



July 17, 2015

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

Subject: Survey Report 15-28 - State Administered Grant end dates

A review of 72 State Administered grants disclosed a need to timely follow-up with respect to expired performance periods including open grants with balances and recently closed grants for which performance periods had been expired for a lengthy period prior to grant closing. In line with ARC guidelines expenditures after the approved grant period are considered at risk.

The ARC Grant Administration Manual states: "ARC will not reimburse expenditures occurring before or after the grant period and grant extensions should be requested and approved by ARC before the grant period expires."

Since Federal grant regulations do not specify approval actions with respect to construction grant extensions we concur with ARC language that extensions "should" be requested rather than "must" be requested. However, in instances where expenditures are made after the end of the grant period we would consider such expenditures as improper and ineligible payments pending determinations by ARC with respect to supportable extensions.

Prior reports have included ARC administered grants with expired end dates and recommendations that emphasis be placed on timely actions as needed. Actions to correct this condition have been limited.

State administered grants are considered ARC administered grants for which end dates are generally noted on ARC.Net. The grant approval notice and/or grant agreement also identifies the performance period. As noted, pending ARC determinations with respect to grants with expired end dates we considered funds expended after the approved end dates as at risk.

Table A identifies 21 open grants with expired end dates. The balances of these grants totaled \$4,246,871, including 11 grants with balances of \$2,320,928 for which no payments were reported as of June 30, 2015.

Table B identifies 8 recently closed grants for which the performance periods expired before the last reported payments. ARC payments totaling \$510,415 were reported significantly

after the approved expiration date.

Although information was not available to determine the dates or amounts of grantee expenditures after the approved expiration date both scenarios place ARC funds at risk based on improper or potential ineligible claimed costs for expenditures after approved performance periods.

For eight grants end date information was not available on ARC.Net or in grant files.

It was noted that identified project performance periods were often one year or less. Such a limited period appears unreasonable for construction related projects and increases the potential that end dates will be exceeded.

In order to address end date and cost eligibility issues we recommend:

1. ARC emphasize timely action with respect to grants with expired performance periods.
2. Controls be established to assure forthcoming end dates are identified and permit follow-up action including supportable end date extensions, or grant closeouts.
3. Grantees be notified of responsibility to request and support performance period extensions prior to expending ARC funds after the approved end date.
4. Encourage ARC State Program Managers to assist ARC Project Coordinators in monitoring grant end dates, including supportable end date extensions or ineligible costs.
5. Initiate action to address the noted cases, including actions to extend grant periods based on supportable reasons or disallowance of expenditures after the approved grant period.
6. Consider establishment of more realistic performance periods for construction projects.

Table A

Open State Administered Grants with Balance and with Expired End Dates
as of 6/30/15

<u>Grant</u>	<u>ARC amount</u>	<u>Balance 6/30/15</u>	<u>End date</u>	
MS-17769	\$200,000.00	\$200,000.00	11/15/2014	1/3
MS-17885	\$100,000.00	\$100,000.00	2/1/2015	1/2
OH-17367	\$250,000.00	\$100,000.00	6/1/2015	
OH-17425	\$250,000.00	\$25,000.00	11/30/2014	2/
OH-17483	\$250,000.00	\$250,000.00	6/1/2015	1/
OH-17681	\$250,000.00	\$250,000.00	6/1/2015	1/
OH-17682	\$250,000.00	\$64,603.00	12/1/2014	
OH-17731	\$250,000.00	\$82,837.00	2/28/2015	
OH-17748	\$200,000.00	\$118,185.00	5/31/2015	
OH-17753	\$250,000.00	\$250,000.00	5/31/2015	1/
OH-17973	\$100,000.00	\$100,000.00	5/11/2015	1/
SC-17316	\$400,000.00	\$119,349.00	3/11/2015	
TN-17846	\$396,000.00	\$396,000.00	6/30/2015	1/
TN-17887	\$350,000.00	\$350,000.00	6/30/2015	1/
VA-16946	\$500,000.00	\$707.00	3/30/2014	2/
VA-17105	\$76,983.00	\$76,983.00	8/1/2013	1/2
VA-17395	\$157,000.00	\$2,621.00	9/1/2013	2/
VA-17582	\$46,651.00	\$46,651.00	8/31/2014	1/2
VA-17633	\$499,995.00	\$482,092.00	12/31/2014	2/
VA-17976	\$51,294.00	\$51,294.00	4/30/2015	
<u>WV-17408</u>	<u>\$1,500,000.00</u>	<u>\$1,185,549.00</u>	6/1/2015	1/
21	<u>\$6,327,923.00</u>	<u>\$4,246,871.00</u>		3/

1/ 11 grants totaling \$2,320,928 with no reported payments

2/ Grants with largest risk for ineligible payments since end dates expired at least 6 months prior to 6/30/15.

3/ At risk amount using available end dates.

Table B

Closed State Administered Grants Most Susceptible to Ineligible Costs

<u>Grant</u>	<u>ARC funds</u>	<u>Last payment</u>	<u>Amount</u>	<u>End date</u>	<u>Closed date</u>	
OH-17486	\$250,000.00	4/2/2015	\$47,442.00	10/31/2014	6/3/2015	
OH-17544	\$100,000.00	5/16/2015	\$100,000.00	5/31/2014	6/3/2015	
OH-17736	\$241,400.00	3/18/2015	\$110,183.00	12/31/2014	6/3/2015	
OH-17312	\$500,000.00	12/15/2014	\$100,000.00	8/2014	6/3/2015	1/
VA-16301	\$500,000.00	1/14/2015	\$50,000.00	12/31/2013	6/3/2015	
VA-16954	\$226,000.00	12/15/2014	\$3,701.00	9/2/2013	6/3/2015	
VA-174336	\$338,000.00	1/29/2015	\$79,089.00	8/30/2014	6/3/2015	
<u>VA-17575</u>	\$500,000.00	11/28/2014	<u>\$20,000.00</u>	6/30/2014	6/3/2015	
8			<u>\$510,415.00</u>			

1/No end date on ARC.Net financial record. Approved document notes August 2014 as project completion date.