



June 21, 2000

OIG REPORT 00-11(H)

MEMORANDUM FOR: VERNON KELLEY, III, EXECUTIVE DIRECTOR
THREE RIVERS PLANNING
AND DEVELOPMENT DISTRICT

OBJECT: Memorandum Survey Report
Review of Three Rivers Land and Court Imaging Project
MS-12847-98

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met and (3) to determine the current status of the project.

SCOPE

Our survey included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant is January 1, 1999 through June 30, 1999. We reviewed the grantee's reports, examined records, and held discussions with grantee officials Pontotoc, Mississippi on December 14 and 15, 1999. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant NY-12847-98 was awarded to the Three Rivers Planning and Development District to provide funds in the establishment of Phase I of a three phase program that will set up a record management system that will benefit the surrounding counties in the Appalachian area in the State of Mississippi. Phase I will underwrite the acquisition of software, computer equipment, training programs, installation of cabling and general overall administration costs.

The grant was for \$517,880 (56.8%) of actual, reasonable and eligible costs of the project. The grantee was to pay or cause to be paid the non-ARC share of \$394,620 (43.2%) in cash, contributed services, or in-kind contributions.

RESULTS

Financial Review

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation for a sample of grant and matching costs charged to the project. Total claimed costs were supported by the grantee's accounting records and no deficiencies were noted as to the allowability of the expenses or the adequacy of the documentation for the expenditures we reviewed.

Three Rivers had not paid their share of the matching non-federal funds, \$30,760, and stated they were waiting until the first quarter of 2,000. All the counties had paid their matching contribution.

The grantee claimed total project costs of \$912,500 which included grant costs of \$517,880 (56.8%) and non-federal matching costs of \$335,120 (36.7%) plus non-matching costs of \$59,500 (6.5%). The balance of the ARC grant, \$51,788, was disbursed prior to the Final Report in March, 1999.

Internal Controls

During our review we noted that the separation of duties should be more distinct, as the same person involved with the Accounts Payable and stamping the signatures on the checks, also performed the bank reconciliation. In addition, the same signature stamp included both signatures for the Executive Director and the Board Chairman, thus overriding the internal control of requiring two signatures on checks. The Assistant Director stated that they have started to correct their procedures.

Program Review

The project appeared complete and equipment in place and working. The City of Tupelo and the following counties participated in the project: Calhoun, Chickasaw, Lee, Itawamba, Monroe, Pontotoc, Union and Lafayette (which received no ARC funds).

No Final Report had been submitted as of our review although all ARC funds were drawn down by March, 1999.

RECOMMENDATIONS

We recommended that the grantee ensure adequate internal controls are in place concerning the separation of duties and the use of signature stamps.

We also recommended that the grantee ensure that their share of the non-Federal matching funds, \$30,760, are paid in the first quarter of 2,000, and that a Final Report is submitted to ARC.


GRANTEE'S RESPONSE

Three Rivers responded that internal controls were improved by reassigning the performance of bank reconciliations. Also, the Chairman of the Board and the Executive Director manually approve each invoice before actual payment is made.

Three Rivers has also paid their share of the non-Federal matching funds, \$30,760, as recommended and submitted the Final Report to enable ARC to close the project.

AUDITOR'S RESPONSE

Grantee's response adequately addresses recommendations. The grant has been closed by ARC.


Hubert N. Sparks
Inspector General



**APPALACHIAN
REGIONAL
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A New Vision*

Office of the Inspector General

June 21, 2000

Mr. Vernon R. Kelley, III
Executive Director
Three Rivers Planning and
Development District
P. O. Box 690
Pontotoc, MS 38863

re: OIG Report 00-11(H), ARC Grant MS-12847-98

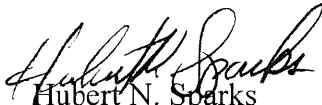
Dear Mr. Kelley:

Enclosed is a copy of our report on a grant dealing with establishment of a records management system to benefit the surrounding Appalachian area. We consider the report closed based on the actions noted, and no additional response is requested.

A copy of the report is being provided to the Federal Co-Chairman, ARC Executive Director, and Mississippi State Alternate.

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure