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**Final Independent Accountant's Report on  
Applying Agreed Upon Procedures to  
Grant Agreement Expenditures**

Grants WV 12301-C1, C2 and C3  
West Virginia Development Office  
International Development Unit  
Charleston, West Virginia

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Submitted to the  
**OFFICE OF INSPECTOR GENERAL  
OF THE  
APPALACHIAN REGIONAL COMMISSION**

**Report No. 01-6 (H)**

**March 30, 2000**

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**FINAL INDEPENDENT ACCOUNTANT'S REPORT ON  
APPLYING AGREED UPON PROCEDURES TO  
GRANT AGREEMENT EXPENDITURES**

To the Inspector General of the Appalachian Regional Commission:

***BACKGROUND AND OBJECTIVES***

The Appalachian Regional Commission (ARC) is a regional economic development agency representing a unique partnership of Federal, state, and local government. The ARC is composed of the Governors of the 13 Appalachian states and a Federal Co-Chair appointed by the President. The geographical boundaries of the Appalachian Region extend from the southern tier counties in central and western New York to the northern counties in Alabama and Mississippi.

Each year Congress appropriates funds that ARC allocates among its member states in line with an allocation formula which is intended to provide a fair and reasonable distribution of available resources among the 13 Appalachian member states.

Appalachian Regional Commission (ARC) Grant WV-12301-96-C1-302-0827 was awarded to the West Virginia Development Office, International Development Unit, in February 1997. This grant was to cover the period December 1, 1996 through November 30, 1997. The objectives of this grant were to enhance and expand the capability of the International Development Unit of the West Virginia Department of Development to better develop and serve the needs of small and medium-sized businesses in the State. This was a second year project funded through the ARC Regional Initiative "Internationalization of the Appalachian Economy." The grant funds were used to support a staff position to provide assistance and support for the State's Japan Office; facilitate selection of 5 to 6 trade shows for participation; assist in developing new promotional and educational materials; continue developing use of the Internet for export businesses; and provide informational seminars and business training workshops. In addition to the ARC funds, the State of West Virginia Development Office was required to provide \$40,950 in matching funds (22% match) for this second year project.

Grant Agreement WV-12301-96-C1-302-0827 was amended twice since it was signed in April 1997. Amendment 1 increased the total amount of ARC funding to be provided from \$148,800 to \$166,851.70 but did not extend the grant period of performance or any of the other terms of the grant agreement. Amendment 2 extended the grant period of performance to May 31, 1998 but involved no additional ARC funds and all other grant terms and conditions remained in full force and effect.

Appalachian Regional Commission (ARC) Grant WV-12301-C2 was awarded to the West Virginia Development Office, International Development Unit, in June 1998. This

grant covered the period June 1, 1998 through May 31, 1999. The objectives of this grant were to provide funding to continue the Grantee's efforts to offer comprehensive export assistance to small and medium sized enterprises of West Virginia. Activity highlights were to include participation in several targeted overseas trade missions, production of multi-lingual marketing materials, and export assistance counseling. In addition to the ARC funds, the State of West Virginia Development Office was required to provide \$41,083 in matching funds (21.7% match) for this project.

Grant Agreement WV-12301-C2 was amended twice. Amendment 1 increased the total amount of ARC funding to be provided from \$147,832 to \$178,976 and the matching funds from \$41,083 (22%) to \$61,083 (25.4%) but did not extend the grant period of performance. Amendment 2 extended the grant period of performance to June 30, 1999 but did not involve any additional ARC funds.

Appalachian Regional Commission (ARC) Grant WV-12301-C3 was awarded to the West Virginia Development Office in July 1999. This grant was to cover the period July 1, 1999 through June 30, 2000. The objectives of this grant were identical to the objectives shown above for grant WV-12301-C2. In addition to the ARC funds, the West Virginia Development Office was required to pay or cause to be paid the non-ARC share of \$60,000 (30% Grantee match) in cash, contributed services, or in-kind contributions, as approved by ARC.

Grant Agreement WV-12301-C3 had not been amended as of the time our audit fieldwork was performed.

Leon Snead & Company, P.C. is under contract to the Office of Inspector General (OIG) of the ARC to provide audit services. We performed agreed upon procedures on the grant expenditures reported to the ARC for the period December 1, 1996 through December 31, 1999. The objectives of our agreed upon procedures were to determine whether the reported grant expenditures were allowable, allocable, and reasonable and whether the grantee was in compliance with applicable laws and regulations.

### ***SCOPE AND METHODOLOGY***

We have performed the procedures enumerated below, which were agreed to by the Inspector General of the Appalachian Regional Commission solely to assist you in evaluating the grant expenditures by the grantee. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report.

Consequently we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The provisions of Office of Management and Budget (OMB) Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations"; OMB Circular A-110

“Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Learning, Hospitals, and Other Non-Profit Organizations”; OMB Circular A-122 “Cost Principles for Non-Profit Organizations”; the Federal Drug-Free Workplace Act of 1998 (Public Law 100-690); the Federal Anti-Lobbying Act (Public Law 101-121); the Federal Procurement Regulations (FAR); other Federal, state, or local procedures designed to insure fair and non-discriminatory procedures were used for the selection of participants, agreed to procedures that emphasize the expenditure of grant funds in line with the provisions of the grant agreement; and the ARC Code were used as the basis for determining allowable costs and compliance requirements. These agreed upon procedures were performed in accordance with generally accepted auditing standards and *Government Auditing Standards*, 1994 version, as amended, issued by the Comptroller General of the United States.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the financial statements of the grantee. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

On Grant WV-12301-96-C1-302-0827 we noted the grantee had expended \$135,707 in ARC funds on personnel costs, fringe benefits, travel, contractual, and telephone services transactions. The grantee also reported matching the ARC funds with \$40,975 in State Development Office matching funds. We reviewed the available documentary support for 28 telephone, travel and contractual transactions totaling \$74,236 and 4 each personnel and fringe benefits transactions totaling \$16,588. Overall, the \$90,824 in total transactions reviewed represented approximately 66.9% of the ARC funds expended on this grant. We also reviewed the documentary support for \$15,843 (38.7%) of the \$40,975 in reported State Development Office matching grant expenditures. Overall we reviewed the documentary support for 60.4% (\$106,667 of \$176,682) of the total reported ARC and State matching contributions.

On Grant WV-12301-C2 we noted the grantee had expended \$171,327 in ARC funds on personnel costs, fringe benefits, travel, telephone and other expenditures transactions. The grantee also reported matching the ARC grant funds with \$64,795 in West Virginia Development Office matching funds. We reviewed the available documentary support for 26 travel, equipment purchase, or contractual transactions totaling \$104,000 and 5 each personnel and fringe benefits transactions totaling \$15,016. Overall, the \$119,016 in total transactions reviewed represented approximately 69.5% of the ARC funds expended on this grant. We also reviewed the documentary support for \$58,185 (89.8%) of the \$64,795 in reported State of West Virginia matching funds. Overall we reviewed the documentary support for 75.0% (\$177,201 of \$236,122) of the total reported ARC and West Virginia Development Office matching contributions.

On Grant WV-12301-C3 we noted the grantee had expended \$50,571 in ARC funds on personnel costs, fringe benefits, travel, telephone and other expenditures transactions through December 31, 1999. The grantee also reported matching the ARC funds with

\$29,348 in State of West Virginia matching funds. We reviewed the available documentary support for 9 travel and other expenses totaling \$24,429 and 3 each personnel and fringe benefits transactions totaling \$11,386. Overall, the \$35,815 in total transactions reviewed represented approximately 70.8% of the ARC funds expended on this grant through December 31, 1999. We also reviewed the documentary support for \$20,403 (69.5%) of the \$29,348 in reported State of West Virginia matching funds. Overall we reviewed the documentary support for 70.3% (\$56,218 of \$79,919) of the total reported ARC and State matching contributions.

We visited the grantee's office in Charleston, West Virginia during the period March 21-30, 2000.

Specifically we performed the following procedures:

- We discussed the grant expenditure process and internal controls with West Virginia Development Office officials.
- We reviewed the documentary support for \$106,667, or 60.4%, of the total reported Grant WV-12301-96-C1-302-0827 ARC and West Virginia Development Office Final Accepted Costs of \$176,682 as follows:
  - \$90,824 (66.9%) of the Final Accepted \$135,707 in total ARC grant expenditures.
  - \$15,843 (38.7%) of the Final Accepted \$40,975 in total West Virginia Development Office grant expenditures.
- We reviewed the documentary support for \$177,201, or 75.0%, of the reported \$236,122 in Grant WV-12301-C2 ARC and State matching contributions as follows:
  - \$119,016 (69.5%) of the reported \$171,327 in total ARC Final Accepted grant expenditures.
  - \$58,185 (89.8%) of the reported \$64,795 in total State grant matching contributions.
- We reviewed the documentary support for \$56,218, or 70.3%, of the total reported Grant WV-12301-C3 ARC and State of West Virginia matching contributions of \$79,919 for the period July 1 through December 31, 1999 as follows:
  - \$35,815 (70.8%) of the reported \$50,571 in total ARC grant expenditures.
  - \$20,403 (69.5%) of the reported \$29,348 in total State of West Virginia grant matching contributions.
- We reviewed all of the grantees monthly expenditure reports and/or Excel spreadsheets, which summarized all reported expenditures of ARC funds made during

the period December 1996 through December 1999. We selected samples of higher dollar amount or unusual type transactions from these records primarily from personnel costs, fringe benefits, travel, contractual and other costs. These transactions were then traced back to documentation and/or computations which supported the reported grant expenditures. The types of supporting documentation reviewed included, but was not limited to, payroll records and reports, fringe benefits computation schedules and reports, travel expense reports, memorandums, travel itineraries, copies of airline boarding passes, and vendor invoices, as applicable.

- Samples of grant matching expenditures reported during the period December 1996 through December 1999 were selected for tracing to supporting grantee payroll and fringe benefits records and the calculations of the matching amounts reported were verified. "Mini-grant" records, in-kind match reimbursements and "other" grant expenditures made during the period July through December 1999 were traced to their supporting documents.

## **RESULTS**

We noted the following exceptions:

### *(1) Questioned Costs – Airfares*

#### Condition

The airfare expenditures charged to ARC Grants WV-12301-96-C1-302-0827 and WV-12301-C2 by 2 Development Department employees included 11 trip segments where the travelers used business class or first/executive class rather than coach class accommodations. The documentation supporting these trip segments did not show why the travelers needed to travel using premium class, rather than coach, accommodations.

#### Criteria

It is Appalachian Regional Commission (ARC) policy that all business travel using commercial airlines be conducted using coach class accommodations unless the need to travel using premium class accommodations is both necessary and adequately documented.

The State of West Virginia Travel Regulations state, in part, that:

- The traveler should use the most economical mode of public transportation that is consistent with the purpose of the trip. Commercial air transportation shall be the standard by which transportation expenses are evaluated both in terms of costs and travel time.

- All airline reservations must be made in the least expensive class of service available for the required flights. Travel in a class of service other than coach will be reimbursed only:
  - ✓ When necessary because it is the only service offered or available between two points:
  - ✓ When other space is unavailable and reasonable efforts to obtain coach service have been made:
  - ✓ When the upgraded class of service is provided without cost to the State of West Virginia and is approved by the Travel Management Office; or
  - ✓ When an upgraded class of service is approved by the Travel Management Office for international travel.

### Discussion

We found that on ARC Grant WV-12301-96-C1-302-0827, 1 Development Office employee flew first class and business class, rather than coach class, on segments of 2 overseas business trips. The first business trip was from September 15 – 26, 1997 and the second business trip was from December 6 – 13, 1997. The total cost of the airline tickets which included the questioned travel class segments were \$4,211 and \$393, respectively. The documentation supporting the 8 trip segments shown below did not show why the traveler needed to travel using premium class, rather than coach, accommodations.

- Sept. 15 – Business Class travel Atlanta GA to Rio de Janeiro, Brazil.
- Sept. 20 – Business Class travel Sao Paulo Brazil to Buenos Aires Brazil.
- Sept. 24 – Business Class travel Buenos Aires Brazil to Sao Paulo Brazil.
- Sept. 24,25 – Business Class travel Sao Paulo Brazil to Miami Florida.
- Sept. 26 – First Class travel from Miami FL to Pittsburgh PA.
- Sept. 26 – First Class travel from Pittsburgh PA to Charleston WV.
- Dec. 7 – Business Class travel Frankfurt to Dusseldorf Ger. (116 miles)
- Dec. 13 – Business Class travel Stuttgart to Frankfurt Ger. (98 miles)

We found that on ARC Grant WV-12301-C2, 1 Development Office employee flew first class and business class, rather than coach class, on 3 segments of an overseas business trip. The business trip was from February 8 – 21, 1999. The total cost of the airline ticket which included the questioned travel class segments was \$3,151. The documentation supporting the 3 trip segments shown below did not show why the traveler needed to travel using premium class, rather than coach, accommodations.

- Feb. 8-10 – Business Class travel Chicago IL to Delhi, India.
- Feb. 21 – Executive/First Class travel Delhi, India to London, England.
- Feb 21 – Executive Class travel London England to Chicago, Illinois.

Development Office personnel were unable to provide documentation showing that business or executive/first class travel accommodations for the segments shown above were necessary because it was either the only class of service offered or available between 2 points, or because other space was unavailable and reasonable efforts had been made to obtain coach service. While the State of West Virginia Travel Regulations allow a traveler to use an upgraded class of service if the upgraded class of service is approved by the Travel Management Office for international travel, it is ARC policy not to do so unless such travel is necessary for business purposes.

#### Recommendation

The ARC should disallow the cost of the airline tickets totaling \$7, 755.

#### Grantee's Comments

It is a commonly accepted practice in West Virginia State Government that the WV Development Office fly business class on overseas flights. This practice is not, however, followed routinely. The business class flights noted by the Independent Accountant's were exceptional, and were purchased because of the value for money offered on these particular routes. In the case of First Class fares represented, this was an upgrade granted by the airline. The WVDO did not purchase a first class ticket, nor did we pay an additional charge for this service.

#### Accountant's Response

The grantee did not provide additional documentation for its assertions, and ARC should review the travel issues and determine the eligibility of the claimed costs.

#### *(2) Questioned Costs – Pre-Grant Period Expenditures*

#### Condition

The grantee charged 2 vendor invoices, for \$300 each, for Gold Key Service expenditures to ARC Grant WV-12301-96-C1-302-0807 which were incurred during the period September 15-17, 1996. The authorized expenditure period for this grant was December 1, 1996 through May 31, 1998. Both invoices were paid during December 1997. The grantee also charged \$2,120 in payroll costs which were incurred before the grant expenditure period of this grant.

## Criteria

Grant WV-12301-96-C1-302-0827, as amended, states "the grant period of performance shall be December 1, 1996 through May 31, 1998."

## Discussion

The grantee charged \$600 in contractual expenditures to the grant in December 1996. These expenditures were incurred during September 1996. Both expenditures were charged to grant 02434, which was the code the grantee used for grant WV-12301-96-C1-302-0827. The questioned costs were:

- FCX Systems, Inc. -- \$300 in reimbursement for Gold Key Service expenditures incurred during the period September 15 through 17, 1996.
- American Heuristics Corporation -- \$300 in reimbursement for Gold Key Service expenditures incurred during the period September 15 through 17, 1996.

The grantee also charged \$3,964 in annual leave costs to the grant for 236.5 hours of unused accrued annual leave. This was 126.5 more hours of annual leave than the employee earned from the beginning of the grant expenditure period up until the time the employee retired. Overall,  $126.5/236.5 \times \$3,964$  (the amount of annual leave which the employee received) or \$2,120 does not appear to be an allowable grant WV-12301-96-C1-302-0837 expenditure because this 126.5 hours of annual leave was earned before the authorized grant expenditure period began.

## Recommendation

The ARC should question both the \$600 in pre-grant period contractual expenditures and the \$2,120 in pre-grant period employee leave costs which were charged to Grant WV-12301-96-C1-0302-0827.

## Grantee's Comments

The expenditure of \$600 was made during the grant period for a trade show that was also held during the grant period. The trade show was held in December 1996. No services were acquired or paid for prior to December 1, 1996.

The State of West Virginia's personnel policy mandates that when an employee transfers between state agencies and transfers annual and/or sick leave the employee's new agency is liable for all that leave. We have also adopted this policy for all transfers within the WVDO. Accordingly, when an employee terminates employment with WVDO, all unused annual leave is paid from the current funding source. In this case, from the ARC grant.

### Accountant's Response

We recognize the state policy, but do not believe the grant should be charged for the entire leave accrual. Such a practice could have a major impact on grant funds, especially if substantial leave accruals are involved. Also, our procedures indicated the \$600 was for services prior to the grant period.

### *(3) Questioned Costs – Post-Grant Period Expenditures*

#### Condition

The grantee charged the \$1,020 deposit on booths (Invoice Number Booth #0029) at the March 8 – 10, 2000 Tradex show in Calgary, Canada to ARC Grant WV-12301-C2. This trade show was not held until after the end of the grant expenditure period, which ran from June 1, 1998 through June 30, 1999.

#### Criteria

Grant WV-121301-C2, as amended, states “the grant period of performance shall be June 1, 1998 through June 30, 1999.”

#### Discussion

The grantee charged the \$1,020 deposit on booths at the March 8 – 10, 2000 Tradex show in Calgary, Canada to ARC grant WV-12301-C2 after the end of the grant expenditure period. The deposit should have been charged to grant WV-12301-C3, which ran from July 1, 1999 through June 30, 2000.

#### Recommendation

The ARC should question other costs in the amount of \$1,020 charged to Grant WV-12301-C2 for Invoice Number Booth #0029, but should allow the grantee the opportunity to apply any remaining unexpended Grant WV-12301-C3 funds towards payment of this invoice.

#### Grantee's Comments

All four ARC grants were essentially for the same purpose. Thus when it was necessary to pay a deposit for booth space at Tradex 2000 as early as possible to guarantee our participation in that show, it didn't violate the conditions of Grant WV-12301-C2.

If ARC wishes, the financial reports will be amended to resolve the independent accountant's concerns.

### Accountant's Response

ARC should review and resolve the noted issue.

#### *(4) Questioned Costs – Overstated In-Kind Support*

### Condition

The grantee overstated in-kind personnel cost matches for the period August through December 1999 by \$338 per month, or \$1,690.

### Criteria

In-kind personnel cost matches must be computed based upon only those labor and fringe benefits costs which were actually incurred during the grant match reporting period.

### Discussion

The grantee in-kind personnel cost match allocation base for July 1999 included \$1,200 in annual one-time longevity bonuses. The reported July 1999 in-kind personnel match allocation was properly computed. However, due to oversight, the \$1,200 in annual one-time bonuses which were included in the July in-kind personnel cost match allocation base were also included in the in-kind personnel cost match allocation bases for the months of August through December 1999. As a result the reported in-kind personnel cost matches for each of these months was overstated by \$338, for a total in-kind personnel cost match overstatement of \$1,690. Grantee personnel stated they were taking immediate action to correct this in-kind match cost overstatement.

### Recommendation

The ARC should assure that the grantee has corrected the \$1,690 in-kind services personnel cost match on grant WV-12301-C3 before this grant is closed out.

### Grantee's Comments

This was corrected during the grant period.

### Accountant's Response

None.

(5) *Inadequately Supported Additional Grant Match Amounts*

Condition

Grantee personnel did not provide documentary support for \$7,457 of the \$11,457 in mini-grants, which were included in the Grant WV-12301-C3 reported additional grant match amounts for September and December 1999.

Criteria

All reported in-kind grant matches must be adequately documented before they can be accepted for grant matching purposes.

Discussion

The grantee reported \$5,707 and \$5,750 in "other" grant matches for the months of September and December 1999, respectively. Per grantee personnel, the in-kind matches consisted of a series of mini-grants which the grantee made to attendees at grantee sponsored trade events. The grantee reimbursed the trade event participants for up to one-half of their eligible business expenses (incurred in attending the trade event) up to \$1,000. The available documentary support for these "other" grant matches was a copy of an 8050-Export Promotion Register. This register supported expenditures made to four trade show attendees on October 18 and December 7, 1999 which totaled \$4,000. We reviewed the Trade Event "Mini-Grant" Reimbursement Form supporting each of these expenditures, and no exceptions were noted. However, the grantee was unable to locate support for the remaining \$7,457 in "other" reported September and December 1999 grant match expenditures.

Recommendation

The ARC should disallow \$7,457 in "other" reported September and December 1999 grant match expenditures.

Grantee's Comments

Funds which represent our grant match in the "other" category include participation fees paid by companies to participate in a trade mission. These funds are deposited with the West Virginia Export Council, an independent non-profit organization. A log of those transactions, which was offered to the independent accountant as support for that item, is kept by them and shared with the WVDO monthly in order to update our grant match expenditures. All documentation to support the match is available in the WVDO.

### Accountant's Response

We reviewed the log of transactions offered to us by the grantee, but there was no clear trail which would allow us or the grantee to tie in the dollar amounts shown in the log with the grant match dollar amounts reported. The recommendation is still considered appropriate and should be reviewed and resolved by ARC.

### **CONCLUSIONS**

Based on the results of our agreed upon procedures, in our opinion \$128,383 of the \$135,707 in expenditures charged to the ARC for Grant WV-12301-96-C1-302-0828 were found to be allowable, allocable and reasonable and should be accepted by the ARC. The two exceptions were \$2,720 in costs incurred before the start of the authorized grant expenditure period and the \$4,604 cost of the first class or business class travel.

Based on the results of our agreed upon procedures, in our opinion \$167,156 of the \$171,327 in expenditures charged to the ARC for Grant WV-12301-C2 were found to be allowable, allocable, and reasonable and should be accepted by the ARC. The two exceptions noted were \$1,020 in expenditures incurred before the start of the authorized grant expenditure period, (but which would be allowable as ARC grant WV-12301-C3 expenditures) and the \$3,151 cost of the executive/first class or business class travel.

Based on the results of our agreed upon procedures, in our opinion the \$50,571 in expenditures charged to ARC Grant WV-12301-C3 through December 31, 1999 (the grant period runs through June 30, 2000) were allowable, allocable and reasonable and should be accepted by the ARC. However, we questioned overstated in-kind personnel cost matches in the amount \$1,690 and inadequately supported additional grant matches in the amount of \$7,457.

### **DISTRIBUTION**

This report is intended for the information and use of the OIG and management of the ARC and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Leon Snead & Company, P.C.*

LEON SNEAD & COMPANY, P.C.  
March 30, 2000

## GRANTEE'S COMMENTS



Cecil H. Underwood, Governor

WEST VIRGINIA DEVELOPMENT OFFICE

1900 KANAWHA BOULEVARD, EAST  
CHARLESTON, WV 25305-0311

October 31, 2000

Mr. Hubert N. Sparks  
Inspector General  
Appalachian Regional Commission  
1666 Connecticut Avenue, NW  
Washington, DC 20235

Re: Grant WV-12301-C1, C2, C3

Dear Mr. Sparks:

Pursuant to your conversation several weeks ago with Ralph Goolsby, I am enclosing our comments on the audit of the above grants prepared by Leon Sneed and Company. Please consider these as our revised comments of those submitted by Steve Spence on September 18, 2000.

Let me know if I can answer any of your questions, or provide additional information.

Sincerely,

Thomas H. Pendleton  
Director of Administration

/dds

Enclosure

## Grantee's Comments

(1) Questioned Costs - Airfares

It is a commonly accepted practice in West Virginia State Government that the WV Development Office flies business class on overseas flights. This practice is not, however, followed routinely. The business class flights noted in the audit were exceptional, and were purchased because of the value for money offered on these particular routes. In the case of First Class fares represented, this was an upgrade granted by the airline. The WVDO did not purchase a first class ticket, nor did we pay an additional charge for this service.

(2) Questioned Costs - Pre-Grant Paid Expenditure

The expenditure of \$600 was made during the grant period for a trade show that was also held during the grant period. The trade show was held in December 1996. No services were acquired or paid for prior to December 1, 1996.

The State of West Virginia's personnel policy mandates that when an employee transfers between state agencies and transfers annual and/or sick leave the employee's new agency is liable for all that leave. We have also adopted this policy for all transfers within the WVDO. Accordingly, when an employee terminates employment with WVDO, all unused annual leave is paid from the current funding source. In this case, from the ARC grant.

(3) Questioned Costs - Wrong Grant Period

All four ARC grants were essentially for the same purpose. Thus when it was necessary to pay a deposit for booth space at Tradex 2000 as early as possible to guarantee our participation in that show, it didn't violate the conditions of Grant WV-12301-C2.

If ARC wishes, the financial reports will be amended to resolve the auditor's concerns.

(4) Questioned Costs - Overstated In-Kind Support

This was corrected during the grant period.

(5) Inadequately Supported Additional Grant Match Amounts

Funds, which represent our grant match in the "other" category, include participation fees paid by companies to participate in a trade mission. These funds are deposited with the West Virginia Export Council, an independent non-profit organization. A log of those transactions, which was offered to the auditor as support for that item, is kept by the Council and shared with the WVDO monthly in order to update our grant match expenditures. All documentation to support the match is available in the WVDO.