



September 30, 2014

To: Federal Co-Chair
ARC Executive Director
General Counsel
Program Director
From: Hubert Sparks, Inspector General

Subject: Memorandum Report 14-40 Open HUD Administered Grants with
Potential De-obligations

There continues to be open old HUD administered grants for which de-obligations totaling \$599,503 are possible. Several semi-annual reports have identified this condition but limited actions to close the applicable grants and de-obligate remaining balances has resulted.

Table A identifies previously noted 20 old open grants for which closing and de-obligations are considered appropriate. These grants were approved between 2004 and 2009 and available Basic Agency Monitoring Report (BAMR) information cites construction completed between 2005 and 2011. A review of ARC records and the monthly payment report from HUD reflect that the grants remain open and balances reported on ARC.Net range from \$94 to \$181,958. In most instances ARC.Net or the Basic Agency Monitoring Report (BAMR) provide information denoting that the projects have been completed and balances are subject to de-obligations.

The monthly payment summary from HUD and ARC.Net identify the unpaid obligations for the grants in table A which is reflective of the balances remaining in HUD accounts for these grants.

Follow-up on our prior report dated 3/31/14 indicated that actions had been initiated to de-obligate \$304,621 with respect to 3 of 23 grant identified in our prior report although grant NC-15185 remains open per ARC records. Open grants include one (OH-16288) grant that the BAMR report noted as cancelled and a de-obligation of \$181,968 was appropriate.

Table B notes comments included on ARC.Net or the most recent BAMR.

Table C notes four additional grants where follow-up with HUD is recommended

Discussions with a HUD representative identified the process necessary to de-obligate funds including involvement of HUD Washington, State Representatives and HUD Finance Office in Texas and difficulty, in some cases, of obtaining information necessary to finalize de-obligations. We recognize some constraints, including the ARC grants being a very minor part

of HUDs grant inventory, but believe the time frames noted are excessive and the availability of the noted funds would enable approval of several additional needed projects.

ARC staff have made numerous attempts to facilitate HUD closure of these open grants and have provided HUD necessary information needed to close the projects and recover unspent funds. The ARC OIG also met with a HUD official to discuss this issue and recommend its resolution.

An available old (1991) HUD issuance on management of ARC grants notes that the HUD Director, Office of Finance and Accounting has responsibilities for recapturing ARC funds from the field for cancelled projects and returns to ARC and periodically reports to ARC approved projects, contracts executed, changes in project costs, cancellations and disbursements.

Due to the extended difficulty in obtaining information from HUD with respect to the noted grant de-obligations we recommend ARC initiate all available action, including contact with senior HUD Finance Office officials, to assure the recovery and transfer of these funds to ARC for use on additional economic development projects.