



**Open Basic (Child) Agency Grants
OIG Report 16-13**

March 31, 2016

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Summary

ARC continues emphasis on follow-up on older open grants to identify potential actions such as grant closing and de-obligations. This included de-obligations of \$500,000 for 3 grants included in our prior report dated September 30, 2015.

Continued emphasis on older grants, including grants with no reported expenditures, small balances, and ARC guidance with respect to follow-up if projects not started within 18 months of grant approval, grants with zero balances, expired end dates and timely receipt of Basic Agency Monitoring Reports (BAMR) is appropriate.

This report contains 32 grants with no ARC disbursements that were included in the prior OIG report.

Also, an additional 28 grants approved prior to October 1, 2014 were identified for follow-up.

Background

ARC uses other agencies such as USDA Rural Development, HUD, TVA and EPA (Basic Agency) to administer construction related projects. The Basic Agency is responsible for monitoring and reporting on project implementation. Basic Agency is used as terminology although the official terminology for use of other agencies by ARC is Child Agency.

The ARC grant management system and the annual Basic Agency Monitoring Report (BAMR) are primary management tools for identifying the status of grants administered by Basic Agencies and necessary ARC follow-up. These information sources were used to identify grants with no disbursements at least 18 months subsequent to ARC grant approval as a basis for additional ARC follow-up with respect to grant status and necessary action. In many cases available information identified significant project progress despite no request for ARC disbursements and these grants were excluded from recommendations for follow-up.

An 18 month period was used based on ARC guidance that the Commission, based on a State request, can revise or revoke grant approval if the work intended is not underway within 18 months of grant approval. We also recognized that various factors, including delayed Basic Agency approvals or obligations, can delay project implementation.

Results

Fifty-nine open grants were identified for additional ARC follow-up. This included 35 grants administered by RD, 15 by HUD, 2 by EPA and 7 by TVA. 32 of these grants were included in prior OIG reports, and 28 additional grants were added for follow-up. The unexpended ARC balances of these grants totaled \$18,100,505.

In three cases de-obligations of \$500,000 were identified.

Available BAMR information and comments were used to identify grants recommended for follow-up including instances where no changed conditions were noted from prior BAMRs. Although we recognize that follow-up 18 months after ARC grant approval is a short period with respect to construction projects these grants are included based on the absence of a BAMR or a BAMR that we believe indicates an issue needing follow-up prior to the next scheduled BAMR.

Of particular significance are grants approved by ARC from four to nine years prior to March 31, 2016 and for which no ARC funds were reported disbursed. This included nine with balances of \$2,739,018 that were also obligated by the Basic Agency at least four years prior to March 31, 2016. These unliquidated obligations reduce the number of approvals for other needed projects.

14 grants were identified with smaller or inactive balances totaling \$349,416 and follow-up could identify grants subject to closing and de-obligations. (Table B)

Expired Performance Period

Performance periods/end dates for construction grants were not identified by ARC and or Basic Agencies until about 2013. Based on available information we identified 37 grants approved prior to October 1, 2014 with expired performance periods and ARC balances totaling \$5,745,156. Expenditures after the end of the performance period can be classified as ineligible costs and payments suspended or recovered. (Table C)

Zero Balances

73 grants were identified as having zero balances including cases where the last ARC payment was made a lengthy period prior to this report. Although this condition does not have a significant impact on ARC operations timely grant closings, including obtaining final reports on grant results, and a more realistic identification of the number of active projects are considered appropriate management actions.

18 Month ARC Guidance

As noted ARC guidance provides that the Commission, based on a State request, can revise or revoke grant approval if a project is not started within 18 months of project approval. State implementation of this guidance has been limited. Although we concur that periodic follow-up on inactive or delayed projects is appropriate the use of 18 months from grant approval as a guideline with respect to construction projects may be impractical. Various factors such as delayed Basic Agency project approval and/or obligations, and difficulties with respect to land rights, environmental issues or matching funds can contribute to project delays. A more realistic period could result in increased State attention and follow-up to identify construction grants needing revisions or revocation. Recent ARC established controls use 18 months from date of obligations and we concur with this action.

Basic Agency Monitoring Reports (BAMR)

Table A identifies the absence of BAMRs for 23 grants. This restricts the use of this tool as a primary means of identifying project status. ARC controls include identification of late or non-received BAMRs and provides a basis for follow-up with the applicable Basic Agency.

Recommendations

- Follow-up actions with respect to grants noted without any ARC disbursements should be continued with emphasis on grants approved many years previous for which limited activity was noted.
- Expired performance dates should be addressed based on grantee requests and support for needed extensions.
- Grants with zero balances should be closed as soon as practical.
- The need for timely BAMRs should be emphasized to Basic Agencies.
- Consider revision of the ARC guidance with respect to possible actions 18 months after ARC grant approval.

Table A

Open Basic Agency Grants Approval Prior to October 1, 2014 with
no Reported ARC Disbursements

<u>Grant No</u>	<u>ARC Approval</u>	Basic Agency <u>obligation</u>	<u>ARC funds</u>	<u>BAMR comment</u>	
HUD					
KY-17793	9/24/2014	1/5/2015	\$147,772.00	Working on design	
KY-17811	8/20/2014	4/2/2015	\$500,000.00	Design not finalized	
KY-17861	7/2/2014	10/1/2014	\$500,000.00	ER not completed	
KY-17922	9/19/2014	1/31/2015	\$200,000.00	No Activity	
MD-17816	8/14/2014		\$150,000.00	No BAMR	
NY-16270	9/9/2009	10/31/2010	\$144,918.00	No BAMR	1/2
OH-17752	2/28/2014	7/31/2014	\$250,000.00	No BAMR	
OH-17878	9/24/2014	1/31/2015	\$105,000.00	No BAMR	
PA-15612	9/21/2007	12/3/2007	\$145,000.00	No BAMR	1/2
PA-16868	3/3/2011	9/30/2012	\$100,000.00	Design Phase	1
PA-16979	8/1/2011	11/31/12	\$200,000.00	No BAMR	1
PA-17254	6/22/2012		\$100,000.00	No BAMR	1
PA-17660	9/12/2013	7/31/2015	\$150,000.00	No BAMR	1
PA-17661	9/4/2013	7/31/2015	\$125,000.00	No BAMR	1
PA-17812	8/4/2014	4/30/2015	\$100,000.00	No BAMR	
EDA					
TN-17166	9/21/2011	6/1/2011	\$135,000.00	Transferred from RD	2
NY-17685	9/12/2013	6/30/2014	\$150,000.00	No BAMR	
RD					
GA-17266	9/26/2012	9/30/2012	\$300,000.00	Design started	1
GA-17584	8/23/2013	9/30/2013	\$93,933.00	Design phase	1
GA-17590	9/18/2013	9/30/2013	\$125,000.00	Loc issue	1
GA-17591	9/3/2013	9/26/2013	\$370,000.00	Bid advertised	1
GA-17618	8/23/2013	9/30/2013	\$300,000.00	Delayed airport expansion	1
GA-17671	9/26/2013	11/30/2013	\$225,750.00	Design phase	1
MD-17383	8/28/2012	9/30/2012	\$275,000.00	ER not approved	1
NY-17290	6/22/2012		\$150,000.00	No RD application	1
OH-16428	9/24/2010	9/30/2010	\$250,000.00	Est. completion 5/30/14	1/2
TN-16038	9/8/2008	9/30/2008	\$500,000.00	Environmental review	1/2
TN-17319	7/17/2012	7/17/2012	\$500,000.00	Needs water users	1
TN-17379	9/6/2012	9/30/2012	\$404,500.00	Needs land for project	1
VA-15703	9/21/2007	9/26/2007	\$400,000.00	Over bid	1/2
VA-16720	9/24/2010	3/9/2012	\$100,000.00	Design phase	1/2
WV-15391	8/29/2006	8/31/2006	\$1,000,000.00	Design phase	1/2

<u>Grant No</u>	<u>ARC Approval</u>	Basic Agency <u>obligation</u>	<u>ARC funds</u>	<u>BAMR comment</u>	
RD					
GA-17840	7/28/2014		\$300,000.00	No BAMR	
MD-17116 C1	8/15/2013	7/30/2014	\$200,000.00	Needs State approval	1
MD-17542	9/3/2013	1/31/2015	\$185,000.00	Plans needed	
MD-17609	7/31/2013	8/31/2013	\$300,000.00	No BAMR	1
MD-17946	9/25/2014	9/30/2014	\$20,000.00	No BAMR	
NY-17520	7/19/2013	7/19/2013	\$149,989.00	No RD application	1
NY-17743	9/15/2014		\$200,000.00	No RD application	
OH-17524	6/3/2013	6/30/2013	\$237,000.00	No BAMR	1
OH-17747	2/28/2014	3/31/2014	\$250,000.00	No BAMR	
OH-17880	8/7/2014	8/31/2014	\$250,000.00	No BAMR	
OH-17950	9/24/2014	9/30/2014	\$250,000.00	No BAMR	
PA-17799	6/30/2014	7/31/2014	\$200,000.00	No BAMR	
TN-16660 C1	9/29/2014	9/30/2014	\$450,000.00	Plans & specs being generated	
TN-17907	9/4/2014	9/25/2014	\$250,000.00	Need matching funds	
TN-17924	9/25/2014	9/30/2014	\$300,000.00	Plans under review	
WV-17609	9/31/13	8/31/2013	\$300,000.00	No BAMR	
WV-17656	9/3/2013	5/22/2015	\$1,500,000.00	Design phase	1
WV-17917	9/10/2014	9/30/2014	\$932,000.00	Design phase	
WV-17918	9/30/2014	9/30/2014	\$300,000.00	No BAMR	
WV-17972	9/25/2014	9/30/2014	\$1,500,000.00	No BAMR	
TVA					
AL-17227	7/23/2012	12/31/2013	\$69,264.00	Bid high	1
AL-17565	7/17/2014	10/31/2015	\$200,000.00	Status unclear	
GA-17033	9/1/2011	3/31/2012	\$39,100.00	Waiting on GA DOT	1/2
GA-17305	9/24/2012		\$300,000.00	Water & sewer delay	1
NC-17728	3/5/2014	12/20/2014	\$300,000.00	Waiting for easements	
TN-16657	9/30/2010	7/3/2015	\$500,000.00	Waiting for plan approval	1
TN-17663	9/11/2013	12/30/2013	\$421,279.00	Design phase	1
<u>59</u>			<u>\$18,100,505.00</u>		

1/ Grants noted in report 15-35, dated September 30, 2015

2/ No ARC payments at least four years after Basic Agency obligation

Table B

Open Grants with Smaller or Inactive Balances

<u>Grant No.</u>	<u>ARC approval</u>	<u>ARC funds</u>	<u>Last Payment</u>		<u>Balance</u>
			<u>\$</u>	<u>Date</u>	
HUD					
AL-17472	12/19/2012	\$200,000.00	\$6,121.00	10/31/2013	\$15,602.00
KY-17482	2/7/2013	\$500,000.00	\$38,434.00	8/31/2015	\$4,248.00
KY-17792	5/2/2014	\$298,024.00	\$758.00	5/31/2015	\$3.00
MD-15917	4/22/2008	\$750,000.00	\$378,805.00	4/30/2013	\$108,759.00
OH-16258	9/28/2009	\$185,520.00			\$3,532.00
de-obligated					
OH-16371	8/5/2009	\$136,800.00	\$24,275.00	9/30/2015	\$300.00
OH-16935	5/4/2011	\$250,000.00	\$13,637.00	8/31/2013	\$1,000.00
OH-17543	7/15/2013	\$250,000.00	\$60,696.00	12/31/2014	\$7,115.00
SC-16727	8/18/2010	\$424,831.00	\$26,825.00	5/31/2014	\$94.00
RD					
WV-16751	8/18/2010	\$1,250,000.00	\$6,298.00	1/31/2016	\$12,027.00
TVA					
GA-17306	7/11/2012	\$171,000.00	\$5,862.00	8/31/2013	\$165,137.00
MS-17040	8/11/2011	\$200,000.00		8/31/2015	\$12,686.00
SC-15685	9/21/2007	\$475,000.00		4/30/2014	\$8,091.00
<u>TN-17339</u>	8/14/2012	\$137,825.00		8/31/2015	<u>\$10,822.00</u>
<u>14</u>					<u>\$349,416.00</u>

Table C

Open Grants Approved Prior to October 1, 2014
with Expired End Dates and ARC Balances

<u>Grant No.</u>	<u>ARC approval</u>	<u>ARC funds</u>	<u>End date</u>	<u>Balances</u>
HUD				
KY-17644	9/6/2013	\$589,587.00	1/30/2016	\$442,866.00
MD-17816	8/20/2014	\$150,000.00	12/31/2014	\$150,000.00
NC-17805	6/20/2014	\$59,500.00	10/31/2014	\$27,975.00
OH-17165	9/30/2011	\$250,000.00	8/29/2014	\$52,000.00
OH-17423	9/13/2012	\$250,000.00	10/31/2015	\$38,134.00
OH-17543		\$250,000.00	3/31/2015	\$7,115.00
OH-17752	2/28/2014	\$250,000.00	6/1/2015	\$250,000.00
OH-17878	9/24/2014	\$105,000.00	10/31/2015	\$105,000.00
OH-17951	9/29/2014	\$250,000.00	9/30/2015	\$31,367.00
RD				
GA-17840	7/28/2014	\$300,000.00	3/31/2016	\$300,000.00
KY-17384	8/31/2012	\$500,000.00	12/10/2015	\$129,939.00
KY-17402	9/18/2012	\$500,000.00	1/31/2016	\$123,839.00
KY-17404	9/6/2012	\$400,000.00	2/1/2016	\$45,734.00
KY-17522	6/3/2013	\$500,000.00	3/1/2016	\$187,615.00
KY-17611	8/2/2013	\$500,000.00	1/31/2016	\$0.00
KY-17649	9/11/2013	\$200,000.00	12/10/2015	\$58,106.00
KY-17934	9/11/2014	\$500,000.00	3/31/2016	\$356,223.00
KY-17948	9/12/2014	\$170,000.00	2/1/2016	\$15,435.00
MD-17946	9/25/2014	\$20,000.00	9/30/2015	\$20,000.00
NC-16682 & R-1	9/29/2010	\$525,927.00	4/1/2014	\$43,186.00
NC-16913	1/5/2012	\$300,000.00	3/31/2016	\$16,512.00
NC-16999	9/19/2011	\$420,000.00	12/7/2015	\$199,813.00
NC-17013	9/14/2011	\$100,000.00	2/29/2016	\$46,280.00
NY-16873	3/3/2011	\$150,000.00	3/31/2016	\$150,000.00
NY-17092	9/24/2011	\$150,000.00	1/31/2016	\$150,000.00
OH-17747	2/28/2014	\$250,000.00	5/31/2015	\$250,000.00
OH-17880	9/27/2014	\$250,000.00	6/1/2015	\$250,000.00
PA-17704	9/23/2013	\$150,000.00	1/31/2016	\$150,000.00
PA-17799	9/30/2014	\$200,000.00	2/15/2016	\$200,000.00
TN-16038	9/8/2008	\$500,000.00	9/30/2015	\$500,000.00
TN-16654	9/8/2010	\$500,000.00	2/2/2015	\$118,429.00
TN-17189	1/23/2012	\$485,000.00	3/2/2016	\$424,543.00
TN-17914	8/28/2014	\$500,000.00	2/18/2016	\$165,783.00
TN-17915	7/28/2014	\$500,000.00	2/9/2016	\$500,000.00
<u>Grant No.</u>	<u>ARC approval</u>	<u>ARC funds</u>	<u>End date</u>	<u>Balances</u>
TVA				
AL-17565	8/1/2013	\$200,000.00	3/4/2016	\$200,000.00
TN-17339	8/14/2012	\$137,825.00	2/28/2016	\$10,822.00
<u>TN-17666</u>	9/11/2013	\$500,000.00	11/20/2013	<u>\$28,440.00</u>
<u>37</u>				<u>\$5,745,156.00</u>