



**Open Basic (Child) Agency Grants
OIG Report 18-40**

September 30, 2018

Open Basic (Child) Agency Grants as of September 28, 2018

Summary

This report updates prior reports dealing with grant management activities. Continued emphasis on older grants, including grants approved by ARC or obligated by State agencies prior to October 1, 2016 and no reported expenditures, grants with small and zero balances, grants with expired end dates and implementation of ARC controls to address inactive grants and performance end dates is recommended.

ARC.Net identified 36 grants approved or obligated prior to October 1, 2016 for which no payments were identified and balances totaled \$26,822,138. This included 23 grants in prior reports and 7 grants with balances totaling \$1,219,989 that were recommended for closing and deobligations by Basic Agency Monitoring Reports (BAMR). 12 of the 36 grants involved grant approvals at least four years prior to October 1, 2018.

ARC.Net identified 9 grants with smaller balances totaling \$69,495 and no recent payments and 49 grants with expired performance periods totaling about \$9.4 million for which project expenditures after the performance period are at risk of being ineligible. This included 37 grants with balances over \$50,000 and totaling \$8,762,223.

Background and Scope

The scope included open Basic Agency administered grants excluding Federal Highway administered grants.

ARC uses other agencies such as USDA Rural Development, HUD, 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. Although ARC guidance notes 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, the report emphasizes grants with at least 24 months from ARC approval or basic agency obligation. Due to various factors that can delay project implementation such as Basic Agency obligations, land rights, environmental studies and matching funds we previously recommended a 24 month follow-up period and use of Basic Agency obligation date as a starting point for construction related grants. We considered this to be a more practical time frame for follow-up and implementation of a control to encourage

timely project implementation. Also, most ARC cancellations and deobligations are based on grantee requests or BAMR reports and very limited use of the ARC Code provision that States can recommend revocation of grants not started within 18 months of approval

The review was conducted in accordance with Quality Standards for Inspections and Evaluations.

Results

Table A identifies 36 grants for which no ARC or other agency payments were reported on ARC.Net as of March 31, 2016. Balances of these grants totaled \$26,822,138 including a \$15 million dollar broadband expansion grant approved August 31, 2015. This includes 23 grants in prior reports and grants for which multiple BAMRs indicate little progress in resolving issues delaying project implementation. 12 grants were approved or funds obligated more than four years prior to October 1, 2018. Follow-up on 28 grants with no payments in the prior report consisted primarily of extending performance periods payments identifications of construction starts and deobligation or intended deobligation of 2 grants totaling \$1,500,000.

In many instances the BAMR identifies project status such as in design phase or revised project completion dates but provides no comments about the reasons for project delay or estimates of time frames for correction of issues delaying project construction. Also, the same problem issue is repeated multiple times in some BAMRs.

Of particular significance are the eleven grants identified in table B. This includes seven grants for which BAMRs totaling \$1,219,989 recommended closings, deobligation, or reallocation of funds. We recognize ARC has attempted to obtain Basic Agency information needed to close these grant and use the funds for other projects.

Table C identifies 49 grants with expired performance periods and ARC balances including 38 grants with at least \$50,000 balances totaling \$8,762,223. Based on ARC policy direct project expenditures made after the performance period are ineligible and these funds are at risk based on current identified end dates and absence of supportable grant extensions. For example, ARC.Net notes that grant GA-17671 had end date of September 27, 2017 and a payment of \$225,750 was made June 30, 2018. Similar type actions were noted for additional grants.

Table D identifies 9 grants with smaller balances totaling \$69,495 for which the last payment was at least six months previous. In 8 cases he grants were included in prior reports.

Emphasis was also placed on identifying actions impacting grants identified in prior reports for follow-up to identify potential actions such as deobligations.

In many cases no action was noted for grants identified in Report 18-16 dated March 31, 2018 and these grants are included in this report. Actions noted included payments made, extension

of performance periods, and rescheduling of projects and deobligation or intended deobligation of 2 grants totaling \$1,500,000.

Extensions made by the Basic Agency were generally in accord with ARC guidelines that did not require supporting documentation about the need for extensions.

62 Open Basic Agency grants had zero balances and although these grants do not impact grant management operations closing of these grants to the degree possible provides more realistic information about ARC workload and extent of active grants. We recognize closing is based on information from Basic Agencies that is not always received on a timely basis.

Recommendations

- Follow-up actions with respect to grants noted without any ARC disbursements should be continued with emphasis on grants approved several years previous for which limited activity was noted including grants recommended for deobligation.

- Expired performance dates should be addressed based on grantee requests and support for needed extensions.

- Revise ARC guidance with respect to possible actions on inactive grants and emphasize implementation of policy with respect to project startup and grantee extensions of performance periods.

- Grants with zero balances should be closed as soon as practical.

Table A

Open Basic Agency Grants approved prior to October 1, 2016 and no reported ARC payments

<u>Agency</u>	<u>Grant #</u>	<u>ARC approval</u>	<u>Obligation</u>	<u>ARC funds</u>	<u>End dates</u>	<u>BAMR comments</u>
EDA	GA-18427	9/15/2016		\$300,000.00	1/16/2019	Deobligate
	PW-18611	8/24/2016		\$1,500,000.00	3/1/2019	No BAMR
	PW-18620	8/24/2016		\$622,500.00	12/28/2018	No BAMR
HUD	KY-18327	10/14/2015		\$500,000.00	12/31/2018	Over budgeted -
	OH-18470	7/14/2016		\$250,000.00	4/30/2019	Design phase
	PA-15612	9/21/2007	12/31/2007	\$145,000.00		Deobligate
	PA-16868	3/3/2011	9/30/2012	\$100,000.00	5/1/2014	Close & re-allocation
	PA-17254	6/22/2012		\$100,000.00		Cancelled 2014
RD	GA-17266	9/26/2012		\$300,000.00	12/31/2019	Easement problem
	GA-17590	9/18/2013	7/25/2014	\$125,000.00	6/1/2019	Tank site problems
	GA-17618	8/23/2013	9/25/2013	\$300,000.00	12/31/2018	Continuing delay
	GA-18245	9/25/2015	9/30/2015	\$300,000.00	9/1/2019	Estimated start date 7/1/15
	KY-18225	8/31/2015	9/30/2015	\$15,000,000.00	8/31/2020	Right of way issues
	KY-18257	9/24/2015	9/30/2015	\$500,000.00	9/30/2019	Design & rights of way
	KY-18276	9/21/2015	9/30/2015	\$250,149.00	12/31/2019	Need engineering design
	KY-18293	9/24/2015	9/30/2015	\$350,000.00	9/30/2019	Over bid
	KY-18395	4/15/2016	4/30/2016	\$500,000.00	12/15/2019	Estimated start date 3/1/17
	KY-18493	7/1/2016		\$500,000.00	1/31/2019	Out to bid 12/17
	KY-18605	9/20/2016		\$500,000.00	5/31/2019	Start date 3/1/17
	KY-18604	9/23/2016		\$320,000.00	8/31/2018	Start date 1/17
	MD-17383	8/28/2012	9/30/2012	\$275,000.00	12/31/2017	Deobligate

<u>Agency</u>	<u>Grant #</u>	<u>ARC approval</u>	<u>Obligation</u>	<u>ARC funds</u>	<u>End dates</u>	<u>BAMR comments</u>
RD	NC-18025	9/24/2015	9/30/2015	\$300,000.00	11/1/2015	Estimated completion 11/15 1/2/
	NC-18333	7/11/2016		\$300,000.00	12/31/2019	Near building stage
	NC-18334	9/30/2016		\$300,000.00	9/30/2018	No comments
	NY-17290	6/22/2012		\$150,000.00	3/6/2018	Project withdrawn 1/2/3/
	NY-17520	7/19/2013		\$149,989.00	3/7/2018	Project withdrawn 1/2/3/
	NY-17743	9/15/2014		\$200,000.00	7/20/2017	Not moving forward 1/2/
	NY-18527	7/26/2016		\$150,000.00	6/30/2018	Right of way issues 1/
	OH-18589	9/16/2016		\$164,250.00	9/30/2019	Additional time planning /bidding
	PA-18207	9/4/2015	9/30/2015	\$105,750.00	11/1/2018	Historic Preservation issue 2/
	SC-18115	6/16/2015	6/30/2015	\$500,000.00	4/1/2017	No BAMR 1/2/
	TN-16660 C-1	7/29/2014	9/30/2014	\$450,000.00	11/26/2018	Design needed 2/
	TN-17379	9/26/2012	9/8/2015	\$404,500.00	5/16/2019	Easement needed 2/
	TN-17907	9/14/2014	9/25/2014	\$250,000.00	10/29/2018	Funding issue 2/
	TN-18238	9/29/2015	9/30/2015	\$160,000.00	1/31/2019	New rate needed 2/
	TN-18553	8/2/2016		\$500,000.00	4/9/2019	Enviremental issue
				<u>\$26,822,138.00</u>		

TOTAL 36

1/Expired end date

2/In prior report

3/BAMR recommends deobligating/closing

TABLE B

Priority List of Open Basic Agency Administered Grants with No Payments
and Recommended Actions in Last Basic Agency Monitoring Report

Agency	Grant no.	ARC Approval	Basic Agency Obligation	ARC Funds	End Date	BAMR comment	
HUD	PA-15612	9/31/07	12/31/2007	\$145,000.00		Deobligate funds	1/ 2/
	PA-16868	3/3/2011	9/30/2012	\$100,000.00	5/1/2014	Close and reallocate funds	1/ 2/
	PA-17254	6/22/2012		\$100,000.00		Project cancelled 2014	2/
RD	MD-17383	8/28/2012	9/30/2012	\$275,000.00	12/31/2017	Deobligate	
	NC--18025	9/24/2015	9/30/2015	\$300,000.00	11/1/2015	No comments/Estimated completion 11/1/15	1/ 2/
	NY-17290	6/22/2012	6/22/2012	\$150,000.00	3/6/2018	Project withdrawn	1/ 2/
	NY-17520	7/9/2013	7/9/2013	\$149,989.00	3/6/2018	Project withdrawn	1/ 2/
	NY-17743	9/15/2014		\$200,000.00	7/20/2017	Project not moving	1/ 2/
	PA-18207	9/4/2015	9/30/2015	\$105,750.00	11/1/2018	Historical Reservation issues	2/
	SC-18115	6/16/2015	6/30/2015	\$500,000.00	4/1/2017	No BAMR	1/ 2/
EDA	GA-18427	9/15/2016		\$300,000.00	1/16/2019	Deobligate	
				<u>\$2,325,739.00</u>			

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1/End Date Expired

2/In prior reports

3/Includes seven grants totaling \$1,219,989 recommended for closing and deobligations per BAMRs

Table C

Open Basic Agency administered grants with expired end dates
and ARC balances - 9/28/18

<u>Agency</u>	<u>Grant #</u>	<u>ARC funds</u>	<u>End dates</u>	<u>ARC balance</u>		
EDA	CO-18305	\$75,000.00	4/30/2018	\$33,128.00		
	CO-18311	\$75,000.00	9/30/2017	\$68,977.00	3/	
	PW-18609	\$2,500,000.00	9/30/2018	\$703,344.00	3/	
	WV-18273	\$1,000,000.00	6/10/2017	\$402,863.00	3/	
HUD	KY-17482	\$500,000.00	6/30/2016	\$4,248.00		
	KY-17792	\$298,024.00	11/16/2016	\$3.00		
	KY-18295	\$390,000.00	6/30/2018	\$308,962.00	3/	
	OH-16258	\$185,520.00	6/30/2010	\$3,532.00		
	OH-17543	\$250,000.00	3/31/2015	\$7,115.00		
	OH-17951	\$250,000.00	8/30/2016	\$19,727.00		
	OH-18076	\$250,000.00	2/28/2017	\$8,262.00		
	OH-18140	\$250,000.00	7/30/2017	\$8,362.00		
	PA-15612	\$145,000.00		\$145,000.00	1/ 2/ 3/ 4/	
	PA-16868	\$100,000.00	5/1/2014	\$100,000.00	2/ 3/	
	PA-17254	\$100,000.00		\$100,000.00	1/ 2/ 3/ 4/	
	PA-17660	\$150,000.00	11/1/2017	\$123,234.00	3/	
	PA-17661	\$125,000.00	6/30/2016	\$50,873.00	3/	
	PA-18627	\$150,000.00	12/31/2017	\$150,000.00	2/ 3/	
	PA-18681	\$200,000.00	12/31/2017	\$200,000.00	2/ 3/	
	PA-18909	\$207,830.00	11/30/2017	\$207,830.00	2/ 3/	
	WV-18271	\$760,000.00	6/10/2017	\$395,974.00	3/	
	RD	GA-17584	\$93,933.00	7/8/2018	\$22,101.00	
		GA-17840	\$300,000.00	6/30/2018	\$196,679.00	3/
KY-18258		\$500,000.00	3/1/2018	\$204,072.00	3/	
KY-18586		\$300,000.00	9/1/2018	\$241,305.00	3/	
KY-18604		\$320,000.00	8/31/2018	\$320,000.00	2/ 3/ 4/	
KY-18752		\$580,000.00	7/30/2018	\$80,861.00	3/	
KY-18844		\$179,884.00	9/30/2018	\$105,694.00	3/	
KY-18855		\$397,524.00	2/28/2018	\$34,366.00		
KY-19036		\$495,960.00	9/1/2018	\$495,960.00	2/ 3/	
KY-19044		\$120,000.00	9/1/2018	\$120,000.00	2/ 3/	
MD-17383		\$275,000.00	12/31/2017	\$275,000.00	2/ 3/	
NC-18025		\$300,000.00	11/1/2015	\$300,000.00	2/ 3/ 4/	
NC-18334		\$300,000.00	9/30/2018	\$300,000.00	2/ 3/ 4/	
NY-17290		\$150,000.00	3/6/2018	\$150,000.00	2/ 3/ 4/	
NY-17520		\$179,989.00	3/7/2018	\$149,989.00	2/ 3/ 4/	
NY-17743		\$200,000.00	7/20/2017	\$200,000.00	2/ 3/ 4/	

<u>Agency</u>	<u>Grant #</u>	<u>ARC funds</u>	<u>End dates</u>	<u>ARC balance</u>	
RD	NY-18527	\$150,000.00	6/30/2018	\$150,000.00	2/ 3/
	NY-18533	\$131,400.00	5/31/2018	\$131,400.00	3/
	OH-17880	\$250,000.00	5/30/2018	\$250,000.00	2/ 3/ 4/
	PA-18447	\$242,000.00	9/28/2018	\$242,000.00	2/ 3/
	PA-18733	\$141,000.00	9/30/2017	\$95,542.00	2/ 3/
	SC-18115	\$500,000.00	4/1/2017	\$500,000.00	3/
	VA-16720	\$100,000.00	5/31/2018	\$24,056.00	
	WV-17972	\$1,500,000.00	6/1/2018	\$5,600.00	
	WV-19134	\$800,000.00	9/30/2018	\$800,000.00	2/ 3/
TVA	GA-17306	\$171,000.00	9/3/2018	\$165,137.00	3/
	SC-16351	\$500,000.00	4/30/2018	\$209,607.00	3/
FS	PA-18201 C-1	\$225,000.00	6/1/2018	<u>\$121,920.00</u>	2/ 3/
	<u>49</u>			<u>\$8,932,723.00</u>	

1/End date not identified

2/No ARC payment

3/Balance over \$50,000

4/Grant approval prior to 10/1/16

Table D

Small balances 9/28/18 - ARC.Net

<u>Agency</u>	<u>Grant #</u>	<u>ARC funds</u>	<u>Balance</u>	<u>Last payment</u>	
HUD	KY-17482	\$500,000.00	\$4,248.00	8/31/2015	1/2/
	KY-17792	\$298,024.00	\$3.00	5/31/2016	1/2/
	MS-17610	\$333,000.00	\$17,946.00	1/31/2016	1/4/
	OH-16258	\$185,520.00	\$3,532.00	9/30/2015	1/3/
	OH-16371	\$136,800.00	\$300.00	9/30/2015	1/2/
	OH-17543	\$250,000.00	\$7,115.00	12/31/2014	1/2/
	OH-17951	\$250,000.00	\$19,727.00	7/31/2016	1/2/
	OH-18076	\$250,000.00	\$8,262.00	1/31/2017	1/2/
	<u>OH-18140</u>	\$250,000.00	<u>\$8,362.00</u>	9/30/2017	2/
	<u>9</u>		<u>\$69,495.00</u>		

1/In prior report

2/Project completed

3/Cancelled

4/No BAMR