



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
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Office of the Inspector General

August 31, 1999

MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director


SUBJECT: OIG Report 98-24(H)—Grant GA-10091-89, Georgia RLF

The attached progress report on the Georgia RLF does not reflect a sufficient change in conditions to resolve our prior recommendation pertaining to a deobligation of some funds in order to permit unused funds that have been available since 1995 to be applied toward other projects in the Appalachian Region.

As of June 30, 1999, the grantee reported cash on hand of \$474,120 and ARC records show an unliquidated obligation of an additional \$525,505. Thus, the RLF has \$999,625 available; and loan activity of the past several years, as well as the limited on-going activity, does not reflect any reasonable basis for continuing to tie up such an amount.

We recognize that the \$525,505 unliquidated obligation does not have a negative impact on Government outlays, e.g., interest on borrowings, but believe the primary issue relates to project needs. Thus, based on cash availability, which raises another series of questions about repayment of capitalizations, our recommendation for a significant deobligation from the \$525,505 obligated but unused balance appears reasonable.

We have seen little to indicate a substantive change in this situation is forthcoming. Thus, we would appreciate a response indicating whether action will be initiated in line with our recommendations, or in other ways intended to address this situation, in order for us to reach closure on this report. For example, our comments on the draft RLF revised guidelines (copy attached) include a recommendation that language dealing with unused funds be changed from "at the request of the State" to "in coordination with the State." We believe such language is more consistent with the joint Federal/State nature of the ARC program.


Hubert N. Sparks
Inspector General

Attachments

1666 CONNECTICUT AVENUE, NW WASHINGTON, DC 20235 (202) 884-7675 FAX (202) 884-7691

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West Virginia



August 21, 1998

MEMORANDUM FOR MR. ROBERT DECKER, DIRECTOR FINANCE AND ADMINISTRATION DIVISION

SUBJECT: OIG Report 98-24(H) and Grantee Response, Georgia RLF

Based on a review of the response to the Georgia RLF, it appears opportunities remain for some deobligations of funds and use of these funds on other projects in Georgia. Assuming the projects noted in the response are closed by the end of October, 1998, approximately \$478,000 remain available for new loan commitments per our calculations.

While recognizing the anticipated loan closings noted in the report response, it would appear that a best business practice would be an agreement that some funds would be deobligated to allow other Georgia projects to proceed, with the option available that the RLF could be recapitalized if necessary by at least the amounts that would become available if other projects went forward using RLF deobligations. Such action would be dependent on state priorities.

A similar argument could be made for any RLF with large future unobligated funds, and this would seem to be consistent with the goals of project approval simplification and flexibility as well as reductions in unobligated funds and unexpended obligations. Although ARC procedures could be tightened with respect to time frames for use of funds if desired, it appears that actions could be initiated voluntarily in that prompt use of available funds would seem to be in everyone's best interests. As with any loan program, there are occasions when needs exceed available loan funds; but in most instances, the period of time between receipt of an eligible loan application and loan approval is generally sufficient to allow action to be initiated to recapitalize an RLF, provided the state agency continues to support RLFs. In essence, the issue is one of fund management rather than changed priorities.

Hubert N. Sparks
Inspector General

Project Payment Record

As of 08/24/1998

Project Number: 10091 Suffix: 0 Phase: I State: GA FY: 1989

Project Title: GA ARC Downtown Dev Revolving Loan Fund Program

Grantee: St of GA

Effective Date: 10/04/1988

Expiration Date:

Project Coordinator: DorwaldR

Retention:

Status: Open

Item #	Date	Transaction	Notes	Amount (\$)	Balance
	12/05/1988	OBLIG		1,000,000.00	
1	09/06/1989	ADVANCE	LOAN	-24,100.00	
2	10/16/1989	ADVANCE	LOAN	-70,000.00	
3	01/05/1990	ADVANCE	LOAN	-4,875.70	
4	01/30/1990	ADVANCE	LOAN	-30,000.00	
5	04/23/1990	ADVANCE	LOAN	-10,000.00	
6	08/31/1990	ADVANCE	LOAN	-27,500.00	
7	01/15/1991	ADVANCE	LOAN	-75,000.00	
8	01/25/1991	ADVANCE	LOAN	-5,000.00	
9	01/30/1991	ADVANCE	LOAN	-30,000.00	
10	03/27/1991	ADVANCE	LOAN	-15,000.00	
11	05/17/1991	ADVANCE	LOAN	-60,000.00	
12	06/05/1991	ADVANCE	LOAN	-25,000.00	
13	09/23/1991	ADVANCE	LOAN	-145,000.00	
14	10/21/1991	ADVANCE	LOAN	-126,000.00	
15	10/28/1991	ADVANCE	LOAN	-122,556.35	
	01/08/1992	REFUND		8,500.00	
16	03/20/1992	ADVANCE		-50,000.00	
	04/16/1992	REFUND	CK31317675	50,000.00	
17	04/23/1992	ADVANCE		-66,193.65	
	09/24/1992	OBLIG	AMEND. #4	199,071.00	
18	05/12/1993	ADVANCE		-55,000.00	
19	07/20/1993	ADVANCE		-282,500.00	
	09/09/1993	OBLIG	AMEND. #5	142,078.00	
20	06/16/1994	ADVANCE		-70,000.00	
	08/18/1994	OBLIG	AMEND. #6	300,000.00 ✓	
21	11/18/1994	ADVANCE		-31,150.00	
22	03/23/1995	ADVANCE		-62,300.00	
23	08/16/1995	ADVANCE		-100,000.00	
	09/19/1995	OBLIG	AMEND. #7	300,000.00 ✓	
	03/06/1997	REFUND	CK00027051	8,877.49	
	03/04/1998	REFUND	CK00032589	4,154.20	

Available at RLF 6/30/98 \$ 388,155
 Loans in process 435,000
 Not needed from ARC balance 46,845

Balance: \$525,504.99
 Needed if loans in process are closed 46,844.93
 Available balance at ARC \$ 478,659.06

The 9/19/95 capitalization and some of the 8/18/94 capitalization is still out of compliance with the ARC 18 and 36 month rules.



January 11, 1999

Ms. Tina M. Coria
Governor's Alternate
State of Georgia
Office of the Governor
Atlanta, GA 30334-0900


Dear Ms. Coria:

Thank you for your letter of December 18, 1998. We have forwarded our comments and recommendations to ARC officials. My apologies for not responding directly to Mr. Robinson's letter of August 10, 1998; but my office does not have responsibility or authority to make decisions on recommendations. Thus, we provide grantee input and our position to ARC management for their consideration. In this regard, we did not object to the prior plans, including extensions of time frames, although we continued to question the need for maintenance of the fund balances, especially obligated but unused funds.

The revised plan and the noted time frames, combined with the record since 1995, do not fully address our concerns related to ARC RLF guidelines dealing with excess financial resources, effective cash management and utilization practices, and availability of funds for other projects without negatively impacting the RLF program, for which recapitalization could be requested if such a need arose. It appears that available cash and scheduled loan repayments will be generally sufficient to cover the expected or planned loan activity through 1999, resulting in about \$500,000 of obligated funds remaining available at ARC.

We are hopeful that this situation will be resolved with the concurrence of all the parties responsible for grant approval and administration.

Sincerely,


Hubert N. Sparks
Inspector General

Attachment

cc: Mr. Steed Robinson



January 7, 1999

MEMORANDUM FOR Mr. Tom Hunter
Mr. Charles Howard

SUBJECT: Georgia RLF—OIG Report 98-24(H)

Attached are my comments regarding the December 18, 1998 letters I received from Ms. Tina Coria and Mr. Steed Robinson and some prior correspondence on this issue. I will be responding to these letters by noting my continuing recommendations and pointing out that my office does not have the authority to make decisions about recommendations but that we provide grantee and OIG input to ARC management for their consideration.


Hubert N. Sparks
Inspector General

Attachments



January 7, 1999

MEMORANDUM FOR MR. TOM HUNTER, ARC EXECUTIVE DIRECTOR

SUBJECT: Georgia RLF—OIG Report 98-24(H)


We previously recommended deobligation of RLF funds based on activity during recent years that resulted in substantial cash balances on hand, substantial obligated funds available at ARC, and noncompliance with RLF guidelines. The grantee has submitted several plans outlining potential loans and noting intentions to utilize available cash and drawdown ARC funds.

The grantee letter of December 18, 1998, notes a plan that envisions drawing down the remaining \$525,000 of obligated funds by the end of June 2000 and identifies several approved and potential loans for which cash on hand will be utilized. Prior plans indicating similar objectives have not been realized within the time frames noted. In this regard, we did not object to prior plans noting June 30, 1998, and October 31, 1998, as key dates for additional progress although we did question the need for maintenance of the high fund balances.

We recognize the grantee and state agency interest in maintaining the current RLF funding levels and efforts to utilize available funds. However, we also believe management decisions are necessary with respect to the utilization of funds in accord with RLF guidelines and in line with efficient fund management and utilization practices.

Based on available information, it appears that the noted potential loan activity will be largely sustained through 1999 by use of available cash, including 1999 loan repayments. Thus, an obligated balance of over \$500,000, which has been available for more than 3 years, will continue to remain unused. The last obligation of \$300,000 on September 19, 1995, created a balance of over \$500,000; and since that date, there have been no drawdowns and two refunds resulting from accumulation of excess cash.

Our recommendation is essentially unchanged in that we do not believe a deobligation will negatively impact the RLF program but would provide additional funds for other development projects. Thus, we recommend a reasonable deobligation, coupled with a no-slip deadline for use of remaining funds, as a realistic approach. Also, emphasis on, and support for, ARC RLF guidelines pertaining to excess financial resources and the reasons therefor could reduce recurrence of this type situation.


Hubert N. Sparks
Inspector General

cc: Charles Howard
Bob Decker
Richard Dorwaldt

98-24



GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Zell Miller
GOVERNOR

July 31, 1998

Mr. Tom Hunter
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, N. W.
Washington, D.C. 20235

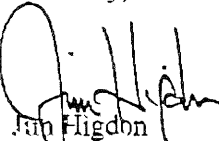
Attn: Mr. Richard Dorwaldt

Dear Mr. Hunter:

Enclosed is the Form for Reporting/Requesting Release of Grant Funds-- grant # 89-3-GA-10091-88-I-302-0615. Please do not forward any funds at this time.

The report/request is for a loan closed on June 30, 1998, to John D. Jones, Jr. and Pamela H. Jones that was approved by the RLF loan committee on March 17, 1998. Details of the loan are included in the report/request form. We expect the loan to be a good addition to our loan portfolio.

Thank you for your support of our program. Please do not hesitate to contact Steed Robinson at (404) 679-1585 if you have any questions about the report.

Sincerely,

Jim Higdon
Commissioner

JH/sr
Enclosures

Appendix A
Attachment A-1

1

Appalachian Regional Commission
THE RLF FORM
For

REPORTING LOANS DISBURSED/REQUESTING A RELEASE OF GRANT FUNDS

Borrower's Name: John D. Jones, Jr. and Pamela H. Jones

Business Mailing Address: 4179 Vansant Road, Douglasville, Georgia

Telephone No.: 404/768-8868

Location of Business: (if different from mailing address) Same

Type of Business: Manufacturing--makes pencil erasers and cosmetic pencils.

Amount of loan: \$200,000

Describe the Project for which the Loan is to be used: Loan proceeds are for the acquisition and renovation of 4179 Vansant Road, Douglasville, Georgia. Loan proceeds will also be used to purchase new equipment. The project involves the expansion of an existing business. The equipment purchase will allow the company to establish another manufacturing line for pencil erasers. The company will contribute equipment needed for the production of a new product--cosmetic pencils. The new pencil line and the new product line will lead to the creation of new jobs. Because the company is being forced to move from its current location due to the expiration of a lease, this project will also save existing jobs.

Number of Jobs created and/or retained:* C: 10 R: 22*
Number of months, from loan closing,

in which jobs will be created:* 36

*(In the case of Private Developers, see Appendix A.)

Funds will be Used for:

Land	
Building:	
Purchase (includes land)	\$400,000.00
New Construction	
Alteration/Renovation	100,000.00
Working capital	0.00
Equipment Purchase/Contribution	<u>558,000.00</u>
Total Project	\$1,058,000.00

*Number of retained jobs is estimated. The number will be confirmed with a current payroll as of the time of closing.

2

Appendix A
Attachment A-1

Sources of funds:

Borrowers Equity	\$358,000.00
Commercial Bank loan	\$500,000.00
EDA RLF	
ARC RLF	\$200,000.00
Other: (Specify)	
 Total Sources	<hr/> \$1,058,000.00

Terms of loan:

Interest rate: 6%
 Length of loan: Years 10 Months 0
 Conditions (if any):

**Standard conditions as specified in loan commitment letter and loan agreement.
 Loan is amortized for 15 years.**

Type of Collateral/Security provided:

Mortgage: 1st 2nd 3rd
 Chattel Mortgage/Lien: 1st 2nd 3rd
 Pledge of _____
 Personal Guarantee(s) by: Owners will sign the note.

Other: (Specify) Collateral will include a second mortgage on subject property and a first mortgage on outside real estate. It will also include a first lien on equipment. Key man life insurance and hazard insurance will also be required.

This Loan satisfied the Georgia Department of Community Affairs RLF Plan.

Goals & Objectives Targeting Requirements

The borrower has met the established eligibility criteria.
 Yes No Excepted.*

Explain exceptions: None

3

Appendix A
Attachment A-1

I/We certify that the following documents have been obtained from the borrower and are in file:

- | | CHECK |
|---|---------------|
| a. The borrower's loan application. | <u> X </u> |
| b. Standardized borrower financial statements. | <u> X </u> |
| c. Other relevant information relating to the application.
Specify documents: (Indicate "none" if none) | <u> X </u> |
| Appraisal | |
| d. Collateral/Security documents. (check appropriate item) | |
| Mortgage(s) | <u> X </u> |
| Loan Use Agreement | <u> X </u> |
| Promissory Note | <u> X </u> |
| Lien | <u> X </u> |
| Security Agreement | <u> X </u> |
| Note | <u> </u> |
| Personal Guarantee(s) | <u> X </u> |
| Other | <u> </u> |
| e. A credit report or credit verification on borrower. | <u> X </u> |
| f. Written evidence that commercial lending for the borrower was not otherwise available on the terms and conditions which would permit completion, successful operation or accomplishment of the borrowers project. (See Appendix A) | <u> X </u> |
| g. A certified copy of the resolution of the loan review committee recommending approval of the loan. | <u> X </u> |
| h. A certified copy of the Board of Directors resolution approving the loan, if applicable. (N/A <u> X </u>) | <u> </u> |
| i. A copy of State approval/concurrence, if applicable. (N/A <u> X </u>) | <u> </u> |

Appendix A
Attachment A-1

I/We certify that there is no actual or potential conflict of interest for any officer or employee of the grantee, Georgia Department of Community Affairs, any current or former member of the grantee's loan review committee, Board of Directors or staff who reviews, approves or otherwise participates in decisions on RLF loans or people related to them by blood, marriage or law.

I/We certify that to the best of my/our knowledge and belief that the information provided on this form is correct and complete.

Steed Robinson
Signature
RLF Manager

[Signature]
Signature
Commissioner
Grantee

7/30/98
Date

7/31/98
Date

Required Attachments to this Form:

1. A certified copy of the loan review committee recommendation on the borrowers application.
2. A certified copy of the Board of Directors resolution approving the loan (if applicable).
3. Evidence of State approval/concurrence in the loan if required by the State.

Loan Committee Resolution
Georgia Appalachian Region Business Development
Revolving Loan Fund

WHEREAS, the loan committee of the Georgia Appalachian Region Business Development Revolving Loan Fund has met on this the 17th day of March in the year 1998, and

WHEREAS, the loan committee has had the loan application of John D. Jones, Jr. and Pamela H. Jones, Kennesaw, Georgia, presented to it at said meeting by Georgia Department of Community Affairs staff, and

WHEREAS, the loan committee has reviewed said application and discussed the eligibility of the loan application and project under Georgia Department of Community Affairs and Appalachian Regional Commission policies and regulations, has discussed the need for the Appalachian Regional Commission funds for this project, and has discussed the ability of the applicant to repay all loan funds and meet other program requirements;

NOW THEREFORE, the loan committee, after due consideration, approves the said loan request for \$ 200,000 for the term of 10 years and at an interest rate of 6.90 percent subject to all the terms and conditions imposed by this committee reflected in the minutes of this meeting and in the loan commitment letter to be approved by the loan committee chairman.

Gale R. Jennings
Member

[Signature]
Member

[Signature]
Member

[Signature]
Member

[Signature]
Member

Member

Member

Member

Member

[Signature]

Attest

Attest

Georgia Department of Community Affairs
Appalachian Regional Commission Revolving Loan Fund
Statement of Funds Available from the Inception of the Fund
through December 31, 1997
 (Revised as of June 30, 1998)

RECEIPTS:

Funds Received from ARC		\$1,437,175.70
Loan Principal Repayments	\$971,012.75	
<u>Less</u> Interest Capitalized	<u>\$8,360.55</u>	
Total Due Fund from Principal		\$962,652.20
Interest on Loans	\$368,519.87	
<u>Plus</u> Interest Capitalized	<u>\$8,360.55</u>	
Total Due Fund from Interest		\$376,880.42
Loan Fees (Application Fees Only)		\$31,459.28
Investment Interest		\$87,518.54
Other - Late Fees		\$934.62
- Ga. Residential Mortgage Fees		<u>\$513.00</u>
 Total Receipts Available for Disbursement:		 \$2,897,133.86

DISBURSEMENTS:

Loans (Sum of All Promissory Notes)	\$2,388,303.89	
<u>Less</u> Interest Capitalized	<u>\$8,949.76</u>	
Total Loans Disbursed		\$2,379,354.13
RLF Administrative Costs		\$3,784.55
Grant Funds Returned to ARC		\$17,377.49
Other (Refund of Application Fee)		<u>\$3,490.00</u>
 Total Disbursements		 \$2,404,006.17
 RLF Funds Available for Loan Commitments		 \$493,127.69

LOANS COMMITTED:

End of Period Loan Commitments		\$0.00
 Net Loanable Funds Available to Grantee		 \$493,127.69

LOAN SUMMARY:

Total Loans Disbursed	\$2,379,354.13	
<u>Less</u> Principal Repayments	<u>\$962,652.30</u>	
Principal Balance		\$1,416,701.83
<u>Less</u> Loan Balances Written Off	<u>\$0.00</u>	
Grantee Adjustments:	\$589.21	
Net Loan Balance Outstanding		\$1,417,291.04



GEORGIA DEPARTMENT OF
COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Zell Miller
GOVERNOR

July 31, 1998

Mr. Tom Hunter
Executive Director
Appalachian Regional Commission
1666 Connecticut Avenue, N. W.
Washington, D.C. 20235

Attn: Mr. Richard Dorwaldt

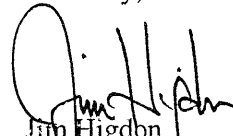
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Thank you for your support of our program. Please do not hesitate to contact Steed Robinson at (404) 679-1585 if you have any questions about the report.

Sincerely,


Jim Higdon
Commissioner

JH/sr
Enclosures



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OPPORTUNITY

**Appalachian Regional Commission
THE RLF FORM
For
REPORTING LOANS DISBURSED/REQUESTING A RELEASE OF GRANT FUNDS**

Borrower's Name: **John D. Jones, Jr. and Pamela H. Jones**

Business Mailing Address: **4179 Vansant Road, Douglasville, Georgia**

Telephone No.: **404/768-8868**

Location of Business: (if different from mailing address) **Same**

Type of Business: **Manufacturing--makes pencil erasers and cosmetic pencils.**

Amount of loan: **\$200,000**

Describe the Project for which the Loan is to be used: **Loan proceeds are for the acquisition and renovation of 4179 Vansant Road, Douglasville, Georgia. Loan proceeds will also be used to purchase new equipment. The project involves the expansion of an existing business. The equipment purchase will allow the company to establish another manufacturing line for pencil erasers. The company will contribute equipment needed for the production of a new product--cosmetic pencils. The new pencil line and the new product line will lead to the creation of new jobs. Because the company is being forced to move from its current location due to the expiration of a lease, this project will also save existing jobs.**

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Number of months, from loan closing,

in which jobs will be created:* 36

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Equipment Purchase/Contribution	<u>558,000.00</u>
Total Project	\$1,058,000.00

***Number of retained jobs is estimated. The number will be confirmed with a current payroll as of the time of closing.**

I/We certify that there is no actual or potential conflict of interest for any officer or employee of the grantee, Georgia Department of Community Affairs, any current or former member of the grantee's loan review committee, Board of Directors or staff who reviews, approves or otherwise participates in decisions on RLF loans or people related to them by blood, marriage or law.

I/We certify that to the best of my/our knowledge and belief that the information provided on this form is correct and complete.

Steve Robinson
Signature
RLF Manager

7/30/98
Date

[Signature]
Signature
Commissioner
Grantee

7/31/98
Date

Required Attachments to this Form:

1. A certified copy of the loan review committee recommendation on the borrowers application.
2. A certified copy of the Board of Directors resolution approving the loan (if applicable).
3. Evidence of State approval/concurrence in the loan if required by the State.

Loan Committee Resolution
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WHEREAS, the loan committee has had the loan application of John D. Jones, Jr. and Pamela H. Jones, Kennesaw, Georgia, presented to it at said meeting by Georgia Department of Community Affairs staff, and

WHEREAS, the loan committee has reviewed said application and discussed the eligibility of the loan application and project under Georgia Department of Community Affairs and Appalachian Regional Commission policies and regulations, has discussed the need for the Appalachian Regional Commission funds for this project, and has discussed the ability of the applicant to repay all loan funds and meet other program requirements;

NOW THEREFORE, the loan committee, after due consideration, approves the said loan request for \$200,000 for the term of 10 years and at an interest rate of 6.90 percent subject to all the terms and conditions imposed by this committee reflected in the minutes of this meeting and in the loan commitment letter to be approved by the loan committee chairman.

Gale R. Jennings
Member

John H. Miller
Member

John M. Boyd
Member

John D. Johnson
Member

W. Wayne Brown
Member

Member

Member

Member

Member

Steel Robinson

Attest

Attest



GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Zell Miller
GOVERNOR

August 10, 1998

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, DC 20235

Re: OIG Report 98-24(H), Grant 10090

Dear Mr. Sparks:

Thank you for the opportunity to respond to the above-mentioned report. We apologize that the response has been delayed due to the need to a complete status of funds report through June 30, 1998. The report was completed on August 3, 1998, and sent to Mr. Richard Dorwaldt on that date. Since this response to the OIG report refers to the status of funds report, it is attached for your information.

Through June 30, 1998, significant progress has been made on the ARC RLF. On June, 30, 1998, we closed a \$200,000 loan to John Jones (owner of Eagle Products). In addition, on June 18, 1998, the ARC RLF loan committee reviewed and approved three loan requests. The companies and the loan amounts are as follows: Interstate Industrial Electronics--\$160,000; Dan Morrow--\$110,000; and American Weavers--\$165,000. The total loan commitments now outstanding is \$435,000. (The loan to American Weavers may close in the amount of \$150,000 due to a slight short fall in collateral.) Two of these projects (Interstate Industrial Electronics and Dan Morrow) have obtained interim construction financing and have already started construction or will begin to do so shortly. These two projects are expected to close by the end of October 1998. American Weavers does not require interim financing and is expected to close by the end September 1998.

In addition, our office has made significant progress toward the reconciliation of program administration records and accounting records. Through December 31, 1997, the unaccounted for difference between the records is \$175.49. We will make every effort to complete the reconciliation as soon as possible.

To summarize the status of funds, cash available in the RLF is \$388,155.07. All of these funds, however, are committed. In fact, commitments exceed cash available by \$46,844.93. The amount of funds available for new loan commitments is \$458,660.06.

-7.
\$ 478,660.7

Mr. Hubert N. Sparks
August 10, 1998
Page Two

This amount was determined by subtracting \$46,844.93 and an administrative cushion of \$20,000 from the remaining grant funds of \$525,504.99. This means that the amount of funds available for new loans is approximately one-half of the amount available when the OIG report was issued on May 28, 1998. It also means that we do not have any excess cash as of June 30, 1998.

Finally, we agree with the report's recommendation that ARC and the State of Georgia work together to determine funding needs for this program and that controls be established to prevent, as much as possible, excess resources from accumulating in the RLF fund that could be used elsewhere. Because of the RLF's progress in recent months, we would like ARC to consider allowing us to continue operation of the fund without immediate deobligations using the following initial checkpoints: 1) close at least two of the three loans that are now obligated by October 31, 1998; and 2) prepare a written plan, approved by our governor's alternate, by October 31, 1998, that would specify other checkpoints over the following year.

We appreciate your consideration of our request. Please contact me at (404) 679-1585 if you would like further information about our response or about the six-month status of funds report.

Sincerely,



Steed Robinson
RLF Program Coordinator

/sr

enclosure

cc: Tina Coria, Governor's Alternate
Richard Dorwaldt, Program Director
Chantal Matthews, Division Director

Mr. Richard H. Dorwaldt

August 3, 1998

Page Two

As of this six-month report, Farm Supply Co. is not in compliance with job requirements, but the company has met job requirements in the past. Our office staff will follow the situation and plans no action at this point. This is also true for Jarrard's BBQ. We will seek further information from David Blackburn about his business's job creation plans.

Please contact me at (404) 679-1585 if you need further information about the report. Thank you for your help in the administration of Georgia's ARC RLF program.

Sincerely,

Steed Robinson
Program Director
ARC Business Development RLF

:sr
enclosures

**Georgia Department of Community Affairs
 Appalachian Regional Commission Revolving Loan Fund
 Statement of Funds Available from the Inception of the Fund
 through June 30, 1998**

RECEIPTS:

Funds Received from ARC		\$1,437,175.70
Loan Principal Repayments	\$1,025,891.36	
<u>Less Interest Capitalized</u>	<u>\$8,949.76</u>	
Total Due Fund from Principal		\$1,016,941.60
Interest on Loans	\$405,546.79	
<u>Plus Interest Capitalized</u>	<u>\$8,949.76</u>	
Total Due Fund from Interest		\$414,496.55
Loan Fees (Application Fees Only)		\$31,959.28
Investment Interest		\$101,653.36
Other - Late Fees		\$1,153.92
- Ga. Residential Mortgage Fees		<u>\$513.00</u>
 Total Receipts Available for Disbursement:		 \$3,003,893.41

DISBURSEMENTS:

Loans (Sum of All Promissory Notes)	\$2,588,303.89	
<u>Less Interest Capitalized</u>	<u>\$8,949.76</u>	
Total Loans Disbursed		\$2,579,354.13
RLF Administrative Costs		\$11,362.52
Grant Funds Returned to ARC		\$21,531.69
Other (Refund of Application Fee)		<u>\$3,490.00</u>
 Total Disbursements		 \$2,615,738.34
 RLF Funds Available for Loan Commitments		 \$388,155.07

LOANS COMMITTED:

End of Period Loan Commitments		\$435,000.00
 Net Loanable Funds Available to Grantee		 -\$46,844.93

LOAN SUMMARY:

Total Loans Disbursed	\$2,579,354.13	
<u>Less Principal Repayments</u>	<u>\$1,016,941.60</u>	
Principal Balance		\$1,562,412.53
<u>Less Loan Balances Written Off</u>	<u>\$0.00</u>	
Grantee Adjustments:	\$0.00	
Net Loan Balance Outstanding		\$1,562,412.53



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

April 15, 1998

Mr. Steed Robinson, RLF Manager
Georgia Department of Community Affairs
60 Executive Park South, NE, Suite 250
Atlanta, GA 30329-2231


re: OIG Report 98-24(H), Grant GA-10091

Dear Mr. Robinson:

Enclosed is a copy of our draft report dealing with the Revolving Loan Fund. We would appreciate any additional comments or information that you would like included in the final report within 30 days. In this regard, we would appreciate some comments with respect to the expectation level for the reported loan applications to result in loans, including the status of loan applications; ranking of the applications, as respects potential for loan approval; loan committee meeting schedule; and estimated time frames for approvals and disbursements.

Please call me if you have any questions.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



STATE OF GEORGIA
OFFICE OF THE GOVERNOR
ATLANTA 30334-0900

Zell Miller
GOVERNOR

December 18, 1998

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, DC 20235

Re: OIG Report 98-24(H), Grant 10090

Dear Mr. Sparks:

Enclosed is a letter from Steed Robinson to you concerning the status of Georgia's ARC RLF program. Mr. Robinson and I have discussed the RLF and agree that the RLF is making significant progress toward its goals--including its goals concerning timely fund utilization.

I endorse the lending and draw down goals cited in Mr. Robinson's letter. We hope you will seriously consider our plan and forestall any grant deobligation at this time. Mr. Robinson will report to you in April 1999 concerning the fund's progress. Please let him know if other information is needed and the deadlines required for such information.

Please call me at (404) 651-7768 if you would like to discuss these issues further. You may also call Steed Robinson at (404) 679-1585. Thank you for your consideration on this most important matter.

Sincerely,

A handwritten signature in cursive script that reads "Tina M. Coria".

Tina M. Coria
Governor's Alternate

TMC/srs

cc: Mr. Phil Whitlow, ARC Program Manager