

PERFORMANCE AUDIT
OF THE

**Georgia Department of
Community Affairs
Consolidated Technical
Assistance Grant**

Grant: GA-7769-C31

OIG Report Number: 13-13

GRANT PERIOD JULY 1, 2011 – JUNE 30, 2012

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Georgia Department of Community Affairs Consolidated Technical Assistance Grant GA-7769-C31. The report is in response to Contract No. BPA 11-01-B.



Tysons Corner, Virginia
March 2, 2013

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local government. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts (LDD's). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects create thousands of new jobs, improve local water and sewer systems, increase school readiness, expand access to health care, assist local communities with strategic planning, and provide technical and managerial assistance to emerging businesses.

The Georgia Department of Community Affairs administers a variety of state and federally funded programs designed to support economic development, increase job opportunities, and improve communities throughout the state of Georgia. Among those programs are the grants awarded by ARC specifically focused on fostering growth and economic development within the Appalachian counties in Georgia.

ARC approved the Georgia Consolidated Technical Assistance Grant, project number GA-7769-C31, to the Georgia Department of Community Affairs (GA DCA, or the Grantee) in the amount of \$233,300 for the period from July 1, 2011 to June 30, 2012. The Grant requires an equal amount of State funding. The Grant supports review and administration of ARC project applications and grants and community and economic development programs initiated by the State. Funding covers personnel costs for four staff plus travel, contractual, rent and other indirect type expenses. The Grant designated \$30,000 for small sub grants (generally less than \$5,000) to support "special opportunities" such as conferences, leadership training and planning activities, where the needs are too small and/or are without sufficient lead time to pursue during the regular grant cycle.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit on the Georgia Department of Community Affairs Consolidated Technical Assistance Grant for the period from July 1, 2011 to June 30, 2012. The purpose of our performance audit was to determine that:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC Grant requirements;
- Internal controls were in place to ensure compliance with the Grant requirements; and
- Goals and objectives of the Grant had been achieved.

Executive Summary

Grant funds were used to fund the payroll and benefits of four staff who assisted with the administration and support of the Georgia DCA ARC programs, and to pay related administrative program expenses. Staffing included a Project Director, two Regional Specialists and a Field Services Representative. Non-personnel costs included travel and indirect expenses. The staff supported the program in various areas including preparing and reviewing grant applications, program oversight including field visits to ARC projects, attending regional meetings, and working with other LDDs and community agencies to improve visibility and support development in the region.

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In general, the performance objectives of the Grant were met. Required interim and final reports were not always submitted timely. Grant expenditures were nearly \$109,000 (ARC and non-federal) less than the total budget amount of \$466,600. ARC de-obligated approximately \$54,000 in February 2013. Prior year grants also resulted in de-obligations. No small sub grants were funded during the Grant period, although one was approved by ARC.

Scope

We performed a performance audit of the Georgia Department of Community Affairs Consolidated Technical Assistance Grant GA-7769-C31 at the GA DCA office from January 23, 2013 through January 25, 2013, as described under this section and under the audit methodology section. Our review was based on the terms of the Grant agreement and on the application of procedures compiled in the modified ARC "Sample Audit Program."

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on the "Sample Audit Program" prepared by ARC OIG and included suggested procedures over the Grantee's accounting and internal control systems affecting the Grant. We met with the Project Director to discuss the GA DCA overall structure and processes around Grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the project.

Our review of background material included ARC's Grant agreement and related documentation, ARC Grant approval, the Grant application and the State of Georgia Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012.

Our procedures included a review of controls in place for recording, accumulating, and reporting costs under the Grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies had been met. This included meeting with the Project Director and two Regional Specialists to understand how their daily activities and responsibilities supported the administration of Georgia's ARC program. We also gained an understanding of the responsibilities of other staff funded by the Grant.

Finally, we examined a sample of timesheets, payroll detail and related records for the staff whose employment was supported by the ARC funds. We also inquired of key staff and reviewed supporting documentation (invoices, vouchers, etc.) regarding the supplies, equipment, travel and indirect expenses that were paid for by ARC funds to determine whether they were allowable costs, i.e., the expenses supported ARC staff and project coordination. We evaluated payments and other activities for compliance with applicable Grant requirements and federal regulations.

Results

Compliance with Grant Provisions

The ARC (federal) share and matching (non-federal) share of actual expenditures incurred, reported, and supported were \$178,911 and \$178,911, respectively, during the period under review. Total actual expenditures were \$357,822, approximately \$109,000 less than the total ARC and matching budget of \$466,600. We examined supporting documentation for costs incurred, and determined that in general the funds had been expended in compliance with the Grant agreement. It appears the program objectives were generally achieved.

We had the following observations regarding the Grant budget and measuring of program results.

Reporting Requirements Observations

Grant terms required submission of interim (six-month) and final financial and progress reports. The interim report and payment request for the period July 1 through December 31, 2011 were not submitted until July 2012. The interim report and payment request for the period January 1 through June 30, 2012 were submitted timely in July 2012. Numerous communications between ARC and the Grantee occurred between July 2012 and January 2013 to obtain reports in the format required by ARC. A final report and payment request covering the full grant period was submitted in January 2013. Payment was made and the file closed by ARC in February 2013. Timely submission of reports facilitates ARC review and approval.

Procedures should be in place to ensure reports are prepared, reviewed and submitted based on Grant requirements. Grantee personnel responsible for preparing Grant reports should obtain additional clarification as needed from ARC and document reporting requirements and formats for future submissions.

Program Budget

As noted above, Grant expenditures were significantly less than anticipated in the original budget presented to ARC. The Grant budget included \$30,000 for small sub grant projects but no small sub grants were awarded although one was submitted and approved. Personnel costs charged to the Grant were approximately \$50,000 less than amounts budgeted. The Project Director noted that GA DCA had difficulty identifying opportunities or applicants for small sub grants during the Grant period.

When ARC funds are allocated but not used by a Grantee, the monies are not available for use on other projects supporting economic development in the Appalachian Region. Future funding requests should be reduced if personnel resources are not available or if the level of effort involved in identifying and managing small sub grants outweighs the benefits.

Performance Metrics

Grant reporting should include actual outcomes and measure results against program goals defined in the application. Communication from ARC to ARC grantees on February 15, 2012 noted the requirement to confirm or revise expected outputs and outcomes in the Technical Assistance close-out reports. The Grant application did not provide clear and measurable performance goals for assessing program performance. The Final report noted program accomplishments but did not assess these results against any predefined or quantified measures.

Defined outputs and outcomes allow the Grantee and ARC to assess whether the project is progressing as expected (interim reporting) or if the project has achieved its goals and objectives.

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