

APPALACHIAN REGIONAL COMMISSION
Grant Number CO-11223-93-I-302-1215

SURVEY REPORT

Western Maryland Community College Video Network

MARYLAND HIGHER EDUCATION COMMISSION
16 Francis Street
Annapolis, MD 21740

REPORT RELEASE RESTRICTION

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PURPOSE AND SCOPE

We performed a survey of the financial and programmatic records as they relate to Grant Number CO-11223-93-I-302-1215 (93-30), for \$100,000 awarded by the Appalachian Regional Commission (ARC) to the Maryland Higher Education Commission (MHEC). This grant is for the establishment of the Western Maryland Community College Video Network. The period of performance of this grant, including all amendments, was March 1, 1993 to March 30, 1995.

The grantee has designated Hagerstown Junior College (HJC) as the payee for this project, as well as the custodian of the records. The fieldwork for our survey was conducted at HJC on March 27 and 28, 1995.

The objective of the survey was to determine whether HJC maintained adequate accountability over program funding and programmatic records as they relate to ARC Grant Number CO-11223-93-I-302-1215. The scope of our survey was limited to the following:

1. Held an entrance conference with Grantee personnel and discussed the scope of the survey.
2. Obtained and reviewed a copy of the grant agreement and any amendments.
3. Held discussions with the Financial Manager and Grant Program Manager at HJC regarding financial records and reporting and programmatic operations.
4. Performed procedures to determine if there was evidence that services listed in the Scope of Services section of the Grant Agreement had been performed.
5. Performed survey procedures to determine the Grantee's adherence to the ARC Code, applicable OMB Circulars, and the Grant Agreement, as related to financial management of the grant.
6. Obtained and reviewed the June 30, 1994 Hagerstown Junior College OMB Circular A-133 Single Audit Report.
7. Determined that the matching contribution requirements have been met and are in accordance with the Grant Agreement and ARC regulations.
8. Held an exit conference with the Program Manager and discussed the observations and recommendations made in this report.

BACKGROUND

The Maryland Higher Education Commission was awarded a grant by the Appalachian Regional Commission on March 1, 1993. The amount of the grant was a sum not to exceed \$100,000 or 36.5% of the actual, reasonable, and eligible costs of the project, as determined and approved by ARC, whichever is less. The Grantee was required to obtain \$174,000 or 63.5% of non- federal cash, contributed services, or in-kind contributions, as approved by ARC.

The purpose of the grant was to provide funds for the establishment of an interactive video, audio, and data network connecting Hagerstown Junior College, Allegany Community College, and Garrett Community College. This project is a demonstration project for the statewide Community College Video Network. It will enable interactive conferencing and instruction between sites and will improve the quality and the efficiency of instruction and administration between the users.

Matching funds were provided by the Grantee and by C & P Telephone Company.

SUMMARY OF SURVEY RESULTS

- 1. Based on our limited survey procedures, it appears that the Grantee maintained adequate financial records and controls relating to the grant.
- 2. Based on our limited survey procedures, it appears that the services outlined in the grant agreement have been or are being performed.
- 3. There was sufficient supporting documentation that the matching funds were provided in accordance with the grant agreement and the ARC Code.

Our survey did disclose several matters which we believe need to be brought to the attention of the Maryland Higher Education Commission and the Hagerstown Junior College.

OBSERVATION #1

Several expenses from the MHEC funding appear to be unallowable entertainment costs as defined in the Federal Cost Principles applicable to grants.

OMB Circular A-21, Paragraph 12 states:

Costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs, (such as . . .meals. . .) are unallowable.

It appears that the following charges are unallowable under the cost principles:

DATE	DESCRIPTION	AMOUNT
05/31/94	Luncheon for publicity reception	\$684.50
03/17/94	Ribbon cutting ceremony reception	1,058.00
06/03/94	Bowls and engraving for dedication luncheon	130.73
02/22/94	Luncheon for dedication	375.00
TOTAL		2,248.23

RECOMMENDATION

We recommend that the Grantee not include these charges as project matching costs. Reports of matching costs by MHEC to ARC should be revised as necessary. (See Exhibit A)

OBSERVATION #2

The Grantee purchased two pieces of equipment and charged them as direct costs to the project. These two pieces of equipment do not appear to be specifically identifiable to this project.

OMB Circular A-21 (Revised), Section D, Paragraph 1 states:

1. General Direct costs are those costs that can be identified specifically with a particular sponsored project. . . .

These charges do not appear to be direct costs as defined above.

The equipment purchased was a copier (and copier stand) in the amount of \$2,375 and a computer (plus necessary accessories) in the amount of \$2,228. The funds used to purchase these were reported as in-kind contributions provided by MHEC.

The Grantee was unable to provide any documentation that these two purchases benefitted the ARC grant. Therefore, they should not be charged to the ARC grant on either a direct or an indirect basis.

RECOMMENDATION

We recommend that the Grantee not include these charges as project matching costs. Reports of matching costs by MHEC to ARC should be revised as necessary. (See Exhibit A)

GENERAL COMMENT

We noted that ARC has recently approved an additional \$109,000 for 1995/1996, to continue this project. Although we did not test the extent of utilization of the Video Network to date, our observations indicated that ARC and the Grantee should assess this issue and the related issue of funding for the necessary communications costs.

GRANTEE'S COMMENTS

Hagerstown Junior College indicated, that based on the information that they had received from Maryland Higher Education Commission, these costs were allowable.

AUDITOR'S RESPONSE

The resolution of these questioned costs should be addressed by the Appalachian Regional Commission in conjunction with the Maryland Higher Education Commission.

MARYLAND HIGHER EDUCATION COMMISSION
 Western Maryland Community College Video Network
 Grant # 93-30
 As of December 31, 1994

Schedule of Claimed and Questioned Costs

	CLAIMED			QUESTIONED		
	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Allegany CC	\$30,744.18	\$64,594.34	\$95,338.52			
Garrett CC	26,556.02	83,743.40	110,299.42			
Hagerstown JC	23,999.38	58,798.77	82,798.15			
TOTAL	\$81,299.58	\$207,136.51	\$288,436.09	\$0.00	\$6,851.23	\$6,851.23

Schedule of Cash and In-Kind Received

	ARC	MATCH	TOTAL
Total Program Costs Reported	\$81,299.58	\$207,136.51	\$288,436.09
Less: Disallowed Costs	0.00	(6,851.23)	(6,851.23)
Allowed Costs	\$81,299.58	\$200,285.28	\$281,584.86

Schedule of Cash and In-Kind Required

Match Provided	\$207,136.51
Less: Disallowed match	(6,851.23)
Less: Required participation	(178,806.39)
Excess Match	\$21,478.89