

MEMORANDUM REPORT ON REVIEW OF

SOUTHERN TIER WEST

REGIONAL PLANNING AND DEVELOPMENT BOARD

SALAMANCA, NEW YORK

MUNICIPAL PARTNERSHIP DEMONSTRATION

ARC GRANT NO: NY-11336-94-CI-302-0429

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Report Number: 97-12 (H)

Date: October 18, 1996

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ARC GRANT NO: NYNY-11336-94-CI-302-0429

Prepared by:

**Tichenor & Associates
Certified Public Accountants
Woodbridge, Virginia**

**Under Contract Number J-9-G-5-0010 with the
U.S. Department of Labor
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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. 97-12 (H)

SUBJECT: Memorandum Review Report on Southern Tier West Regional Planning
and Development Board, Salamanca, New York. Municipal Partnership
Demonstration Project. Grant No: NY-11336-94-CI-302-0429; ARC
Contract No. 94-11.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Southern Tier West Regional Planning and Development Board (Grantee) 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; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant had been met.

BACKGROUND: ARC awarded municipal partnership demonstration grant number NY-11336-94-CI-302-0429, to the Grantee with ARC funding of \$52,000 or up to 36 percent of total allowable costs incurred, for the period March 1, 1995 through June 30, 1996. ARC required that the grant award be matched with Grantee cash and in-kind of at least \$92,600.

The grant project was intended to assist local governments and special districts with developing cooperative approaches and improving the effectiveness and efficiency of their local government services. The specific tasks of the grant are discussed in the Program Results section of this report.

SCOPE: We performed a financial and compliance review of the grant as described in the Purpose section of this report. 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. We determined if the specific tasks of the grant had been met, if the accountability over ARC funds was sufficient as required by the applicable 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 office in Salamanca, New York on April 29, through May 2, 1996:

A. Incurred Costs

The Grantee claimed total reimbursable costs from March 1, 1995 through November 30, 1995 of \$20,141. At the time of our review, the Grantee had not submitted a reimbursement request for costs incurred after November 1995. We reviewed the costs claimed for reimbursement and determined that the funds had generally been expended as reported. However, we noted \$101 charged to travel which was not supported by documentation. These costs are unallowable in accordance with OMB Circular A-122, Attachment A, Paragraph A.2.g., which states:

"To be allowable under an award, costs must meet the following general criteria:...g. Be adequately documented."

B. Matching Requirements

The grant specified matching requirements from state, local and Grantee in-kind. We found, based on documents provided, the Grantee did not meet the matching requirements as indicated below:

	<u>Required Per ARC Grant</u>	<u>Verified</u>	<u>Understatement</u>	<u>Note</u>
Local Cash	\$ 36,752	\$ 31,500	\$ 5,252	(1)
State	15,000	11,250	3,750	(2)
Local In-kind	<u>40,848</u>	<u>3,947</u>	<u>36,901</u>	(3)
	<u>\$ 92,600</u>	<u>\$ 46,697</u>	<u>\$ 45,303</u>	

(1) Local Cash

Local cash was to have been provided from the three counties in the Southern Tier West region at \$10,000 each and \$6,752 from various partnerships. Each county provided its \$10,000 contribution. However, we were only able to verify that \$1,500 was received from the various partnerships resulting in a contributed cash deficit of \$5,252.

(2) State and Local In-Kind

The Grantee could not provide supporting documents for the total state and local in-kind expenses. The Grantee provided only seven in-kind contribution worksheets totaling \$3,947 in expenses for the local match. The state in-kind was accumulated quarterly. We found only three quarters valued at \$3,750 for each quarter, or \$11,250.

The Grantee's lack of verifiable matching funding may effect the eligibility of ARC funding. OMB A-110, Attachment E, Paragraph 3.B., states:

"All contributions, both cash and in-kind, shall be accepted as part of the recipients' cost sharing and matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the recipient's records;
- (2) Are not included as contributions for other federally assisted programs;
- (3) Are necessary and reasonable for proper and efficient accomplishment of project objectives;..."

Therefore, if the Grantee is unable to meet the grant matching requirement, ARC funding may be reduced to comply with the total funding limitation of 36 percent of total allowable costs incurred.

Grantee's Response:

The Grantee stated a reallocation of in-kind from \$40,848 to \$50,600 and an extension of time enabled them to meet their requirement.

Additional Comments:

The reallocation of in-kind costs was actually a grant amendment dated June 19, 1996, FROM \$40,848 to \$55,848, and is reflected in our analysis by \$15,000 for state and \$40,848 for local in-kind. We requested additional documentation supporting these in-kind costs subsequent to our

fieldwork from the program director. These additional documents, which we received in August, and documents we reviewed during fieldwork are reflected in the "Verified" column. If there are more documents supporting matching costs, the Grantee should submit those to ARC.

C. Program Results

The specific tasks of the municipal partnership demonstration grant were to:

- a) Market the program;
- b) Identify potential partnerships by taking and reviewing requests for proposals (RFPs) from interested communities;
- c) Develop formal partnerships by having interested parties sign statements committing personnel and money to the process, by seeking public input through public scoping sessions, and establishing a partnership committee;
- d) Study cooperative efforts and provide technical assistance to partners;
- e) Implement cooperative efforts; and
- f) Document the results of cooperative efforts.

The grant period extended from March 1, 1995 through June 30, 1996. All tasks were completed with the exception of task (e). The six partnerships currently in place have not yet implemented cooperative efforts. The Grantee is anticipating the cooperative efforts to be implemented by September or October, 1996.

DISCUSSION: We discussed the results of our review on May 2, 1996. The Grantee concurred with our results.

RECOMMENDATIONS: We recommend that the Grantee obtain and document the required match or adjust their claims for reimbursement to assure that ARC funding does not exceed 36 percent of the total project cost. Also, we recommend that ARC work with the Grantee to resolve the matching fund issue, extend the performance period, as necessary, and follow-up on the extent of cooperative efforts.

GRANTEE'S RESPONSE TO DRAFT REPORT:

The Grantee agreed that the internal controls need improvements. They are in the process of implementing all the suggestions outlined, as well as additional controls that were lacking. The Grantee stated that the lack of internal controls is not an excuse for poor documentation but the cause of it.

Tichenor & Associates
TICHENOR & ASSOCIATES
Woodbridge, Virginia



APPALACHIAN
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COMMISSION

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A New Vision*

Office of the Inspector General


July 2, 1997

MEMORANDUM FOR MS. JUDY RAE, PROGRAM DIRECTOR

SUBJECT: Audit Followup

A review of our files indicates additional information from the grantee and/or ARC is necessary to close our files. I have summarized the needed information on the attached sheets; and in some cases, I have attached recent correspondence or the report cover letter that indicates the open items.

As possible, a summary of the status of actions in each case is appreciated and, where necessary, contact should be made with the grantee to obtain information.


Hubert N. Sparks
Inspector General

Attachments

SUMMARY OF REPORTS AND OPEN ITEMS

Report 96-8(H)

Grants PA-7752F-93, PA-8285-94, and PA-10774-91, Northwest Pennsylvania Regional Planning and Development Commission

The OIG report and correspondence recommends return of interest earned on advances and questions the determination made by grantee. Also, we have no indication that interest was refunded. A copy of our July 2, 1997 letter to grantee is attached.

Report 96-30(H)

Grants PA-7784-93/94, Pennsylvania Consolidated Technical Assistance

Information is needed to resolve the issues pertaining to allowable costs and matching contribution with respect to one project. A copy of our July 2, 1997 letter to grantee is provided.

Report 96-31(H)

Grants PA-0708C-95 and PA-8305-94, Northern Tier RP&DC

Information is necessary to settle the matching issue as respects funds provided by the Pennsylvania Department of Transportation--e.g., were the funds provided?

Report 96-44(H)

Grant NC-11446-93, North Carolina Smart Start Program

Information is needed with respect to the reconciliation and final report accounting for the \$8,000 error in request for payment and \$16,704 subcontract fee that was not part of the ARC project.

Report 97-1(H)

Grants CO-11465-94 and KY-11347-93, Forward in the Fifth

Information dealing with documentation for the cash match, approval of a consulting contract and correction of final report to account for reported error of \$4,490.

Report 97-3(H)

Grants OH-11566-94 and OH-12038-95, Governor's Office of Appalachia

Final information on matching contribution and approval of subcontract costs is requested.

Report 97-5(H)

Grant CO-11481-94, Ohio Valley Regional Development Commission

Approval of use of program income requested.

Report 97-6(H)

Grant AL-11527-94, Alabama Department of Health

ARC position on noted use of employee requested.

Report 97-7(H)

Grant CO-10959-92, Natchez Trace Parkway Association

Information is requested with respect to completion of the project and deobligation of funds

Report 97-8(H)

Grant CO-11895-95, Concord College

Information is requested about adequacy of final report information, including support for \$1,422 student assistance hours that were questioned.

Report 97-12(H)

Grant NY-11336-94, Southern Tier West Regional Planning and Development Board

The issue of eligible match remains open pending ARC concurrence with grantee response on this issue.

Report 97-17(H)

Grant SC-11800-94, South Carolina Department of Parks, Recreation and Tourism

Determinations with respect to use of funds prior to the grant period and unused funds are requested.

Report 97-19(H) **Grant TN-11804-94, Tennessee Tomorrow**

Confirmation of ARC approval of the additional consultants is requested.

Report 97-23(H) **Grants SC-11569-94 and SC-12097-95, Greenville Hospital System**


Information is needed with respect to the grantee refund of interest earned on advances and documentation of costs charged to the Nurse Practitioner grant. A copy of our letter to grantee dated July 2, 1997, is provided.

Report 97-24(H) **Grant KY-12032-95, Kentucky Highlands Investment Corporation**

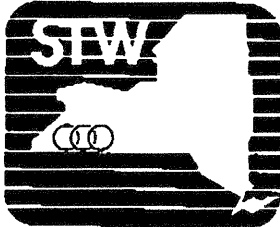
Several issues remain open. Of primary importance is the apparent nonspending of \$90,647, as of the audit, and apparent reporting to ARC that these funds were expended. We believe this is a significant issue and appropriate action could include recovery of \$65,000 of this amount. Other open issues pertain to equipment purchases, interest earned on advance, program income, and completion of grant objectives.

Report 97-34(H) **Grant CO-10720-91, Maryland Department of Business and Economic Development**

Information is requested with respect to the need for certification/documentation of employee/consultants services to grantee.


Hubert N. Sparks
Inspector General

Attachments



Southern Tier West
Regional Planning
& Development Board

Donald R. Rychrowski, Executive Director

Partnership for Development Serving
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October 15, 1996

Hubert Sparks, ARC Inspector General
Appalachian Regional Commission
1666 Connecticut Ave. NW
Washington, D.C. 20235

Dear Mr. Sparks:

I am writing in response to the audit of the Southern Tier West Regional Planning and Development Boards financial Statements performed by Rene Jorgeson, of Tichenor and Associates. The audit was done on the Municipal Partnership Demonstration Project, number NY-11336-94-CI-302-0429.

The first finding relates to incurred costs which were not properly documented. It is our feeling that this relates to the internal control issues that were outlined later in your report and I will address in more detail later.

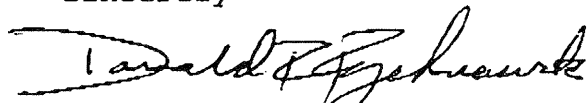
The second finding states that we did not meet the matching requirements as stipulated by the grant. Based on the number that are presented by the auditor this is true. But, Southern Tier West submitted an amendment that reallocated the amount required from each source. The local in-kind was increased from \$40,848 to \$50,600 in an amendment approved in a letter sent on June 19, 1996. This reallocation of in-kind easily remedies the short fall in cash as stated in the audit. Also, since the grant period was extended to June 30, 1996 the in-kind was collected in the full amount by that designated time.

Our response to the internal controls is the same as our previous response but is stated here again for the record:

In response to the internal controls of our organization, we agree that there are improvements that must be made. We are now in the process of implementing all the suggestions outlined in the audit plus a few additional controls that were lacking. The lack of internal controls is not an excuse for poor documentation but the cause of it. The accountant that was in charge during this grant period has been replaced. The new accountant is in the process of reviewing our internal controls and is working with our auditors to insure that the proper controls are implemented.

If you have any questions concerning the above response please feel free to contact me at your convenience.

Sincerely

A handwritten signature in cursive script, appearing to read "Donald R. Rychkowski".

Donald R. Rychkowski
Executive Director