



September 30, 2017

To: ARC Executive Director
ARC General Counsel
ARC Director Community Investments
ARC Assistant General Counsel
From: Hubert Sparks, Inspector General *HS*

Subject: OIG Report 17-23 - Basic Agency Monitoring Report (BAMR)

Basic Agency Monitoring Reports (BAMRs) are generally received by the Appalachian Regional Commission (ARC) within timeframes established in ARC guidance. However, we identified several BAMR related issues for ARC follow-up. These issues include untimely receipt of BAMRs in some instances, reports with limited explanatory information, policies with respect to project extensions, expired performance periods, updating Memorandum of Understanding with Basic Agencies to include BAMR responsibilities and correction of information to provide accuracy about past due BAMRs.

Background

BAMRs are due annually from Federal and State agencies responsible for administering and monitoring ARC construction related grants. ARC relies on these reports to identify the status of grants including grant expenditures, stage of project implementation, expected completion dates and problems delaying project implementation or completion.

The ARC process provides that BAMR reports should be initiated one year after grant approval and basic agencies can approve minor amendments on behalf of grantees including extensions up to three years beyond the initial project end date. However, the implementation process permits initial BAMRs to be provided 12 to 20 months after grant approval. ARC notifies administering agencies in November of the fiscal year that BAMRs are due in early January of the fiscal year. Grants approved after January of a fiscal year are not considered due until October of the second fiscal year. For example the BAMR for grants approved in March 2016 are due by October 2018.

The BAMR can be used as a close out report from administering agencies and to identify status, including extended performance periods. Due and past due terminology is used and past due was considered three months after the due date.

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

Scope

Our review considered ARC grants administered by other Federal agencies (USDA, HUD, EPA and FHWA etc.) and grants administered by States under a registered State Basic Agency Agreement that are identified as needing BAMRs.

We initially used ARC.Net, the ARC grant management system, that identified several hundred grants with past due BAMRs. The number of BAMRs selected for analysis was significantly reduced by excluding grants for which BAMRs were not due. ARC is in the process of correcting system errors in order to provide more accurate BAMR information

Results

Timely Report Submission and Accurate Statistical Reports

ARC provided a revised and reduced listing of 74 grants with past due BAMRs as of August 24, 2017. A review of these BAMRs concluded that BAMRs were not due in 21 cases because the applicable grants were not old enough to be subject to BAMRs based on the ARC criteria noted above. We included the 15 FHWA grants for which BAMRs were identified as past due although we concluded there was a need to identify and clarify ARC policies and procedures applicable to FHWA BAMRs. Table A identifies the 53 grants for which we concluded BAMRs were past due.

In 28 instances the grants had zero balances per Arc.Net and close out was considered possible if final BAMRs were obtained. Although initial BAMRs can be received 12 to 20 months after grant approval we recognize that most grants administered by basic agencies are not approved until the last quarter of the fiscal year. Thus, such a continued pattern results in most initial BAMRs being received within 15 months of grant approval.

Table B identifies 10 grants with expired periods and ARC balances including four grants approved prior to October 1, 2015 with no reported ARC payments and three grants with significant ARC payments at least six months after the ARC.Net noted end date. These cases involve \$800,011 and one of the cases involves \$593,293. We considered payments for direct project implementation rather than administrative expenses attributable to compiling documentation for payment requests as the basis for ARC and Federal provisions that payments for work outside the grant period are unallowable.

Project Performance Periods/End Dates

BAMR guidance permits Federal and State Basic agencies to extend grantee performance periods and considers such extensions to be minor amendments that do not require ARC approval. Federal Basic Agencies can extend the performance period up to three years and a time period is not identified for State Administered grants. Lengthy extensions were noted including grants with small unspent balances or no reported expenditures over a lengthy period. ARC documentation with respect to the extensions was limited.

For non-construction grants 2CFR200.308 allows for a waiver of prior written approvals for a one time extension up to one year and ARC guidance for ARC administered grants requires approval for extensions of over one year.

Federal regulations do not address extensions for construction grants. However, the significant ARC funds approved for construction grants, project implementation delays and three year extension periods for inactive grants or small unspent balances provides a need for a control that includes the administering agency obtaining prior written approval based on supporting information for extensions over one year, or multiple extensions, and providing ARC documentation about such extensions. Of particular significance are grants with no reported activity over a multi-year period and lengthy extensions are noted in ARC records.

Available BAMRs generally note revised completion dates indicating grant extension but often do not identify the reason for the needed extension or estimated resolution of the issue delaying implementation. In some cases available BAMRs note the same delaying issue in multiple BAMRs.

Memorandum of Understanding (MOU) with Federal Basic Agencies

The MOU's are significantly outdated for USDA Rural Development (1998) HUD CDBG (1976) and EPA (1985) and do not contain information about BAMR responsibilities that were initiated in 2012. Prior reports have recommended updating the MOUs with these agencies.

Recommendations

1. Follow-up to obtain needed BAMRs.
2. Revise ARC policy with respect to performance period extensions for Basic Agency administered grants including limiting extensions to estimated needed time to complete project.
3. Revise the definition of minor amendments to require ARC approval of extensions of more than one year for grants with limited activity or small balances.
4. Update Basic Agencies MOU's and emphasize annual BAMRs as a critical element of the BA monitoring process including comments about implementation problems significantly delaying project actions.
5. Notify administering agencies of initial BAMR reporting date.
6. Obtain information to close grants with zero balances.
7. Consider consolidating due and past due dates into one due date with a reasonable grace period for follow-up on due BAMRs.

8. Separate due and past due reports on summary listing if terminology remains as is and include days past due.

ARC generally agreed with the recommendations and will provide additional comments after further review.

Table A

Grants for Which Report Concluded BAMRs Were Past Due

<u>Admin agency</u>	<u>Grant #</u>		<u>Admin agency</u>	<u>Grant #</u>	
COR	CO-15412	1/	HUD	MS-18229	1/
	PA-18200			NC-17805	
				PA-14888	1/
EDA	CO-18305			PA-15596	1/
	CO-18306			PA-16979	1/
	CO-18307			PA-18129	1/
	CO-18311			PA-18909	1/
	NY-17685	1/	RD	MD-17806	1/
WV-18273		MD-17946		1/	
		OH-17747			
		OH-17880			
		OH-17950			
FHWA	AL-14895	1/		OH-18164	
	AL-17505	1/		SC-18115	
	AL-18088	1/		TN-18238	
	CO-15850	1/		WV-17918	
	MD-14356	1/		WV-17969	
	MD-16769	1/		WV-17972	
	MD-17192	1/		WV-18270	
	MD-17264	1/			
	OH-14605	1/		GA-18236	
	OH-15121	1/		NC-18021	
	PA-14018	1/		NC-18022	
	SC-16729	1/		NC-18024	
	SC-17315	1/		NC-18328	
SC-17830	1/		OH-16799		
SC-18108	1/		OH-17425		
HUD	GA-17854	1/		OH-17736	1/
	MD-17537	1/			
	MS-17610				

1/Zero Balances

Table B

Grants on Table A with Expired Performance Periods and ARC
Balances as of 9/30/17. (excludes FHWA grants)

Admin Agency	Grant #	ARC funds	ARC balance	Performance end date
COR	PA-18200	\$75,000.00	\$75,000.00	5/31/2016 ^{1/}
EDA	CO-18306	\$60,958.77	\$60,958.77	8/14/2016 ^{2/}
	CO-18307	\$26,868.45	\$26,868.45	8/31/2017
	CO-18311	\$40,894.16	\$40,894.16	9/30/2017
RD	OH-18164	\$250,000.00	\$250,000.00	8/1/2017 ^{1/}
	OH-18472	\$250,000.00	\$250,000.00	7/30/2017 ^{1/}
	SC-18115	\$500,000.00	\$500,000.00	4/1/2017 ^{1/}
	WV-17972	\$1,500,000.00	\$756,557.00	4/30/2016 ^{1/ 2/}
	WV-18270	\$1,500,000.00	\$1,500,000.00	6/1/2017 ^{1/}
	<u>WV-17969</u>	<u>\$33,929.79</u>	<u>\$33,929.79</u>	9/30/2016 ^{2/}
	<u>10</u>	<u>\$4,237,651.17</u>	<u>\$3,494,208.17</u>	

^{1/}Grants approved prior to 10/1/15 and no ARC payments as of 9/30/17 per ARC.Net

^{2/}Grants with significant ARC Payments at least six months after ARC.Net end date