



**Open Basic (Child) Agency Grants
OIG Report 19-44**

September 30, 2019

Open Basic (Child) Agency Grants as of September 30, 2019

Summary

This report updates prior reports dealing with Basic Agency Administered grants. Continued emphasis on older grants, including grants approved or obligated by Basic agencies prior to October 1, 2017 and no reported expenditures, grants with small or zero balances and grants with expired end dates and implementation of ARC controls to address inactive grants and performance end dates is recommended.

ARC.Net identified 28 grants approved or obligated prior to October 1, 2017 for which no payments were identified and balances totaled \$35,066,299. This also included 6 grants in prior reports with balances totaling \$1,070,000 that were recommended for closing and deobligations by prior Basic Agency Monitoring Reports (BAMR) one grant for \$149,989 was deobligated.

ARC.Net also identified 35 grants with expired end dates and balances over \$50,000 totaling \$8,672,218 and 10 grants with smaller balances and no payments in past few years or more totaling \$89,308.

Background and Scope

The scope included open Basic Agency administered grants excluding Federal Highway 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 28 grants for which no ARC or other agency payments were reported on ARC.Net as of October 1, 2017. Balances of these grants totaled \$35,066,299 including a \$15 million-dollar broadband expansion grant approved August 31, 2015 and \$8 million approved December 9, 2016. This includes grants in prior reports and grants for which multiple BAMRs indicate little progress in resolving issues delaying project implementation. ARC follow-up on 26 grants with no payments in the prior report consisted primarily of extending performance periods, payments, identifications of revised construction starts or completion.

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 in some BAMRs.

Table B identifies 6 grants recommended by multiple BAMRs as subject to deobligations. BAMRs recommended deobligations for reasons such as project withdrawal, county deobligated funds, county rescinded offer and funds to be returned to the treasury. These grants had balances of \$1,070,000 and it was not clear why these grants remained open with balances. One grant for \$149,989 included in prior report was deobligated,

Table C identifies 35 grants with expired performance periods and ARC balances over \$50,000 and \$8,672,218. 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.

The number of grants with expired end dates and large balances increased substantially from the prior update March 31, 2019.

Table D identifies 10 grants with smaller balances totaling \$89,308 for which the last payment was at least one year previous. These grants were included in prior reports.

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

44 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 despite ARC request.

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.

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

Table A

Open Basic Agency Grants Approved Prior to September 30, 2017
and no Reported Payments as of September 30, 2019

<u>Agency</u>	<u>Grant #</u>	<u>ARC approval</u>	<u>Basic Agency obligation</u>	<u>ARC funds</u>	<u>Last BAMR</u>	<u>Expired end dates</u>
EDA	MD-18747	1/30/2017		\$500,000.00	3/20/19 - Final design is at 90% completion with expected completion 2/28/2018.	
HUD	PA-15612	9/21/2007	12/21/2007	\$145,000.00	6/26/17 - Funds were re-obligated in Aug 2014 due to contracting issues and project not	
	PA-16868	3/3/2011	9/30/2012	\$100,000.00	6/26/17 - Recommendation is to close out and reallocate funds	5/1/2014
	PA-17254	6/22/2012		\$100,000.00	6/26/17 - Project was cancelled in 2014	
	PA-18048	2/25/2015		\$50,000.00	2/28/19 - Completed/final BAMR	4/30/2019
RD	GA-17266	9/26/2012		\$300,000.00	2/6/19 - Delayed due to extensive easement issues/required a redesign of the project	9/1/2015
	GA-17590	9/18/2013	7/18/2014	\$125,000.00	5/9/19 - Design phase/Bidding and Award have been re-scheduled for May and June 2019	
	KY-18225	8/30/2015	9/30/2015	\$15,000,000.00	2/8/19 - Project has continued to experience delays with respect to rights-of-way/anticipated construction will begin in late 2019.	
	KY-18257	9/24/2015	9/30/2015	\$500,000.00	2/8/19 - Working to finalize design elements and obtain right-of-way related to the project	
	KY-18276	9/21/2015	9/30/2015	\$150,149.00	2/8/19 - Project pending final engineering design needed for bid preparation/ need to address lack of State Historic Preservation	
	KY-18293	9/24/2015	9/30/2015	\$350,000.00	2/8/19 - Construction delayed due to over bid of project. /Water source now re-classified requiring re-engineering of water plant type	

RD	KY-18395	4/15/2016	4/30/2016	\$500,000.00	2/8/19 - Project has bid and construction should begin by 3/1/19/Design phase	
	KY-18731	12/19/2016		\$8,000,000.00	2/8/19 - The project has experienced delays with respect to rights-of-way/construction will	
	KY-18851	3/22/2017		\$400,000.00	2/8/19 - Expect project to go to bid in March 2019/working out final design issues and property acquisition issues.	
	KY-18856	3/28/2017		\$300,000.00	2/8/19 - Engineering design work and property acquisition is complete./Anticipate project to bid in Summer of 2019.	
	KY-18983	9/15/2017		\$4,562,400.00	2/8/19 - Experienced delays with respect to rights-of-way/anticipated construction will	12/31/2017
	MD-17383	8/28/2012	4/30/2012	\$275,000.00	10/16/18 - Design phase started/county deobligated funds	
	NC-18025	9/24/2015	9/30/2015	\$300,000.00	2/3/17 - No comment	11/1/2015
	NC-18334	9/30/2016		\$300,000.00	2/5/19 - Proposed tank site and final design of the sewer lines/ bid the project by April and	
	NC-18722	1/18/2017		\$300,000.00	11/28/18 - No activity	
	NY-17290	6/22/2012		\$150,000.00	3/16/18 - Project withdrawn	3/6/2018
	OH-17880	8/7/2014	8/31/2014	\$250,000.00	2/15/18 - Additional time to complete pre-construction work	5/30/2018
	OH-18589	9/16/2016		\$164,250.00	2/15/18 - Additional time for planning and	9/30/2019
	OH-19051	9/22/2017		\$250,000.00	2/15/18 - No comments	
	SC-18115	6/16/2015	6/30/2015	\$500,000.00	1/2/17 - No activity/no comments	9/2/2019
	TN-17379	9/6/2012	9/8/2015	\$404,500.00	11/2/18 - Waiting on Applicant to obtain all 65 easements	5/16/2019
	TN-18238	9/29/2015	9/30/2015	\$160,000.00	1/29/19 - Project has been advertised with a bid opening of Feb 28, 2019	1/31/2019
	TN-18553	8/2/2016		\$500,000.00	11/2/18 - No activity/extended due to additional environmental requirements.	4/9/2019
	WV-18760	1/30/2017		\$430,000.00	2/4/19 - This project is stalled until the project engineer provides a PER in the proper format.	3/1/2019
				<u>\$35,066,299.00</u>		

Table B

Open Priority Grants

<u>Agency</u>	<u>Grant #</u>	<u>ARC funds</u>	<u>Balance</u>	<u>End date</u>	<u>Last BAMR</u>	
EDA	GA-18427	\$300,000.00	\$300,000.00	1/16/2019	4/30/2018	1/
HUD	PA-15612	\$145,000.00	\$145,000.00		6/26/2017	2/
	PA-16868	\$100,000.00	\$100,000.00	5/1/2014	8/26/2017	3/
	PA-17254	\$100,000.00	\$100,000.00		6/26/2017	4/
RD	MD-17383	\$275,000.00	\$275,000.00	12/31/2017	10/16/2018	5/
	NY-17290	\$150,000.00	<u>\$150,000.00</u>	3/6/2018	3/6/2018	5/
			<u>\$1,070,000.00</u>			

BAMR Comment and Recommendations

1. Funding would be deobligated and returned to U.S. Treasury
2. Payment \$145,000 8/30/08 - no activity/recommended deobligation and funds used on another project
3. Close out and reallocate to an eligible project
4. County recinded offer, cancelled 2014. Open on ARC.Net
5. County deobligated funds due to location change
6. Project withdrawn

Table D

Open Basic Agency Grants with Small Balances

<u>Agency</u>	<u>Grant No.</u>	<u>ARC funds</u>	<u>Balance 9/30/19</u>	<u>Last Payment</u>	
HUD	KY-17482	\$500,000.00	\$4,248.00	8/31/2015	1/
	KY-17792	\$298,024.00	\$3.00	5/31/2015	1/
	MS-17610	\$333,000.00	\$17,946.00	1/31/2016	1/
	OH-16258	\$185,520.00	\$3,532.00	9/30/2015	1/
	OH-16371	\$136,800.00	\$300.00	9/30/2015	1/
	OH-17543	\$250,000.00	\$7,115.00	12/31/2014	1/
	OH-17951	\$250,000.00	\$19,727.00	7/31/2016	1/
	OH-18076	\$250,000.00	\$8,262.00	1/31/2017	1/
	OH-18140	\$250,000.00	\$8,361.00	9/31/17	1/
	OH-18449	\$250,000.00	\$19,814.00	3/31/2018	
	<u>10</u>		<u>\$89,308.00</u>		

1/In prior reports

Table C

Open Basic Agency Area Development Grants with Expired End Dates
and Balances over \$50,000 as of September 30, 2019

<u>Agency</u>	<u>Grant No.</u>	<u>ARC balance</u>	<u>End dates</u>	
EDA	GA-18427	\$300,000.00	1/16/2019	2/
	GA-19153	\$462,544.00	6/30/2019	1/
HUD	MD-15917	\$68,259.36	12/31/2012	
	OH-18470	\$67,696.00	4/30/2019	
	PA-16868	\$100,000.00	5/1/2014	1/ 2/
	PA-17661	\$50,872.00	6/30/2016	1/
	PA-18048	\$50,000.00	4/30/2019	
	PA-19031 C1	\$125,000.00	7/31/2019	
RD	GA-17266	\$300,000.00	9/1/2015	1/
	KY-18258	\$204,042.00	3/1/2019	
	KY-18493	\$220,875.00	4/30/2019	
	KY-18586	\$74,735.00	9/30/2019	
	KY-18605	\$221,218.00	9/30/2019	
	KY-19021	\$123,654.00	6/1/2019	
	KY-19037	\$236,750.00	9/30/2019	
	MD-17383	\$275,000.00	12/31/2017	2/
	NC-18025	\$300,000.00	11/1/2015	1/ 2/
	NY-17290	\$150,000.00	3/6/2018	1/ 2/
	NY-17743	\$200,000.00	7/20/2017	1/ 2/
	NY-18533	\$131,400.00	5/31/2019	
	NY-19164	\$150,000.00	6/30/2019	
	NY-19383	\$150,000.00	9/1/2019	
	OH-17880	\$250,000.00	5/30/2018	1/
	OH-18589	\$164,250.00	9/30/2019	2/
	OH-19234	\$250,000.00	1/31/2019	
	PA-19313	\$125,000.00	9/30/2019	
	SC-18115	\$500,000.00	9/2/2019	
	TN-16660 C1	\$437,723.00	11/26/2018	
	TN-17379	\$404,500.00	5/16/2019	2/
	TN-18553	\$500,000.00	4/19/2019	2/
	WV-18270	\$379,413.00	5/1/2019	
WV-18760	\$430,000.00	3/1/2019	2/	
WV-18761	\$947,562.00	9/30/2019		
TVA	NC-17728	\$51,955.00	5/15/2019	

TN-16657

\$269,770.00

4/15/2019

35

\$8,672,218.36

1/In prior report

2/No payments