



September 30, 2015

To: Federal Co-Chair  
ARC Executive Director  
ARC General Counsel  
ARC Program Director

From: Hubert Sparks, Inspector General 

Subject: Report 15-37, Open HUD Administered Grants Needing De-Obligation

Repeated attempts by ARC Program staff and OIG to obtain HUD cooperation and action to close grants and de-obligate funds for use on other needed projects in Appalachia remains unsuccessful. Several OIG reports have identified this condition and although incremental progress has resulted in some closings and de-obligations there remains \$427,705 in funds available for 14 grants included in prior reports. An additional six grants with balances of \$184,461 that should be addressed to determine closing and de-obligation potential are also noted.

HUD, based on a 1975 Memorandum of Understanding with the Appalachian Regional Commission (ARC) is responsible for administering construction related grants initially approved by ARC and keeping ARC informed of project status, including grant closings and available de-obligations.

ARC records, including payment documentation and progress reports identified projects that have been completed or will not be constructed and the amount of funds that can be de-obligated. HUD confirmation of this information is necessary before available funds can be used for additional grants/projects.

Follow-up on Report 15-16, March 30, 2015 disclosed that the 14 grants identified for needed de-obligations remained open and close out information had not been received from HUD. These cases with available balances had been included in multiple prior OIG reports and are noted in table A.

Table B identifies comments provided by HUD field staff that reflects project status, including completed projects and projects not to be implemented.

Various reasons have been provided by HUD staff over several years with respect to difficulties in providing ARC information to address the open grants. The process necessary to de-obligate funds was noted as complicated with necessary involvement of HUD

Washington, State Representatives and HUD Finance Office in Texas and recently difficulties with HUD grant management system were noted as preventing obtaining necessary information.

We recognize some constraints, including the ARC grants being a very minor part of HUDs grant inventory. However, we do not agree with the lengthy time frames noted with respect to facilitating grant closing and availability of funds for additional projects in Appalachia.

An old (1991) HUD issuance on management of ARC grants notes that 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. Although HUD responsibilities may now rest with another office we concur with the concept of assigning responsibilities with respect to ARC grants.

We also reported a need to update the 1975 MOU between ARC and HUD and such action should be beneficial in addressing current conditions and issues addressed in this and prior OIG reports.

As noted, table C identifies six additional with limited recent activity or small balances for which follow-up is recommended to determine project status and potential de-obligations with respect to balances totaling \$184,461.

Due to difficulty in timely resolution of this long standing condition we recommend ARC elevate the issue to the HUD Chief Financial Officer and jointly establish policies and procedures, including an updated Memorandum of Understanding to better preclude reported difficulties.

### HUD Grants with Potential De-Obligations as of 9/30/15

<u>Grant No.</u>	<u>Approved</u>	<u>Contruccion Completed</u> 1	<u>ARC Funds</u>	<u>Cunulative Costs</u>	<u>Potential ARC De-obligations per ARC.Net Balance</u>
MS-14844	9/23/2004	3/13/2009	\$100,000.00	\$99,485.00	\$515.00
MS-14889	2/2/2005	3/13/2009	\$108,800.00	\$98,846.00	\$9,953.00
MS-15093	9/8/2005	4/10/2009	\$250,000.00	\$196,010.00	\$53,990.00
MS-15037	5/12/2005	3/13/2009	\$118,610.00	\$94.00	\$94.00
MS-15223	10/24/2005	3/13/2009	\$259,633.00	\$187,625.00	\$72,007.00
MS-15323	5/12/2006	3/13/2009	\$150,000.00	\$135,256.00	\$14,744.00
MS-15379	8/22/2006		\$250,000.00	\$224,025.00	\$25,975.00
MS-15514	9/25/2006	12/31/2010	\$350,000.00	\$335,489.00	\$3,751.00
MS-15638	8/28/2007	12/12/2011	\$193,400.00	\$189,676.00	\$3,724.00
MS-15915	5/14/2008	3/31/2010	\$129,300.00	\$125,950.00	\$3,350.00
MS-16225	4/24/2009	3/31/2010	\$250,000.00	\$231,003.00	\$18,997.00
OH-16258	2/28/2010	Cancelled			\$185,520.00
OH-16371	8/5/2009	1/15/2011	\$136,800.00	\$112,225.00	\$24,575.00
PA-16123	11/2/2008		\$65,000.00		\$10,510.00
					<u>\$427,705.00</u>

**TABLE B**

<b>ARC.Net or Basic Agency Monitoring Report (BAMR) Information</b>	
MS-14844	\$28,857.60 spent; \$71,142.40 unspent as of 04/30/07. \$33,282.43 spent, \$66,717.85 unspent through 1/4/08. \$35,930 spent, \$64,069.35 balance through 3/4/08. \$36,425.16 spent, \$63,574.84 balance through 4/7/08. \$3,646.72 balance through 8/31/08. Closeout from MS CDBG dated 3/13/09 shows \$514.84 to be recovered -- hold for deobligation and zero balance on HUD detail report (3/25/09). Information no longer available.
MS-14889	\$98,796.20 spent and \$10,003.80 unspent through 12/31/06. \$98,846.20 spent; \$9,953.80 unspent through 4/30/07. What is status at MS CDBG? No expenditure since 4/07. Closeout from MS CDBG shows \$9,953.80 to be recovered; hold for deob and zero balance on CDBG detail report (3/26/09).
MS-15037	\$94 Balance - Need HUD detail report - Information no longer available.
MS-15093	Open at HUD with no expenditures through FY08. MS CDBG please confirm status. Closeout from MS CDBG dated 4/10/09 shows project complete and \$53,990 to be recovered; hold for deob on HUD detail report.
MS-15223	(See also MS-15223-R1-07). No funds spent through 6/7/07. \$69,194.76 spent; \$164,886.24 unspent through 8/3/07 HUD report. Additional \$25,552 approved 8/13/07 (MS-15223-R1). \$147,808.59 spent, \$86,272.41 unspent through 9/5/07. Additional \$25,552 reserved and obligated 9/30/07; Total \$165,488.09 spent, \$94,144.91 unspent through 9/30/07. Total \$72,007.50 balance through 2/29/08 (incl \$25,552). Entire balance of \$72,007.50 to be recovered in single closeout per closeout from MS CDBG dated 3/13/09.
MS-15323	\$135,255.88 spent and \$14,743.77 unspent since 5/31/07. Closeout from MS CDBG dated 3/13/09 shows \$14,743.77 to be recovered -- hold for deob and zero balance on HUD detail report. (3/25/09).
MS-15379	No funds spent through 1/3/07 HUD report. \$181,845.19 spent; \$68,154.81 unspent through 4/30/07. \$199,470.07 spent; \$50,529.93 unspent through 6/7/07 HUD report. \$224,025 spent; \$25,975 unspent through 7/31/07. No expenditure since 7/07 -- what is status at MS CDBG?
MS-15514	Obligated with no funds spent through 4/30/07. \$55,903.26 spent; \$294,096.74 unspent through 9/5/07. \$267,874.50 spent, \$82,125.50 unspent through 9/30/07. \$346,249.46 spent, \$3,750.54 unspent through 12/31/2007. No expenditure since 12/07 -- possible to close and recover funds? What is status? MDA Closeout dated 12/21/2010 shows an unspent balance of \$14,510.69. Needs to be reconciled with HUD Central. LAF 3/28/12.
MS-15638	HUD-185 dated 09/06/2007. \$193,400 reserved and obligated 9/30/07 HUD report. No expenditures through 3/31/09. \$106,868.54 balance through 2/28/10. Closeout dated 12/31/2011 received from MDA. Awaiting the deobligation of \$3,724 from HUD. LAF 3/28/2012.
MS-15915	HUD-185 dated 06/18/2008. \$129,300 reserved but not obligated by 8/31/08. \$129,300 obligated 9/30/08. \$108,280.15 balance through 5/21/09. Project complete and to be closed per Dean Patterson at MDA 5/22/09; \$3,350 to be recovered but need closeout from MDA. \$3,350 balance through 2/28/10. Closeout dated 3/31/10 received. Awaiting deobligation from HUD LAF 3/28/12.
MS-16225	HUD-185 dated 8/6/09 but funds not reserved through 10/31/09. HUD-185 reissued 11/30/09. \$250,000 obligated and \$18,996.84 balance through 2/28/10. Closeout dated 3/31/10 received. Waiting for zero balance on HUD detail report. LAF 3/28/2012.
OH-16258	CANCELLED - DO WE HAVE MEMO FOR CANCELLATION? Yes, Karen is working on this. Balance \$181,988
OH-16371	Balance \$24,275 last payment 1/31/11
PA-16123	HUD-185 dated 12/09/08. \$65,000 obligated 3/16/09 HUD detail report. All funds spent 2/28/10 -- need closeout from PA CDBG.

Table C

## Additional HUD Open Grants with Potential De-Obligations

<u>Grant No.</u>	<u>Approved</u>	<u>ARC Funds</u>	<u>ARC Balance</u>	<u>Last ARC Payment</u>	<u>BAMR comment</u>
AL-16523	12/17/2009	\$250,000.00	\$7,006.00	12/31/2012	1/
MD-15917	10/2/2008	\$750,000.00	\$108,759.00	1/30/2013	1/
OH-16935	5/4/2011	\$250,000.00	\$1,000.00	8/31/2013	1/
AL-17472	12/19/2012	\$200,000.00	\$15,602.00	10/21/2013	2/
SC-16727	8/18/2010	\$424,831.00	\$94.00	5/31/2014	1/
WV-16023	8/19/2008	\$1,500,000.00	<u>\$3,854.00</u>	8/31/2014	1/
			<u>\$136,315.00</u>		

1/ Project completed

2/ No BAMR noted