

**Mid-Ohio Valley Regional Planning and  
Development Council  
LDD Administrative Grants**

**OIG Report Number: 15-18**

**Grants: WV-2284-C40 and C41**

**Review Period: January 1, 2013 –  
December 31, 2014**

Appalachian Regional Commission  
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Suite 700  
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Mr. Hubert N. Sparks  
Inspector General

Transmitted herewith is a report of CohnReznick LLP (assignee from Watkins Meegan LLC pending novation), a Performance Review of the Mid-Ohio Valley Regional Planning and Development Council Local Development District Administrative Grants WV-2284-C40 and C41. The report is in response to Contract No. BPA 11-01-B.

Watkins Meegan LLC (Watkins Meegan) combined with CohnReznick LLP (CohnReznick) in November 2014. As a result, a request to novate GSA contract #GS-00F-0031M from Watkins Meegan to CohnReznick was submitted to the U.S. federal government and is currently under consideration. The combination and pending novation have been appropriately communicated to the Appalachian Regional Commission Office of Inspector General in relation to continued performance of this engagement by CohnReznick pending formal approval of the novation by the U.S. federal government.



Tysons, Virginia  
April 27, 2015

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**Background**

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. 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 (“LDDs”). 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 help create 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 Mid-Ohio Valley Regional Planning and Development Council (“MOVRC” or “Grantee”) undertakes planning activities in response to the needs of its member governments and its constituents or through opportunities that staff brings to the local level. MOVRC members are comprised of eight counties and 22 cities and towns located north, south, and east of Parkersburg, West Virginia, along the Ohio River. MOVRC activities include a primary focus on economic development through initiatives to enhance transportation, infrastructure and workforce capabilities in the region. MOVRC staff provides assistance with the preparation of grant requests to support local and regional community and economic development priorities. MOVRC also provides technical assistance which is provided in response to the needs of local communities.

On February 5, 2013, ARC approved the Mid-Ohio Valley Regional Council Administrative Grant, number WV-2284-C40 (“Grant C40”), in the amount of \$39,357, to the Mid-Ohio Valley Regional Council for a period of January 1, 2013 to June 30, 2013. Matching funds were to be provided by the Grantee in the amount of \$18,240, for a total funding amount of \$57,597. In July 2013, ARC approved an amendment to Grant C40 for additional funds in the amount of \$35,388 and to extend the period of performance through December 31, 2013. The amended total award for Grant C40 was \$74,745. The amendment required the Grantee to provide additional matching funds of \$18,240 for a total matching amount of \$36,480, bringing the total grant funding amount to \$111,225.

On March 18, 2014, ARC approved the Mid-Ohio Valley Regional Council Administrative Grant, number WV-2284-C41 (“Grant C41”), in the amount of \$78,143, to the Mid-Ohio Valley Regional Council for a period of January 1, 2014 to December 31, 2014. Matching funds were to be provided by the Grantee in the amount of \$36,480, for a total funding amount of \$114,623.

The purpose of Grants C40 and C41 was to aid in funding the Grantee’s Community Development program by supporting a portion of the Grantee’s labor costs as well as travel, supplies and other expenditures incurred by the Grantee in supporting Planning, Economic Development, and Technical Assistance.

The sources of funding and amounts noted in the ARC Grant Agreements are shown in Tables 1 and 2 below:

Table 1: Analysis of Amended Project Funding Sources (Grant C40)

<b>Funding Source – C40</b>	<b>Amount</b>	<b>Percentage</b>
Appalachian Regional Commission (ARC)	\$ 74,745	67%
State of West Virginia	\$ 36,480	33%
<b>Total</b>	<b>\$111,225</b>	<b>100%</b>

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**Background (Continued)**

Table 2: Analysis of Budgeted Project Funding Sources (Grant C41)

<b>Funding Source – C41</b>	<b>Amount</b>	<b>Percentage</b>
Appalachian Regional Commission (ARC)	\$ 78,143	68%
State of West Virginia	\$ 36,480	32%
<b>Total</b>	<b>\$114,623</b>	<b>100%</b>

**Executive Summary**

Grant funds were used to cover employee salary and benefits, travel costs, program materials and other administrative costs for the Grantee. As of the final federal financial report for Grant C40 submitted by the Grantee in February 2014, ARC had disbursed the entire obligated amount of \$74,745. For Grant C41, as of the final federal financial report submitted by the Grantee in January 2015, ARC had disbursed the entire obligated amount of \$78,143. Matching funds obtained by the Grantee totaled \$36,480 for both Grants C40 and C41.

Personnel costs and other expenses reviewed during our inspection appeared valid and in direct relation to supporting the Grants and their objectives; however, we noted a finding and recommendation with regard to the level of detail documented by the Grantee in the supporting schedules for expense allocations to the Grants. In addition, while the objectives of the grants were not clearly defined in measurable terms, in general, we noted that the activities of the Grantee were consistent with the high-level objectives of the Grants. However, a finding was noted regarding the Grantee process to gather, monitor and report on performance measures in relation to the Grants.

**Objective**

CohnReznick LLP was engaged to conduct a performance review of the Mid-Ohio Valley Regional Planning and Development Council LDD Administrative Grants for the period January 2013 to December 2014. The purpose of our performance review was to determine the following:

- Funding received from ARC and matching funds reported to ARC were expended on 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, or would be, achieved.

**Scope**

We completed a performance review of the Grants, including fieldwork at the Grantee office in Parkersburg, West Virginia from March 2-4, 2015, as described under this section and under the review methodology section. Our review was based on the terms of the Grant agreements and on the application of procedures in the modified ARC Audit Program.

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**Review Methodology**

Our procedures were based on the guidelines provided by the ARC Office of the Inspector General and included suggested procedures over the grantee's accounting and internal control systems affecting the grants. We met with MOVRC's Executive Director, Community Development Coordinator, and other members of the Grantee's administrative staff to obtain an understanding of the overall structure and processes around Grant administration and monitoring.

Our review of background material included the Grant applications, agreements between the Grantee and ARC as well as Grant State Awards for Matching Funds. In addition, we reviewed related documentation and information from ARC's Grant management system and the Grantee's audited financial statement for the Fiscal Years Ended June 30, 2013 and 2014.

We reviewed controls in place for recording, accumulating and reporting costs under the Grants and observed and made inquiries regarding whether the goals and objectives of the Grants had been met. We also performed a high-level reconciliation of the activity on the Grants between the General Ledger support provided by the Grantee and funds received from ARC.

For a sample of expenses across both Grants, we reviewed invoices and accompanying support to determine whether the associated costs were recorded correctly, allowable to the Grant, and recorded in the appropriate reporting period.

We verified employee salaries for all employees charging time to ARC and recalculated the employee's salary for each pay period. We selected a sample of pay dates for each Grant and tested the associated payroll support for proper and timely approval of each employee timesheet for the pay period, and we recalculated indirect charges, and fringe benefits charged to ARC.

Lastly, we reviewed supporting documentation and made inquiries with the Grantee to determine if the goals and objectives of the Grants were achieved.

**Results**

**Compliance with Grant Provisions**

The final reports for Grants C40 and C41 were filed by the Grantee in January 2014 and February 2015, respectively, at which point ARC had reimbursed the entire obligated amounts of \$74,745 and \$78,143 for the years ended December 31, 2013 and 2014, respectively. The matching funds obtained by the Grantee for both periods totaled \$36,480, as budgeted. Total expenditures for the Grants for the years ended 2013 and 2014 were \$111,225 and \$114,623, respectively. The proportion of ARC to matching funds is consistent with the requirements of the Grant Agreements.

Grant funds were used to cover a portion of the salary, and fringe benefit costs for Grantee employees. Indirect expenses were also allocated to the Grants based on the proportion of total personnel costs allocated to the Grants each month. Grant funds were also used to cover travel expenses, program materials, training events and other administrative costs associated with the Grants' project activities. However, from our selected sample, we were unable to determine the reasoning for the allocation of expenses attributed to ARC, as they did not record rationale for subjective determinations made during the year or follow a set methodology.

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**Results (Continued)**

**Compliance with Grant Provisions (Continued)**

We examined supporting documentation for a sample of the expenses incurred against the Grants and noted that all appeared to be valid, adequately supported and in relation to supporting the Grants and their objectives.

We noted that specific outputs and outcomes were not quantified in the Grant applications, but determined that there were three overall goals and objectives for the grant, which included Planning, Economic Development and Technical Assistance. We quantified satisfaction of Economic Development for MOVRC as a whole by obtaining information related to the number of applications receiving assistance in 2013 and 2014, as well as what proportion of those applications were for distressed counties. Based on our testing, we did not note any evidence that the Grantee has failed to provide sufficient attention to distressed counties. However, based on the difficulty in obtaining this information, it did not appear that the Grantee is monitoring these metrics. ARC may want to follow-up with the Grantee to clarify expectations pertaining to metrics reporting.

At the conclusion of our review, we discussed the following items with the Grantee:

**Finding 1: Allocation Methodology for Grant Expenses**

We noted inconsistency in the methodology for the allocation of certain non-personnel expenses charged to the Grants and had difficulty obtaining justification for the proportion of expenses charged. This was due to the fact that MOVRC does not follow a specific methodology for allocating expenses to its Grantors and subjectively determines the allocation of both routine and nonrecurring expenses without documenting the underlying rationale in each instance. This could result in an over/under allocation of expenses to the Grant, as well as the inability, from an examination or audit standpoint, to understand and validate the reason for a particular allocation of expenses.

**Recommendation:**

We recommend that in instances where the Grantee makes a subjective determination regarding the allocation of expenses to ARC, that the rationale be documented.

**Grantee Response:**

The Grantee indicated they understood the recommendation and will make sure in the future that documentation is made to better explain what rationale was used as to why a charge was charged to two or more programs. Some of our allocations we felt were self-explanatory – such if an employee works on two Grant programs, any office supplies for that person are allocated to those two Grant programs. We do recognize that due to staffing changes, what was obvious one year might not be so clear two years later.

**Finding 2: Monitoring and Reporting on Grant Performance Measures**

There was significant delay in obtaining information regarding the total number of applications MOVRC assisted with in 2013 and 2014, as well as the proportion of this assistance that was directed towards distressed counties. This information was also omitted from the Grantee's final reports for both Grants. Therefore, it does not appear that MOVRC is monitoring these metrics. We believe that, absent any guidance from ARC to the contrary, the Grantee should be working towards achieving specific outputs and outcomes and should have measures in place to quantify performance against these targets.

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**Finding 2: Monitoring and Reporting on Grant Performance Measures (Continued)**

Recommendation:

We recommend that for future grants, MOVRC identify quantitative and/or qualitative goals related to the expected number of applications to be assisted with and recommended for funding. We also recommend that the Grantee include in future Final Reports whether or not its outputs and outcomes were successfully achieved and, if not, appropriately address the underlying reasons.

Grantee Response:

The Grantee indicated that they report back to ARC the information they require us to. We have managed an ARC Planning Grant for over 40 years, and follow their format for reporting. If this is something ARC wants us to implement, then we will modify our metrics reporting.