, and assesses the potential for initiating actions prior to the grant expiration date.

OIG Report 99-15(H), dated March 17, 1999, identified 48 grants with the potential for closing and/or deobligation of funds. We have followed up on the status of these grants and found that only 4 remain on the open list. Of the 43 closed cases, deobligations of \$601,597 were noted in 22 cases.

SCOPE AND METHODOLOGY

ARC data, with respect to open grants, identified 191 grants with expiration dates prior to September 30, 2000. The 191 open grants were placed in three categories:

- Grants with an expiration date prior to October 1, 2000, with no payments made to grantee.
Grants with an expiration date prior to October 1, 2000, with payments of 50 percent or less made to grantee.
Grants with an expiration date prior to April 1, 2000, with payments of more than 50 percent made to grantee.

We recognize that many grants in this summary had expiration dates close to September 30, 2000; and, thus, the period of time since expiration of the grant period is limited. However, the potential and need to emphasize actions prior to expiration of the grant period resulted in inclusion of these grants in this report.

For the final report, we also updated our draft report that summarized the status of sampled grants as of October 1, 2000, to include actions initiated between October 1 and November 3, 2000.

RESULTS

The status of the 191 expired grants, as of September 30, 2000, is noted in the attached tables. Two tables are presented for each of the three categories of grants. The primary tables denote grants with expired grant periods for which followup actions are appropriate to determine the need for extended performance periods or closing actions. The supplemental tables denote actions initiated between October 1 and November 3, 2000 on expired grants that were included in our draft report. Actions include grant closings, deobligations, extension of performance periods, and progress payments. Additional followup is necessary for cases where progress payments were noted but the grant performance period has expired.

As of report issuance, we noted:

1. 24 open grants with expired performance periods prior to October 1, 2000, for which no payments had been made. The balances in these grants totaled \$2,733,048.
2. 22 open grants with expired performance periods prior to October 1, 2000, for which less than 50 percent of the approved/obligated funds had been utilized. The balances in these grants totaled \$1,238,730.
3. 33 open grants with expired performance periods prior to April 1, 2000, for which more than 50 percent of funds had been utilized. The balances in these grants totaled \$642,576.
4. During the period October 1 to November 3, 2000, actions were initiated on 41 additional grants noted in our draft report as expired and available for followup. Actions included 22 grant closings with deobligations of \$229,771 in 9 cases; extension of performance periods in 10 cases; and identification of progress payments in 9 additional cases. However, in 9 of 10 cases where progress payments were noted, the grant period had not been extended.
5. We identified 76 grants with expiration dates between April 1 and September 30, 2000, for which balances were less than 50 percent of approved funds. Although these grants were not considered sufficient to include in this report, followup is appropriate to avoid excessive time frames between grant expiration and closing action.

The emphasis by ARC on grant management is noted by the limited number of open grants with old expiration dates. As of October 1, 2000, we noted only 12 open grants in categories 1 and 2, above, with expiration dates prior to April 1, 2000. Further, as of report issuance, only 4 of these grants with expiration dates prior to April 1, 2000, remained open, with balances of \$368,270 (XX-12891, XX-13082, XX-12440, and PA-7784). With respect to the 29 grants in category 3 with less than 50-percent balance, it appeared closing actions were often awaiting final reports from grantees. For example, in 11 cases, the balance represented the 10 percent that is retained pending receipt of a final report; and in another 5 cases, the balances were under \$5,000.

However, the Pennsylvania Consolidated Technical Assistance grants (PA-7784) continue to be a primary example of grantees not initiating timely action to draw down funds. As of November 9, 2000, payments had not been made for grants approved on September 25, 1998, and September 30, 1999, respectively. These grants, which had balances of \$312,784 and \$442,216, had expiration dates of February 1 and September 30, 2000, respectively. Our prior reviews indicated the grantee conducted project activities on a timely basis, but internal

processes resulted in substantial delays in forwarding requests for payments to ARC. Consequently, ARC records reflect no payments and result in a large amount of unliquidated obligations for this grantee after grant expiration. Actions should continue to encourage the grantee to submit payment requests timely and/or deobligations should be initiated in accordance with sound business practice.

Although substantive actions have been initiated to ensure timely action on grants with expired performance periods, including substantial deobligations for use on other projects, additional emphasis should be placed on followup action prior to, or in conjunction with, the expiration of the grant period in order to determine if a justifiable extension is appropriate and/or the project is complete. This is particularly applicable for projects with large balances, including no drawdowns, and would permit extension of grant periods prior to expiration, when justified, or more timely deobligations of funds. With respect to open grants with expired grant periods for which closure is dependent on receipt of final reports from the grantee, time frames for receipt of such reports should be identified and enforced through deobligations, unless justifying circumstances exist. Timely receipt of final reports is also appropriate for program review and planning.

Program officials noted they were initiating an automatic followup system that would identify, notify, and query grantees concurrently with the expiration of grant performance periods and periodically thereafter. Also, notifications would identify a reasonable period for submission of final reports. We concur with this action and suggest consideration also be given to contacting grantees with little payment request activity prior to the expiration date to determine the project status, need for an extended performance period, or potential for closing.

RECOMMENDATIONS

- Followup should be initiated on grants noted as having expired performance periods, with project closings; extensions, if justified; and deobligations, where necessary.
- Consideration should also be given to obtaining the status of projects 30 to 60 days prior to expiration date for grants with limited payment activity during the grant period.
- Grants remaining open after the expiration date due to need for final reports should be appropriately coded and provision made for a followup action within a specified period to obtain reports or deobligate remaining balances.
- Action should be initiated to obtain timely reimbursement requests from the Pennsylvania Department of Economic and Community Development in connection with technical assistance grants; and in the absence of improvements, action should be initiated to deobligate fund balances within a reasonable period after the grant expiration period.


Hubert N. Sparks
Inspector General

Attachment

SAMPLED GRANTS

Tables I and IA

Table I denotes grants with no payments for which the performance period expired as of September 30, 2000. Twenty-three grants, with balances totaling \$2,290,832, are identified for followup action to determine the need for closing or extension of performance periods.

Table IA denotes 16 grants in this category that were identified in our draft report for which actions were initiated between October 1 and November 3, 2000. These actions included 10 grant closings, including deobligations of \$93,461 in 5 cases; extension of performance period in 4 cases; and progress payments in 2 cases. However, the expired performance period was not extended in these 2 cases.

Table I

Grants Expired as of 9/30/00
No Payments Made as of 10/31/00

Project No.	Title	End Date	Obligated
XX-12891	Regional Symposium Water Management	11/30/98	\$ 20,000
XX-13082-C-1	Heart Disease in Appalachia	5/31/99	16,296
XX-12440-E-1	Plan for Technology in Mississippi Region	12/31/99	19,200
PA-7784-C19	Consolidated Technical Assistance	2/1/00	312,784
PA-7784-C20	Consolidated Technical Assistance	9/30/00	442,216
VA-11571-C1	Shared & Distributed GIS—Phase II	3/1/00	62,230
AL-13740-1	Literacy Demonstration Site, Reading	6/23/00	14,930
XX-13097-D1	DDAA Information On-line Service	7/21/00	60,000
KY-13499-1	Cedar Creek Lake Development Plan	7/31/00	30,000
XX-13399-1R	McCreary County Com & Econ Dev Plan	8/30/00	30,000
AL-13244	Jefferson College Workforce Development	8/31/00	200,000
AL-13450	J. F. Ingram College Computer Assessment	8/31/00	57,642
NC-12868-C1	Madison County Straight-Pipe Elimination	8/31/00	50,000
NY-13354	Corning Early Childhood Development	8/31/00	42,260
AL-12931-C1	ASBDC Entrepreneurial Development Training	9/30/00	22,500
AL-13554	Fultondale Emergency Health Equipment	9/30/00	25,000
MD-10953-C8	Consolidated Technical Assistance	9/30/00	200,000
NC-7780-C20	Consolidated Technical Assistance	9/30/00	391,727
OH-13825	Basis of Successful Start	9/30/00	40,000
PA-7784-C20	Consolidated Technical Assistance	9/30/00	442,216
PA-13150	Precision Manufacturing Tool Equipment	9/30/00	100,000
PA-13415	Greene County Technical School	9/30/00	52,407
PA-13712	Keystone Opportunity Site Development Plans	9/30/00	71,650
WV-13541	McDowell County Telecommunications	9/30/00	30,000
24 Grants			\$2,733,048

Table IA

Actions Initiated 10/1-11/3/2000

Project No.	Title	End Date	Obligated	Closing Date	Deobligated
XX-12663	McDowell App Reg Hsp Preventative Health, KY	3/31/98	\$5,000	10/23/00	\$ 5,000
XX-12616	Meadow River Park Flood Recovery, WV	11/24/98	3,860	10/11/00	3,860
GA-13550	NW GA Small Business Incubator Study	6/30/00	15,000	11/30	-
KY-13565	KY Leaders for New Century	3/31/00	7,719	10/11/00	-
WV-13309	WV Telecommunications Initiative	9/30/01	72,000	-	-
AL-13452	N AL Science Center	7/1/01	200,000	-	-
VA-13733	Blue Ridge Music Trail	6/1/01	50,000	-	-
GA-7769	Consolidated Technical Assistance	6/30/00	141,583	10/11/00	42,639
PA-13504	99 Statewide Contractors Forum	6/30/00	25,000	11/3/00	16,962
AL-13370	Shorter Consolidated Planning Initiative	8/31/00	48,800	10/11/00	-
MS-13475	Itawamba Community College Education Equipment	5/31/01	275,000	-	-
MS-13475	Itawamba Community College Education Equipment	9/30/00	25,000	10/3/00	25,000
XX-13697	Buckhorn Mother & Infant Visit Study	12/21/00	20,775	-	-
PA-13414	Greene County Enterprise Incubator	9/30/00	15,000	-	<u>1/</u>
XX-13803	Helping Our People Exist	9/30/00	15,000	-	-
VA-12579	VA Trade Show Assistance Program	9/30/00	45,000	-	<u>2/</u>
16 Grants					\$93,461

Notes:

1/ A progress payment of \$78,239 was made on 10/19/00. However, the performance period remained 9/30/00.

2/ A progress payment of \$31,090 was made on 11/2/00. However, the performance period remained 9/30/00.

Tables II and IIA

Table II denotes 22 grants that expired as of September 30, 2000, for which at least 50 percent of the funds obligated were not requested by the grantee. The balance of these grants was \$1,238,730, and followup action is appropriate.

Table IIA denotes 17 grants in this category that were identified in our draft report for which actions were initiated between October 1 and November 3, 2000. These actions included grant closings, including deobligations of \$124,725 in 2 cases; 2 extensions of the performance period beyond October 31, 2000; and 7 additional cases where progress payments were noted but the performance period had not been extended. The latter cases need additional followup to determine the need for performance period extensions or other actions.

Table II

Grants Expired as of 9/30/00
With Payments of 50 Percent or Less

Project No.	Title	End Date	Obligated	Paid	Balance
AL-12931	ASBDC Entrepr Development Trg	5/31/00	\$ 43,000	\$ 6,607	\$ 36,392
NY-12594-2	S Tier West Telecommunications	6/3/00	15,000	8,032	6,968
WV-7762-C17	Consolidated Technical Assistance	6/3/00	350,000	126,941	223,059
WV-13269	WV Real Estate Distressed County	6/30/00	28,500	14,500	14,000
NY-12595-C2	Watershed Education Technology	7/14/00	19,405	8,799	10,605
NC-13453	New River/American Heritage River	7/31/00	200/000	78,614	121,385
NY-13024	Improving Rural Health Telemedicine	7/31/00	91,650	39,200	52,449
GA-13177-C1	Elbert County Adult Literacy	8/31/00	45,391	20,475	24,915
MD-13466	Western MD Multi-use Telehealth	8/31/00	81,122	28,090	53,032
WV-13360	WV Movie Industry Development	8/31/00	60,000	25,000	35,000
VA-13392	Highland Country Market Entrepr	9/15/00	50,000	22,179	27,820
AL-13189	Auburn University Youth Entrepr	9/30/00	100,000	12,075	87,924
KY-7779	Consolidated Technical Assistance	9/30/00	75,256	33,554	41,701
MD-13004	Frostburg University Entrepr	9/30/00	50,000	11,349	38,650
MS-12666-C1	MS Community Capacity Building	9/30/00	50,000	23,025	26,974
OH-13132	Regional Minority Youth Entrepr	9/30/00	40,000	20,000	20,000
PA-13051	Scranton Expanded Rural Outreach	9/30/00	21,322	4,317	17,004
SC-13089	SC Revolving Loan Fund Entrepr	9/30/00	75,000	12,440	62,560
TN-11478-C4	Hancock County Dental	9/30/00	38,700	5,015	33,684
VA-13460	Operation Tourism 2001 for SW VA	9/30/00	100,000	50,000	50,000
WV-12951	WV Competitive Improvement	9/30/00	250,000	65,269	184,731
WV-13272	Marketing Microbusiness in WV	9/30/00	95,000	25,122	69,877
22 Grants					\$1,238,730

Table IIA

Actions Initiated 10/1-11/3/00

Project No.	Title	End Date	Obligated	Balance 11/3	Closing Date	Deobligated
VA-11496	ISO 9000 Training	1/31/95	100,000	-	-	<u>4/</u>
AL-13085	Emerald Triangle Economic Dev	9/30/99	20,000	-	10/30/00	\$ 8,792
WV-12920	Community Capital Formation Initiative	3/31/00	70,000	-	10/11/00	-
NY-13335	S Tier Central Partnership	5/31/00	86,000	-	10/11/00	-
AL-13283	Leadership Dev	6/30/00	48,000	-	10/11/00	-
TN-7783	Consolidated Technical Assistance	6/30/00	220,000	-	10/11/00	115,933
XX-13027	Natl Community Capital Equity & Revolving Loan	6/30/00	19,900	-	-	-
NY-12330	S Tier West Leadership & Civic Dev	10/31/00	45,000	\$ 12,500	-	<u>1/</u>
XX-12884	KY Statistical Portrait of App Children in Poverty	8/1/00	17,990	-	10/11/00	-
AL-13484	Auburn U Systems Engineer Trg & Empl	3/31/01	200,000	180,000	-	-
AL-13496	U AL Better Schools Bldg Better Communities	8/31/01	191,179	91,750	-	<u>2/</u>
GA-13544	NWGA Strategic Telecom Design	9/30/00	85,300	42,166	-	<u>3/</u>
NY-12333	S Tier East Telecom	9/30/00	80,200	26,155	-	<u>3/</u>
NY-12593	S Tier Cent Telecom	9/30/00	34,000	16,374	-	<u>3/</u>
OH-7781	Consolidated Technical Assistance	9/30/00	100,000	30,342	-	<u>3/</u>
OH-12859	App Leadership Initiative	9/30/00	55,230	12,744	-	<u>3/</u>
PA-12747	Fayette County Workforce Trg Pilot	9/30/00	100,000	22,952	-	<u>3/</u>
17 Grants						

Notes:

1/ Progress payment made 10/31/00, but grant not extended beyond 10/31/00. Balance \$12,500.

2/ Progress payment of \$66,315 made on 11/1/00. Balance \$91,750.

3/ Progress payments between 10/1-11/3/00 noted for these grants, but performance period not extended beyond 9/30/00.

4/ Included in March 1999 report.

Tables III and IIIA

Table III identifies grants with less than 50 percent of funds available for which the performance period expired as of March 31, 2000. The balances in these grants totaled \$642,576.

Table IIIA identifies actions initiated between October 1 and November 3, 2000, on 8 grants in this category that were included in our draft report. Actions included 4 grant closings with deobligations of \$11,585 in 2 cases and extensions of the grant period in 4 cases. However, in 2 cases, NY-13018 and NY-12971, the extended period has expired.

Table III

Expired Grants as of 3/31/00
With Payments of More Than 50 Percent

Project No.	Title	End Date	Obligated	Paid	Balance
KY-12838	KY Civics Ed Elementary Students	6/30/98	\$16,000	\$13,500	\$ 2,500
WV-12349	Canadian Tourism Marketing	6/30/98	25,000	22,500	2,500
XX-13070	WV Empowerment Zone/Entrepr	10/31/98	30,000	30,000	1/
XX-12293-I	Sneedville/Hancock Leadership	12/21/98	9,000	7,872	1,127
XX-12731	App Health Professionals Assn, NC	3/31/99	20,680	16,103	4,576
XX-12293-J	Jump Start Skilled Trade Intern, TN	4/30/99	11,340	10,260	1,080
XX-12293-M	Big Ugly Family Ed, WV	4/30/99	19,540	17,586	1,954
XX-12293-L	Hurley Community Revitalization	5/31/99	17,500	17,500	1/
XX-12884-G	Assessment of Transportation Plans	6/30/99	55,450	49,905	5,545
AL-12447	Jefferson County Distance Learning-I	8/31/99	200,000	158,215	41,784
WV-12918	Telecom Tech Dev, WV	8/31/99	39,850	31,090	8,760
XX-12293-G	Salamanca Riverwalk, NY	8/31/99	12,095	10,885	1,210
AL-12359	AL Ed & Leadership Dev	9/30/99	102,000	102,000	1/
MS-7763-C18	Consolidated Technical Assistance	9/30/99	155,000	144,501	10,498
NC-12321	WNC Connect Telecom	9/30/99	761,927	544,349	217,577
WV-12980	Reg Comm Self-sufficiency Adv	9/30/99	15,000	13,500	1,500
XX-13027-B	Entrepr Ed & Trg	9/30/99	52,013	32,792	19,220
AL-12852	Birmingham Quality Child Care	12/31/99	199,463	144,890	54,572
KY-12824	Lincoln County 911 System Equip	12/31/99	96,620	86,958	9,662
KY-13119	Leadership East KY	12/31/99	105,000	55,000	50,000
KY-13281	MACED Virtual Entrepr Ctr	12/31/99	37,500	33,750	3,750
NY-13018	Jamestown CC Workforce Compet	12/31/99	120,000	108,000	12,000
OH-13262	Buckeye Hills Technology Upgrade	12/31/99	61,583	56,325	6,258
XX-13027-H	Entrepr Ed Resources	12/31/99	30,443	29,745	698
AL-13086	Jackson County Distance Learning	1/30/00	200,000	130,000	70,000
NY-13041	S Tier Econ Dev Zones Mkt Strategy	1/31/00	20,000	13,335	6,665
OH-11566-C1	OH Cooperative Tourism Marketing	1/31/00	135,000	83,535	51,464
NY-12971	Worker Ownership Resource Ctr	2/29/00	60,000	32,104	27,895
OH-13291	Meigs County Craft Brochure	3/1/00	40,000	35,999	4,001
XX-11806-D	Export Sales Data App Reg Update	3/2/00	60,000	41,198	18,801
NC-12836	Handmade in America	3/31/00	153,400	153,400	1/
XX-13027-C1	Capital Access Entrepr Initiative	3/31/00	31,622	26,152	5,470
XX-13091	Mill Springs Outdoor Theater Study	3/31/00	15,000	13,500	1,500
33 Grants			\$2,908,026		\$642,576

Notes:

1/ Zero balance but project information needed prior to closing.

Table IIIA

Actions Initiated 10/1-11/3/00

Project No.	Title	End Date	Obligated	Balance	Closing Date	Deobligated
TN-12161	Cocke County Comprehensive Dental Svc	9/30/98	\$ 37,500	-	10/6/00	<u>3/</u>
AL-13085	Emerald Triangle Econ Dev	9/30/99	20,000	-	10/30/00	\$ 8,792
VA-13302	App Partnership	1/31/00	45,000	-	10/11/00	-
VA-13364	Mountain Empire Reg Business Incubator	1/31/00	35,000	-	11/1/00	2,793
KY-13119	Leadership East KY	12/31/00	105,000	\$ 50,000	-	<u>1/</u>
NY-13018	Jamestown CC Workforce Competitiveness	6/30/00	120,000	12,000	-	<u>2/</u>
NY-13041	S Tier Econ Dev Zones Marketing Strategy	1/31/01	20,000	6,665	-	<u>1/</u>
NY-12971	Worker Ownership Resource Ctr	10/31/00	60,000	27,895	-	-
8 Grants						

Notes:

- 1/ Project extended beyond 10/31/00.
- 2/ Project extended, but extension period has expired.
- 3/ Listed in March 1999 report.

Tables III and IIIA

Table III identifies grants with less than 50 percent of funds available for which the performance period expired as of March 31, 2000. The balances in these grants totaled \$642,576.

Table IIIA identifies actions initiated between October 1 and November 3, 2000, on 8 grants in this category that were included in our draft report. Actions included 4 grant closings with deobligations of \$11,585 in 2 cases and extensions of the grant period in 4 cases. However, in 2 cases, NY-13018 and NY-12971, the extended period has expired.

Table III

Expired Grants as of 3/31/00
With Payments of More Than 50 Percent

Project No.	Title	End Date	Obligated	Paid	Balance
KY-12838	KY Civics Ed Elementary Students	6/30/98	\$16,000	\$13,500	\$ 2,500
WV-12349	Canadian Tourism Marketing	6/30/98	25,000	22,500	2,500
XX-13070	WV Empowerment Zone/Entrepr	10/31/98	30,000	30,000	<u>1/</u>
XX-12293-I	Sneedville/Hancock Leadership	12/21/98	9,000	7,872	1,127
XX-12731	App Health Professionals Assn, NC	3/31/99	20,680	16,103	4,576
XX-12293-J	Jump Start Skilled Trade Intern, TN	4/30/99	11,340	10,260	1,080
XX-12293-M	Big Ugly Family Ed, WV	4/30/99	19,540	17,586	1,954
XX-12293-L	Hurley Community Revitalization	5/31/99	17,500	17,500	<u>1/</u>
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AL-12359	AL Ed & Leadership Dev	9/30/99	102,000	102,000	<u>1/</u>
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