

APPALACHIAN REGIONAL COMMISSION

Revolving Loan Fund

Grant Number PA-10109-88-I-302-0615

and

Grant Number PA-7752A-93-I-302-1117

SURVEY REPORT

SEDA - COUNCIL OF GOVERNMENTS

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OIG Report No. 95-12e(H)

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PURPOSE AND SCOPE

We performed a survey of the financial and programmatic records as they relate to Grant Number OH-10296-89-I-302-0330 awarded by the Appalachian Regional Commission (ARC) to the Buckeye Hills-Hocking Valley Regional Development District (Grantee). The grant period began October 1, 1989 and continues as long as the Revolving Loan Fund is in operation. We performed this survey during the period March 2 to March 3, 1995.

The objective of the survey was to determine whether the Grantee maintained adequate accountability over program funding and programmatic records as they relate to ARC Grant Number OH-10296-89-I-302-0330. The scope of our survey was limited to the procedures enumerated in the following paragraphs:

1. Held an entrance conference with the RLF Manager and discussed the scope of the survey.
2. Obtained and reviewed a copy of the grant agreement and all amendments.
3. Held discussions with the Financial Manager and the RLF Program Manager regarding financial records, reporting, and programmatic operations.
4. Obtained and reviewed a list of the current loans outstanding and their current status.
5. Obtained and reviewed a copy of the most recent Financial Status Report filed with ARC, by the Grantee, and traced several expenses to supporting documentation to determine that expenses were spent in accordance with the ARC Revolving Loan Fund Guidelines.
6. Performed survey procedures to determine the Grantee's adherence to the ARC Revolving Loan Fund Guidelines as related to: revolving loan fund management, reporting requirements, and financial audit requirements.
7. Obtained and reviewed the June 30, 1993 Buckeye Hills-Hocking Valley Regional Development District's OMB Circular A-128 audit.
8. Performed two borrower site visits to verify the accuracy of the report of jobs created and retained, and to determine the extent of contact between the borrowers and the RLF program manager.
9. Held an exit conference with the RLF Program Manager to discuss any observations and recommendations.

BACKGROUND

The Buckeye Hills-Hocking Valley Regional Development District (BH-HVRDD) was awarded a Revolving Loan Fund (RLF) grant for \$200,000 by the Appalachian Regional Commission on October 1, 1989. The grant was increased by \$350,000, resulting in a total capitalization of \$550,000.

As of January 31, 1995, the Grantee had 12 loans outstanding totaling \$323,096.99, and two loans had been paid in full. These loans have been used for the acquisition of buildings, machinery, equipment, and inventory for new and existing businesses.

As of the date of our survey, BH-HVRDD has \$236,500 of undrawn funds at ARC and \$51,459.56 in cash on hand for a total of \$287,959.56 available to loan. There are two loans in the process of being reviewed, each for \$100,000.00. If these two loans are approved, approximately \$90,000 will be available for loans.

SUMMARY OF SURVEY RESULTS

1. The Grantee maintained adequate financial records and controls relating to the Revolving Loan Fund.
2. None of the loans serviced by BH-HVRDD are currently in default. However, two of the loans are delinquent by two monthly payments. BH-HVRDD is working with each of these borrowers to ensure payment will be made.
3. It appears that all the borrowers have currently achieved or are achieving their job creation goals of one job per each \$15,000 borrowed.
4. It appears that the Grantee maintains adequate contact with the borrowers.
5. BH-HVRDD is doing an adequate job of marketing the Revolving Loan Fund program to the area. They have developed a marketing pamphlet that describes BH-HVRDD and an overview of the Revolving Loan Fund program.

Our survey did not disclose any matters which we believe need to be brought to the attention of the Grantee.

**CURRENT FINANCIAL STATUS OF LOANS
(Unaudited)**

Borrower	Loan Amount	Date Closed	Status	Loan Balance as of 01/31/95
Barlow Auto Parts	\$40,000.00	04/26/90	C	\$6,782.96
Middleport Dept. Store	40,000.00	08/16/91	C	28,486.29
T.C. Woodworking #1	17,700.00	10/02/91	C	8,208.12
T.C. Woodworking #2	12,888.80	10/02/91	C	9,866.29
Jabo, Inc.	60,000.00	01/22/93	C	44,492.90
Stirling Technology, Inc.	32,000.00	02/08/93	C	12,904.79
Barths Cleaning Service	28,000.00	03/02/93	L	18,880.48
Mr. Sew & Sews	31,500.00	10/28/93	C	26,501.60
Chapman's Feed Store	7,000.00	11/05/93	C	5,642.57
Trotters Restaurant	15,000.00	12/22/93	L	13,942.11
Glass Press, Inc.	50,000.00	09/02/94	C	47,388.88
Marietta Ribs, Corp.	100,000.00	01/27/95	C	100,000.00
Save-A-Lot Store	55,000.00	04/08/91	PO	0.00
Arnold's Sales and Service	40,000.00	01/27/92	PO	0.00
TOTAL	<u>\$529,088.80</u>			<u>\$323,096.99</u>

PO = Paid Off

C = Current

L = 60 or more days past due