

MEMORANDUM REPORT ON REVIEW OF THE  
SOUTHERN TIER EAST REGIONAL  
PLANNING DEVELOPMENT BOARD  
BINGHAMTON, NEW YORK

NY-2324-95-C24-302-0627: Local Development District Program;  
NY-8907B-86-Y2-302-0222: Housing Technical Assistance; and  
NY-11594-94-I-302-0429: Multi-Regional Telecommunications Implementation Project

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Report Number: 96-41 (H)

Date: August 27, 1996

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Prepared by:

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Under Contract Number J-9-G-5-0010 with the  
U.S. Department of Labor  
Office of the Inspector General  
Office of Audit

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

FROM: Tichenor & Associates  
Woodbridge, Virginia

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report No. 96-41(H)

SUBJECT TO: Memorandum Review Report on Southern Tier East Regional Planning  
Development Board, Binghamton, New York. ARC Grant Nos:

NY-2324-95-C24-302-0627: Local Development District Program;  
NY-8907B-86-Y2-302-0222: Housing Technical Assistance; and  
NY-11594-94-I-302-0429: Multi-Regional Telecommuni-  
cations Implementation Project

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Southern Tier East Regional Planning Development Board were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

BACKGROUND: ARC awarded Grant Number NY-2324-95-C24-302-0627 to Southern Tier East Regional Planning Development Board (Grantee) for the period October 1, 1994 through September 30, 1995. Total grant funding was for an amount not to exceed \$160,000, or 50 percent of actual, reasonable and eligible project cost, whichever is less. ARC required that the grant be matched 50 percent with \$57,000 in other federal funds, \$30,000 in Grantee cash, and \$73,000 in in-kind costs. ARC made four progress payments to the Grantee totaling \$160,000.

The purpose of the grant was to enable the Grantee to establish and expand economic development services.

ARC awarded Grant Number NY-8907B-86-Y2-302-0222 for the period February 22, 1994 through February 21, 1997. Total grant funding was for an amount not to exceed \$150,000, or 50 percent of actual, reasonable and eligible project cost, whichever is less. ARC required that the grant be matched \$150,000, or 50 percent, with cash, contributed services, or in-kind contributions, as approved by ARC. The grant funding for the housing technical assistance program was to be provided to the Grantee in accordance with the Novation Agreement between ARC and the New York Department of State, who previously administered the \$320,000 Housing Revolving Loan Fund (RLF). Under the Novation Agreement, Southern Tier East received all rights and responsibilities for one-half of the RLF which had \$260,000 for loans under the program and \$20,000 in funds which had not been drawn down from ARC (the remaining \$20,000 had been used for administrative expenses). The purpose of the housing technical assistance program under the new agreement with the Grantee was to enable the Grantee to provide current and comprehensive inventories and assessments of housing stock in its service area, identify and recommend solutions to deficiencies in the housing stock, and develop implementation strategies for housing improvement. The grant was not to continue the RLF, however, funding for the new scope would be funded over time with the loan and interest payments received from the portion of the RLF assigned to the Grantee. In addition, ARC provided the \$20,000 which had not be drawn down to the Grantee.

ARC also awarded Grant Number NY-11594-94-I-302-0429 for the period October 1, 1994 through September 30, 1995. Total grant funding was for an amount not to exceed \$55,000, or 41 percent of actual, reasonable and eligible project cost, whichever is less. ARC required that the grant be matched with \$82,000, or 59 percent, in cash, contributed services, or in-kind contributions, as approved by ARC. ARC made one advance payment to the Grantee totaling \$49,500 on June 20, 1995. The purpose of the multi-regional telecommunications project was to define the telecommunication needs of the educational, medical, public, and business sectors participating in the three county area of Chautauqua, Cattaragus, and Allegany Counties; setting up focus groups; conducting interviews and surveys; developing network design concepts; identifying legal and regulatory issues; defining possible potential network users; and developing models and other planning efforts.

SCOPE: We performed a financial and compliance review of the grants as described in the Purpose, above. Our review was based on the terms of the grant agreements and on the application of certain agreed-upon procedures previously discussed with the ARC OIG. We determined if the tasks had been performed, if the accountability over ARC funds was sufficient as required by the Office of Management and Budget (OMB) Circulars, and if the Grantee had complied with the requirements of the grant agreement. In addition, we discussed the program

objectives and performance with the Grantee's personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review performed at the Grantee's offices in Binghamton, New York on May 6 through May 8, 1996.

**A. Incurred Costs**

Our review of project costs incurred and claimed for reimbursement by the Grantee for each of the grants reviewed was limited to the following:

	<u>Period Reviewed</u>	<u>Amount</u>
LDD Administrative Grant	October 1, 1994 - September 30, 1995	\$ 335,644
Housing Technical Assistance	February 22, 1994 - September 30, 1995	\$ 132,083
Multi-Regional Telecommunications Implementation Project	October 1, 1994 - September 30, 1995	\$ 137,611

In general the funds had been expended as reported by the Grantee. However, we questioned \$721 in registration fees and travel to a National Association of Development Organizations (NADO) Conference in Boston, Massachusetts. The functions of NADO benefit all programs administered by the Grantee. Therefore, costs must be allocated to all programs in accordance with OMB Circular A-122, Attachment A, Paragraph A.4.

**B. Internal Controls**

1. Travel Not in Accordance to the Federal Travel Regulations

The Grantee does not have policies and procedures to assure that travel costs which exceed the guidelines established by the Federal Travel Regulations (FTR) are not claimed as allowable program costs. The portion of travel which exceeds these guidelines is unallowable in accordance with the ARC agreement. Therefore, the Grantee should design and implement procedures to assure that these costs are not claimed for federal reimbursement.

2. Inconsistent Charges Between Direct Travel and Direct Labor

The Grantee did not consistently report like costs. The Grantee charged employee labor to one program and the related travel costs to a different program. For example, we determined that the Grantee had charged travel costs charged as direct costs to the LDD grant. However, the related labor costs were charged as direct costs of other programs, as supported by the employee timesheet. In accordance with OMB Circular A-87, Attachment A, Paragraph D. 2., costs incurred should be treated consistently either as a direct or an indirect cost. In addition, Paragraph C.1.f. states that to be allowable costs must not be allocable to any other program. We recommend that the Grantee properly identify and expense labor and the related travel cost either as a direct cost of the appropriate cost objective or allocate the costs to all programs in an equitable manner.

**C. Program Results**

The specific tasks of the housing technical assistance grant were identified as three phases:

- Establishment of a regional housing data base;
- Continuation of data input and housing market analysis;
- Development of county and regional housing strategies and implementation plans.

The grant period extends through February 21, 1997 and the Grantee is continuing to implement all phases. There is no indication that the tasks will not be achieved.

The specific tasks of the telecommunications project were:

- To continue efforts with Southern Tier East/Central and include Southern Tier West in the Committee and Strategic Development Initiative;
- To provide coordination assistance in the development of local networks;
- To implement a coordinative work effort with engineering and technical design divisions of service providers to develop acceptable hub and rural access point standards;
- To develop and implement a cooperative telecommunications education program;
- To monitor and evaluate the implementation of telecommunications models in the multi-regional area; and

- To develop a roll out plan for implementing regional hub and access points.

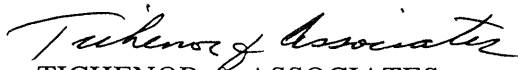
According to the program director, the project created an interest in telecommunications in 14 counties throughout the region. The project also added eight major internet providers. However, there was no commitment from network service providers on defining network-access-point and network-exchange-point specifications.

RECOMMENDATIONS:

We recommend that the Grantee adjust its current Administrative Grant to reflect the \$721 as an indirect costs rather than a direct project cost. We also recommend that the Grantee design and implement procedures whereby travel costs and labor hours are properly identified and recorded and that travel costs are limited to guidelines established by the Federal Travel Regulations.

DISCUSSION:

We discussed the results of our review with the Grantee on May 8, 1996.

  
TICHENOR & ASSOCIATES  
Woodbridge, Virginia



November 1, 1996

MEMORANDUM FOR MR. ROBERT DECKER

SUBJECT: OIG Reports

We distribute our grantee reports to the Federal Co-Chairman, Executive Director, and applicable project coordinator(s). Program or headquarters reports are distributed to the Federal Co-Chairman, Executive Director, applicable Division Director(s), and usually the General Counsel.

In some instances, grantee reports may contain information of interest to you or within areas of your responsibility. I will try to ensure you get copies of these reports. In the interim, I am forwarding a couple of cover letters that refer to issues such as the need for clearer identification of applicable grantee travel regulations and questions related to LDD charges for conference travel and economic development organizations. The individual reports where these issues were raised provide little additional information, but a couple of examples are enclosed.

  
Hubert N. Sparks  
Inspector General

Enclosures





September 30, 1996

MEMORANDUM FOR ARC EXECUTIVE DIRECTOR

SUBJECT: OIG Reports:

- 96-32(H), Grant NY-11483, Research Foundation of SUNY, Enhance Manufacturing Competitiveness
- 96-41(H), Grants NY-2324, NY-11594, and NY-8907B, Southern Tier East RPDC, LDD Program, Housing Technical Assistance, and Telecommunications Project
- 96-55(H), Grant CO-11482, Southern Technology Council, Assist Metal-working Firms
- 96-56(H), Grant CO-11811, Southern Growth Policies Board, Support Network to Enhance Creativity, Flexibility, and Accountability of State and Local Government
- 96-61(H), Grants VA-0711D and VA-11571, New River Valley PDC, LDD Program, and GIS System
- 96-62(H), Grants VA-11799 and VA-0711B, Cumberland Plateau PDC, Digitization of Cadastral Maps and LDD Program
- 96-68(H), Grant CO-11802, Southern Technology Council, Assist Southeast Regional Alliance

A copy of each of the subject reports is enclosed. The reports reflect overall compliance with grant agreement terms and applicable regulations and accomplishment of grant objectives.

Recommendations included improved or basic internal controls related to accounting systems and policies, separation of duties, approval of invoices, reporting of program income, allocation of conference costs between benefitting programs, consistent program charges for labor and travel, timely expenditure of advances and timely reporting.

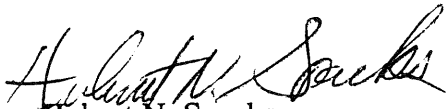
Report 96-32(H), SUNY Research Foundation indicates limited project success with a demonstration grant to enhance manufacturing competitiveness in Appalachia.

Minor questioned costs noted in several reports should be resolved between the grantees and ARC program staff.

Two of the noted issues should be addressed by ARC. Various reports have questioned travel costs that are in excess of Federal Travel Requirements (FTRs). We have used FTRs as a basis for evaluating travel claims based on old ARC guidance that refers to ARC travel regulations. In the absence of ARC travel regulations, we have, based on ARC guidance, interpreted this clause to

mean the FTRs. Grantees have raised questions about the applicable travel regulations, and we have previously recommended that ARC clarify this issue and consider implementing the travel provisions of OMB Circulars A-87 and A-122, which deal with cost eligibility. These provisions provide some additional flexibility for grantees provided the grantee has established travel policies and procedures.

A more recent issue deals with the allocation of conference costs as noted in Report 96-41(H), LDD Administrative Grant 2324-95. Essentially, the issue is whether ARC should fund the entire conference cost when LDD officials attend regional and national conferences that benefit all or several programs administered by the grantee. The auditors noted that costs are to be allocated to all benefitting programs. It is possible that a distinction is appropriate between regional conferences dealing with Appalachian Region LDD issues and national conferences, but the overall issue should be reviewed and addressed by ARC.

  
Hubert N. Sparks  
Inspector General

Enclosures