



Older Open Basic (Child) Agency Grants

OIG Report 13-18

March 31, 2013

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Background

This report updates report 12-26, dated September 30, 2012, and highlights older grants with unused balances and limited activity, including the status of grants noted in prior reports. Emphasis was placed on grants approved prior to October 1, 2011 for which no ARC funds were reported as disbursed in ARC.Net and grants with disbursements but no recent disbursements.

Although end dates for Basic Agency grants are not available we used 18 months as a base period for status determinations for grants with limited or no reported disbursements of ARC funds based on ARC guidance that allows actions to be initiated if grant implementation is not started within 18 months of grant approval. 18 months was also considered a reasonable period for follow-up for projects with initial disbursements but lengthy periods between additional payment requests. We recognize that Basic Agency administered grants, which are administered by other agencies for ARC, involve construction projects that often have factors delaying start up actions. However, we considered 18 months to be a reasonable period to initiate follow-up actions, including identifying the continued viability of grants and the potential for grant closings and de-obligations.

ARC continues to emphasize follow-up actions to determine grant status and potential actions. This included initiation of formal follow-up procedures that would result in improved Basic Agency reporting the status of projects, rather than periodically providing mostly financial information.

During the past two years ARC follow-up actions have resulted in significant reductions of inactive grants. These actions have significantly reduced the level of un-liquidated obligations and made funds available for additional projects in the Appalachian Region and facilitated project progress.

The recent implementation of a Basic Agency Monitoring Report (BAMR) whereby Basic Agency representatives will be contacted at least annually to obtain information about the status of inactive projects should allow for more timely decisions about project viability and increased consideration of implementation of the 18 month provision.

Summary and Results

Actions have been initiated to address grants with limited activity and these actions will facilitate project progress, assessments of grant viability and potential for use of funds on other

needed projects. Continued emphasis is appropriate to identify the status of older inactive grants and initiate actions, where appropriate, to revise or cancel grants and de-obligate funds in order to utilize such funds for other needed projects in the Region.

Grants Approved Prior to April 1, 2011

Information in ARC.Net identified 63 open Basic Agency grants (see Table A) approved prior to April 1, 2011 for which there had been no reported disbursement of ARC approved funds. The periods of inactivity ranged from 24 to 121 months and approved ARC funds for these grants totaled \$24,370,122. Of particular significance are 21 grants approved prior to April 1, 2009, valued at \$7,989,643.

Follow-up on 76 older inactive grants included in Report 12-26, issued September 30, 2012, confirmed that actions had been initiated on 24 of these grants, including initial disbursements in most cases. For the remaining 52 grants project status, including problems causing delays was better identified in many cases but there remained no disbursement of ARC funds.

For this report we also identified 11 additional grants with ARC funds totaling \$2,925,043 for which no disbursements were reported for two or more years since grant approval.

In three cases, ARC.Net noted that de-obligations/cancellations of grants totaling \$1,500,000 were intended and an additional five grants, with grants totaling \$1,250,000 were scheduled for completion in 2012 although changed grants status was not noted as of this report.

As previously noted, 21 of the 66 grants with ARC funds of \$7,989,643 and no disbursements were approved at least four years prior to March 21, 2013, including 14 grants approved 66 to 121 prior to March 31, 2013 with ARC funds totaling \$5,939,918. This included six grants with no reported ARC disbursements for over 7 years and funds totaling \$3,350,000. The extent of un-liquidated obligations over lengthy periods emphasizes the need for implementation of controls, including coordinated state/federal consideration of actions in line with the 18 month provision in the ARC Project Guidelines.

As noted, Table A identifies the 63 grants and relevant information, including recent status notations recorded on the ARC.Net Basic Agency Funds Management schedule or the Basic Agency Monitoring Form (BAMR).

As additional and more timely information becomes available on the status of basic agency grants emphasis is needed on assessing the continued viability of the grants. For example, comments in ARC.Net or on BAMR's applicable to grants for which no ARC funds have been disbursed for 30 to 104 months since approval included:

- Need MOU with USDA Fish and Wild Life Service
- Awaiting installation of necessary water line
- Need project redesign

- Design problems
- Easement problems
- Still in pre-construction phase
- Waiting on project engineer

Also, BAMR responses noted in many cases that environmental studies were complete and the design planning stage had started. However, there was no date information as to whether these were recent actions or ones that had started years previously and no additional action had resulted.

In our opinion these are the primary type cases where assessments are needed to determine continued grant viability and the potential that the obligated funds could be utilized for other needed project in the impacted state.

Grants Approved Between April 1 and September 30, 2011

An additional 27 Basic Agency grants (Table B) approved between April 1, 2011 to September 30, 2011, did not have any reported disbursements prior to March 31, 2013. These grants, although not delayed for extended periods, involved \$7,496,412 of ARC funds and are included in line with our overall conclusion that initial follow-up on such grants is reasonable within an 18 month period.

Active Grants with Lengthy Periods of Inactivity

We concluded that follow-up is also appropriate to determine the status of grants for which there were lengthy periods of no disbursements subsequent to the prior disbursement or for which ARC.Net information identified the need for de-obligation of outstanding grant balances.

Needed De-Obligations

ARC.Net identified 22 grants (Table C) administered by the Department of Housing and Urban Development (HUD) for which \$865,950 could be de-obligated if necessary documentation was received from the administering agency.

As noted, Table C identifies these grants and the periods that de-obligation actions have been delayed. Aggressive follow-up to complete de-obligations is recommended.

Other Grants

In 13 cases, the periods of time since prior disbursements or ARC.Net information about the status of grants reflected the propriety of additional follow-up. Table D notes these grants and includes one grant approved for \$185,320 for which only one disbursement for \$3,352 was made, January 31, 2011, and another grant where the balance of \$487,565 would be cancelled if the project was not completed by December 31, 2012.

ARC 18 Month Policy

There is a need for increased emphasis on, and utilization of the ARC project guidelines dealing with projects not started within 18 months after grant approval. Available information reflected that this policy was not effectively utilized.

Section 4, paragraph 4.b of ARC Project Guidelines states:

“At the request of a state, the Commission may revoke or revise its approval of any project pursuant to section 303 of the ARDA (excluding projects under section 201) if the work intended to be assisted is not under way within 18 months after the date of approval of such project.”

We concur that 18 months is a reasonable period for assessing grant status, including delayed start-ups, and is an effective control if utilized.

Our reviews of older open grants during the past two years disclosed little evidence of assessments or determinations, including justifications for project continuation, in line with the objective of this provision. This includes long delayed project start-ups for which meaningful assessments are most appropriate.

In order to better address the objective of this guideline we recommend consideration of two revision options.

1. Provide that states assess projects not started within 18 months of grant approval, including potential revocation and revision, and notify the Commission of such assessments.
2. In line with the joint Federal/State partnership of ARC revise project guidelines policy be revised to provide that states, Commission or Federal Co-Chair can recommend revocation or revision of grants in this category, with approval of recommended actions required of the parties.

ARC Basic Agency Monitoring Report (BAMR)

ARC initiated expanded basic agency reporting in the fall of 2012. The BAMR is intended to annually obtain additional information about the status of older basic agency grants. Prior OIG reports emphasized the need for timely follow-up to determine the status of older grants with emphasis on grants with limited reported activity for extended periods since grant approval.

Requests for grant status were forwarded to Basic Agency representatives and as of this report responses were received from 11 states. The representatives were requested to provide information on grants approved prior to July 1, 2011 including spending, status of key milestones and additional comments that are relevant to project status.

A review of available responses disclosed that information was generally provided with respect to grant financial status and grants milestones and generally included a comment about the reasons for project delays and expected completion dates.

Also, the BAMR reports did not include 12 of the 66 grants noted in Table A, that were applicable to the two states not responding to the ARC request.

This initiative provides for more consistent and timely information about grants status and, as previously noted, should facilitate more timely decisions about the viability of continuing grants in an active status.

We recommend that guidance be formalized with respect to the purpose of the BAMR, including time frames for reporting, identification of the grant period to be covered and follow-up actions to address continued grant viability, including justifications for the extended project implementation dates reported, and date identification of when reported milestones were initiated or completed.

TABLE A

BASIC AGENCY GRANTS WITH NO ARC DISBURSEMENTS

AT LEAST TWO YEARS AFTER APPROVAL AS OF 3/31/31

| Grant # | Date Approved | ARC Funds | Months since Approved | Comment on ARC.Net Dispersement Record or BAMR | |
|----------|---------------|--------------|-----------------------|--|----------|
| RDS | | | | | |
| AL-16493 | 9/30/2009 | \$300,000.00 | 42 | None | 1/ 2/ |
| GA-15649 | 8/30/2007 | \$300,000.00 | 67 | To be completed in 2012 | 1/ 2/ |
| GA-15748 | 9/25/2007 | \$300,000.00 | 66 | Still Considered Active | 1/ 2/ |
| GA-15919 | 9/22/2008 | \$300,000.00 | 54 | Returned for Changes | 1/ 2/ |
| GA-15963 | 9/24/2008 | \$149,725.00 | 54 | Out to bid | 1/ 2/ |
| GA-16606 | 8/25/2010 | \$150,000.00 | 31 | None | 1/ 2/ |
| GA-16694 | 9/20/2010 | \$300,000.00 | 30 | None | 1/ 2/ |
| KY-16423 | 9/14/2006 | \$200,000.00 | 41 | No recent activity | 1/ 3/ |
| KY-16715 | 8/12/2010 | \$384,000.00 | 31 | Design phase started - DPS | 1/ 3/ |
| KY-16717 | 3/31/2011 | \$525,000.00 | 24 | DPS - construction start in 30 days | 3/ |
| KY-16766 | 8/25/2010 | \$600,000.00 | 31 | DPS obtaining right of way | 1/ 3/ |
| MD-14350 | 9/21/2004 | \$250,000.00 | 102 | Still in pre-construction stage - DPS | 1/ 3/ |
| MD-16539 | 2/4/2010 | \$40,000.00 | 36 | Project started | 1/ 3/ |
| MS-16374 | 9/16/2009 | \$300,000.00 | 41 | DPS | 1/ 2/ 3/ |
| NC-15890 | 9/21/2008 | \$300,000.00 | 54 | To use ARC funding in 2012 | 1/ 2/ |
| NC-16311 | 9/21/2010 | \$300,000.00 | 30 | None | 1/ 2/ |
| NC-16315 | 9/20/2010 | \$300,000.00 | 30 | None | 1/ 2/ |
| NC-16679 | 9/30/2010 | \$300,000.00 | 30 | Construction to begin June 2012 | 2/ |
| NC-16681 | 9/28/2010 | \$300,000.00 | 30 | None | 1/ 2/ |
| NC-16682 | 9/29/2010 | \$525,927.00 | 30 | Additional Grant 11/29/12 | 1/ 2/ |
| NY-15928 | 8/7/2008 | \$150,000.00 | 55 | Expect Completion 7/31/2012 | 1/ 2/ |
| NY-16101 | 9/25/2008 | \$150,000.00 | 54 | DPS | 1/ 3/ |
| NY-16343 | 9/9/2009 | \$150,000.00 | 42 | 99% completed | 1/ 3/ |
| NY-16873 | 3/3/2011 | \$150,000.00 | 25 | On hold. Change of municipal leaders | 2/ |
| OH-16428 | 9/24/2010 | \$250,000.00 | 30 | Construction started | 1/ 3/ |
| PA-16627 | 5/17/2010 | \$200,000.00 | 34 | Construction started | 3/ |
| TN-15242 | 9/23/2005 | \$500,000.00 | 90 | Awaiting MOU with USDA F&W | 1/ 3/ |
| TN-15243 | 9/20/2005 | \$500,000.00 | 90 | Awaiting water test | 1/ 3/ |
| TN-16038 | 9/8/2008 | \$500,000.00 | 54 | Waiting on Waterline to utility | 1/ 3/ |
| TN-16124 | 9/26/2008 | \$500,000.00 | 54 | DPS | 1/ 3/ |
| TN-16654 | 9/8/2010 | \$500,000.00 | 30 | Awaiting MOU with USDA F&W | 1/ 3/ |
| TN-16700 | 8/26/2010 | \$500,000.00 | 31 | Being reviewed by USDA | 1/ 3/ |
| TN-16701 | 9/28/2010 | \$500,000.00 | 30 | DPS - awaiting documents | 1/ 3/ |
| TN-16702 | 9/16/2010 | \$106,880.00 | 29 | DPS - construction later in year | 1/ 3/ |
| TN-16703 | 8/24/2010 | \$487,742.00 | 31 | DPS - awaiting project engineer | 3/ |
| VA-15703 | 9/21/2007 | \$400,000.00 | 66 | DPS | 1/ 3/ |
| VA-16300 | 2/4/2010 | \$431,789.00 | 28 | DPS | 1/ 3/ |

| | | | | | |
|----------|-----------|----------------|-----|-----------------------------------|-------|
| VA-16600 | 9/21/2010 | \$500,000.00 | 30 | Financial comments only | 1/ 3/ |
| VA-16645 | 9/21/2010 | \$500,000.00 | 30 | Being redesigned | 1/ 3/ |
| VA-16720 | 9/24/2010 | \$100,000.00 | 30 | Financial comments only | 1/ 3/ |
| WV-14461 | 4/29/2003 | \$1,000,000.00 | 121 | Construction started | 1/ 3/ |
| WV-15391 | 8/29/2006 | \$1,000,000.00 | 84 | To be cancelled 11/11 per ARC.Net | 1/ 2/ |
| WV-16746 | 8/12/2010 | \$1,500,000.00 | 31 | Construction started | 1/ 3/ |
| WV-16751 | 8/18/2010 | \$1,250,000.00 | 31 | DPS | 1/ 3/ |
| WV-16795 | 9/24/2010 | \$1,500,000.00 | 30 | DPS | 1/ 3/ |

45

\$19,451,063.00

Months
since Last comment on ARC.Net

Grant # te Approved ARC Funds Approved Dispersement Record

TVA

| | | | | | |
|----------|-----------|--------------|----|-----------------------------------|-------|
| GA-16030 | 7/28/2008 | \$300,000.00 | 83 | expect to completion by 7-12 | 1/ 2/ |
| GA-16793 | 9/28/2010 | \$245,000.00 | 30 | None | 1/ 2/ |
| MS-16244 | 5/20/2009 | \$237,475.00 | 43 | revise design, 11-16-11. | 1/ 2/ |
| NC-16314 | 2/16/2011 | \$300,000.00 | 25 | To be completed 9/13 | 2/ |
| NC-16679 | 9/30/2010 | \$300,000.00 | 30 | Expected to begin 6/12 | 2/ |
| TN-15205 | 9/16/2005 | \$400,000.00 | 90 | No activity 11/22/11 | 1/ 2/ |
| TN-15801 | 9/28/2007 | \$500,000.00 | 66 | waiting on TVA response, 11-22-11 | 1/ 2/ |
| TN-16331 | 9/23/2006 | \$250,000.00 | 42 | will be completed Summer 2012 | 1/ 2/ |
| TN-16657 | 9/30/2010 | \$500,000.00 | 30 | waiting on agreement 11/22/11 | 1/ 2/ |
| TN-16658 | 9/20/2010 | \$206,952.00 | 30 | to begin project in 2013 | 1/ 2/ |
| TN-16659 | 8/18/2010 | \$317,383.00 | 31 | To be bid 8/12 | 2/ |
| TN-16660 | 8/2/2010 | \$270,000.00 | 31 | waiting on agreement 9/20/11 | 2/ |

12 \$3,826,810.00

HUD

| | | | | | |
|----------|-----------|--------------|----|--------------------------------|-------|
| NY-16270 | 9/9/2009 | \$144,918.00 | 42 | None | 2/ |
| PA-16508 | 1/25/2010 | \$27,500.00 | 39 | Apparently completed | 1/ 2/ |
| PA-15612 | 9/21/2007 | \$145,000.00 | 66 | Design problems | 1/ 3/ |
| PA-16868 | 3/3/2011 | \$100,000.00 | 24 | HUD objects to grant objective | 2/ |
| SC-16727 | 8/18/2010 | \$424,831.00 | 31 | None | 1/ 2/ |

5 \$842,249.00

EDA

| | | | | | |
|----------|----------|--------------|----|-----------------------|----------|
| OH-16782 | 9/8/2010 | \$250,000.00 | 30 | DPS-easement problems | 1/ 2/ 3/ |
|----------|----------|--------------|----|-----------------------|----------|

1 \$250,000.00

Totals 63 \$24,370,122.00

1/Included in Report 12-26 dated September 30,2012.

2/ ARC.Net notations

3/ BAMR response notations.

(DPS - means Design phase started)

TABLE B

BASIC AGENCY GRANTS APPROVED 3/31 TO 10/1/11
with no Reported Payments as of 3/31/13 (18 - 24 months)

| <u>Grant #</u> | <u>Date Approved</u> | <u>Amount</u> |
|------------------|----------------------|-----------------------|
| <u>RDS</u> | | |
| KY-16731 | 8/11/2011 | \$500,000.00 |
| NY-16875 | 8/2/2011 | \$150,000.00 |
| PA-16970 | 6/22/2011 | \$218,000.00 |
| NC-16999 | 9/19/2011 | \$420,000.00 |
| NC-17013 | 9/14/2011 | \$100,000.00 |
| GA-17025 | 9/27/2011 | \$300,000.00 |
| NY-17092 | 9/14/2011 | \$150,000.00 |
| KY-17097 | 9/20/2011 | \$500,000.00 |
| KY-17098 | 8/22/2011 | \$600,000.00 |
| GA-17103 | 9/1/2011 | \$300,000.00 |
| TN-17154 | 9/30/2011 | \$500,000.00 |
| TN-17164 | 9/20/2011 | \$80,500.00 |
| TN-17166 | 9/21/2011 | \$135,000.00 |
| PA-17183 | 9/29/2011 | <u>\$379,000.00</u> |
| | | <u>\$4,332,500.00</u> |
| <u>HUD</u> | | |
| NY-16879 | 8/2/2011 | \$150,000.00 |
| PA-16479 | 8/1/2011 | \$200,000.00 |
| OH-17165 | 9/30/2011 | <u>\$250,000.00</u> |
| | | <u>\$600,000.00</u> |
| <u>TVA</u> | | |
| GA-16922 | 4/12/2011 | \$300,000.00 |
| GA-17026 | 8/22/2011 | \$300,000.00 |
| GA-17027 | 9/1/2011 | \$300,000.00 |
| GA-17033 | 9/1/2011 | \$39,100.00 |
| GA-17034 | 9/1/2011 | \$167,162.00 |
| MS-17040 | 8/11/2011 | \$200,000.00 |
| MS-17122 | 9/28/2011 | \$107,650.00 |
| MS-17124 | 9/28/2011 | \$350,000.00 |
| TN-17167 | 9/20/2011 | <u>\$500,000.00</u> |
| | | <u>\$2,263,912.00</u> |
| <u>EDA</u> | | |
| GA-16964 | 6/15/2011 | \$300,000.00 |
| Totals <u>27</u> | | <u>\$7,496,412.00</u> |

TABLE C

GRANT INFORMATION ON ARC.NET FOR HUD GRANTS

Eligible for De-Obligating

| <u>Grant #</u> | <u>Date Approved</u> | <u>ARC Funds</u> | <u>Balance 3/31/13</u> | |
|----------------|----------------------|------------------|------------------------|----|
| OH-14783 | 9/21/2004 | \$292,000.00 | \$148.00 | |
| MS-14844 | 9/23/2004 | \$100,000.00 | \$515.00 | |
| OH-14876 | 9/9/2004 | \$142,050.00 | \$28,981.00 | |
| MS-14889 | 2/2/2005 | \$108,800.00 | \$9,953.00 | |
| OH-15047 | 8/17/2005 | \$277,700.00 | \$36,461.00 | |
| MS-15093 | 9/8/2005 | \$250,000.00 | \$53,990.00 | |
| OH-15163 | 9/6/2005 | \$200,000.00 | \$9,220.00 | |
| OH-15181 | 9/8/2005 | \$180,000.00 | \$34,823.00 | |
| MS-15223 | 10/24/2005 | \$259,633.00 | \$72,007.00 | |
| TN-15231 | 9/9/2005 | \$500,000.00 | \$33,832.00 | |
| MS-15323 | 5/12/2006 | \$150,000.00 | \$14,744.00 | |
| VA-15374 | 8/15/2006 | \$300,000.00 | \$98,072.00 | |
| OH-15494 | 9/11/2006 | \$200,000.00 | \$66,000.00 | |
| MS-15514 | 9/25/2006 | \$350,000.00 | \$3,751.00 | |
| GA-15600 | 8/30/2007 | \$280,000.00 | \$70,789.00 | |
| MS-15638 | 8/28/2007 | \$193,400.00 | \$3,724.00 | |
| MS-15915 | 5/14/2008 | \$129,300.00 | \$3,350.00 | |
| WV-15973 | 7/18/2008 | \$120,000.00 | \$42,482.00 | |
| PA-16123 | 11/2/2008 | \$65,000.00 | \$10,510.00 | |
| MS-16225 | 4/24/2009 | \$250,000.00 | \$18,907.00 | |
| NC-15185 | 9/28/2005 | \$200,000.00 | \$200,000.00 | 1/ |
| VA-16353 | 6/12/2009 | \$500,000.00 | \$53,691.00 | |
| | | | <u>\$865,950.00</u> | |

22

1/ Grant fell through. Entity on repayment plan and notice to de-obligate funds sent to HUD 4/10/12.

TABLE D

CHILD AGENCY ADMINISTERED GRANTS WITH DISBURSEMENTS

But Limited Recent Activity

| <u>Grant #</u> | <u>ARC Funds</u> | <u>Approved</u> | <u>Balance 3/31/13</u> | <u>Last Disbursement</u> | |
|------------------|------------------|-----------------|------------------------|--------------------------|---|
| <u>HUD</u> | | | | | |
| AL-15814 | \$200,000.00 | 9/24/2007 | \$107,661.00 | 12/31/2009 | 1 |
| AL-15976 | \$579,000.00 | 6/17/2008 | \$12,022.00 | 11/30/2011 | 1 |
| MD-15917 | \$750,000.00 | 7/31/2008 | \$487,565.00 | 6/4/2010 | 5 |
| MS-15379 | \$250,000.00 | 8/22/2008 | \$25,975.00 | 7/31/2007 | 1 |
| MS-16256 | \$320,000.00 | 7/2/2009 | \$32,263.00 | 3/31/2012 | 1 |
| MS-16426 | \$200,000.00 | 9/21/2009 | \$5,576.00 | 11/30/2011 | 1 |
| OH-16208 | \$250,000.00 | 4/8/2009 | \$4,543.00 | 10/31/2010 | 1 |
| OH-16258 | \$185,520.00 | 9/28/2009 | \$181,988.00 | 1/31/2011 | 2 |
| OH-16371 | \$136,800.00 | 8/25/2009 | \$24,225.00 | 1/31/2011 | 1 |
| VA-16003 | \$435,840.00 | 9/9/2008 | \$7,026.00 | 4/30/2012 | 1 |
| | | | <u>\$888,844.00</u> | | |
| <u>RDS</u> | | | | | |
| NC-15892 | \$300,000.00 | 8/31/2009 | \$56,462.00 | 4/30/2011 | 1 |
| TN-14943 | \$500,000.00 | 9/30/2004 | \$43,400.00 | 12/31/2010 | 3 |
| <u>WV-16442</u> | \$1,000,000.00 | 9/30/2009 | <u>\$113.00</u> | 7/31/2012 | 4 |
| | | | <u>\$99,975.00</u> | | |
| Totals <u>13</u> | | | <u>\$988,819.00</u> | | |

Notes:

1/ No comment in ARC.Net Basic Agency Funds Management schedule since last disbursement.

2/ One disbursement of \$3,352 on 1/30/11.

3/Project reported complete as of 6/29/11.

4/ Small balance with de-obligation potential.

5/Project to be cancelled if not completed by 12/31/12