



March 16, 2006

Memorandum for: The Federal Co-Chair
 ARC Executive Director

Subject: OIG Reports 06-10, 06-11, 06-12, and 06-13
 Review of North Central Pennsylvania
 Regional Planning & Development Commission Grants
 Ridgway, Pennsylvania

Attached are the subject reports dealing with the Heritage Park Project, North Central Entrepreneurial Network Initiative, and Wireless Wide Area Network Project grants to the North Central Pennsylvania Regional Planning & Development Commission. The reports all have one recommendation in common dealing with internal controls over mandatory vacations. This report will be kept open until the recommendations have been implemented.

Clifford H. Jennings
Inspector General

Attachments

cc: Director for Program Operations
 Director for Finance and Administration
 Mary Moran

**MEMORANDUM REPORT ON REVIEW OF
NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING &
DEVELOPMENT COMMISSION
(NCPRPDC)
RIDGWAY, PENNSYLVANIA**

**NORTH CENTRAL ENTREPRENEURIAL
NETWORK INITIATIVE GRANT**

ARC Grant Number: 21-769-0001

Grant Period: Fiscal Years Ending June 30, 2002 and 2003

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b) (4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

Report Number: 06-11

Date: March 15, 2006

**MEMORANDUM REPORT ON REVIEW OF
NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING &
DEVELOPMENT COMMISSION
(NCPRPDC)
RIDGWAY, PENNSYLVANIA**

**NORTH CENTRAL ENTREPRENEURIAL
NETWORK INITIATIVE GRANT**

ARC Grant Number: 21-769-0001

Grant Period: Fiscal Years Ending June 30, 2002 and 2003

Prepared By:

**Tichenor & Associates, LLP
Certified Public Accountants
304 Middletown Park Place, Suite C
Louisville, Kentucky 40243**

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: Federal Co-Chair Anne B. Pope
ARC Executive Director Thomas M. Hunter
OIG Report Number: 06-11

SUBJECT: Memorandum Report on Review of North Central Pennsylvania
Regional Planning & Development Commission (NCPRPDC),
Entrepreneurial Network Initiative Grant for Local Development
District, ARC Grant Number: 21-769-0001.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to NCPRPDC for its Entrepreneurial Network Initiative Grant were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; and (b) the accounting, reporting, and internal control systems provided for disclosure of pertinent financial and operating information.

BACKGROUND: ARC awarded Grant Number 21-769-0001 to NCPRPDC for the fiscal years ending June 30, 2002 and 2003. Total ARC grant funding was for an amount not to exceed \$72,865 or 80 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$11,327 or 20 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made payments to NCPRPDC in fiscal year 2002 and 2003 totaling \$56,636 as follows:

For The Fiscal Year Ended June 2002: \$21,038

For The Fiscal Year Ended June 2003: \$35,598

The grant is to provide funds for the purpose of assisting and enabling NCPRPDC to establish and expand economic development services that are deemed to be useful and pertinent to the accomplishment of the objective and purposes of the ARC.

The main objective of NCPRPDC is to help local entities in a six-county Appalachian

region plan and develop projects to boost economic activity and the quality of life for the citizens of the region. In addition, NCPRPDC researches sources of funding available to local entities, and assists in the application and reporting process for the applicable funding.

To achieve the goals and objectives of the entrepreneurial Initiative and evolve the process to promote results-oriented activities, the NC/REN will use the submitted task workplan as its guideline. Phase III will primarily focus efforts to continue closing the unmet needs and gaps of entrepreneurs by continuing to address training, financing and electronic-commerce results-orient activities. The integration of these three components will go a long way in stimulating new business starts, strengthening survival rates and enhancing expansion opportunities.

SCOPE: We performed a review of the grant as described in the Purpose above. Our review was based on the terms of the grant agreement and on the application of certain agreed-upon procedures previously discussed with the ARC, OIG. Specifically, we determined if the tasks described above were being performed, if the accountability over ARC funds is sufficient as required by applicable Office of Management and Budget (OMB) Circulars, and if NCPRPDC was in compliance with the requirements of the grant agreement. Our results and recommendations are based upon those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

REVIEW RESULTS:

The following results are based on our review performed at NCPRPDC in Ridgway, PA:

A. Incurred Costs

NCPRPDC's financial records report total program costs of \$67,693 for fiscal years ending June 30, 2002 and 2003. Of these costs, \$56,636 (80%) was attributed to ARC expenditures, with the remaining \$11,327 (20%) attributed to matching and in-kind expenditures.

For The Fiscal Year Ended June 2002: \$28,157

For The Fiscal Year Ended June 2003: \$39,806

B. Internal Controls

During the course of the review, we reviewed NCPRPDC's system of internal controls. One area of weakness was identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

FINDING 1. No Mandatory Vacation Requirement for Employees In Key Financial Positions

Proper internal control procedures require that all employees in key financial positions be required to take annual vacations.

The detection of misappropriation of funds is made more difficult by not requiring that employees in key financial positions take annual vacations.

Presently, employees in key financial positions are not required to take annual vacations.

We recommend that all employees in key financial positions be required to take annual vacations.

In response to our draft report, NCPRPDC management stated that they will be updating their Personnel Policies and Employee Handbook to require that employees in key financial positions take mandatory annual vacations. (See attached grantee response.)

We believe that implementation of the above recommendation will strengthen NCPRPDC's systems of internal controls.

C. Compliance

As part of obtaining reasonable assurance about whether NCPRPDC grant financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our review, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the ARC and NCPRPDC, and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

Louisville, Kentucky

January 20, 2006

Grantee Response

North Central Pennsylvania Regional Planning and Development Commission

A Pennsylvania Local Development District "LDD"

651 Montmorenci Road Ridgway, PA 15853

Phone (814) 773-3162 Fax (814) 772-7045 e-mail - ncprpdc@ncentral.com www.ncentral.com/~ncprpdc

February 28, 2006

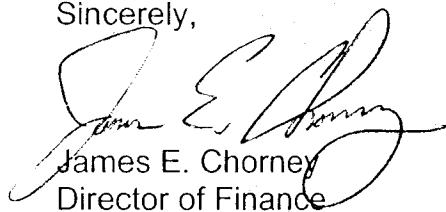
William R. Tichenor, CPA
Managing Partner
Tichenor & Associates, LLP
304 Middletown Park Place, Suite C
Louisville, KY 40243

Dear Mr. Tichenor:

Enclosed is North Central Pennsylvania Regional Planning and Development Commission's response to the purposed findings in the Draft audit report for the Appalachian Regional Commission.

Please let me know if you have any questions regarding this information.

Sincerely,



James E. Chorney
Director of Finance

North Central Pennsylvania Regional Planning and Development Commission

A Pennsylvania Local Development District "LDD"

651 Montmorenci Road Ridgway, PA 15853

Phone (814) 773-3162 Fax (814) 772-7045 e-mail - ncprdc@ncentral.com www.ncentral.com/~ncprdc

North Central Pennsylvania Regional Planning and Development Commission's response to the Appalachian Regional Commission Draft Audit Report prepared by Tichenor & Associates.

B. Internal Controls

Finding 1. Grantee's Response: North Central Pennsylvania Regional Planning and Development Commission will be updating the Personnel Policies and Employee Handbook to include a section that employees in key financial positions be required to take mandatory annual vacations.

Contracts: PA-13868-0-1, 21-769-0001, PA-12904G, PA-14570, PA-8312, PA-0708B