
**Independent Accountants' Report on
Applying Agreed Upon Procedures to
Grant MD 13162-302**

**Regional Education Service Agency (RESA)
Cumberland, Maryland**

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

Report No. 01-18 (H)

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**INDEPENDENT ACCOUNTANTS' 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.

The Appalachian Regional Commission (ARC) awarded Grant MD-123162-302 to the Regional Education Service Agency (RESA) to provide funds to purchase and install compressed video switching hardware connecting rural Maryland with other institutions within and outside the state.

Grant Agreement MD-13162-302 was amended only once after it was signed in September, 1998. The amendment, approved August 5, 1999, extended the grant period of performance from June 1, 1998 through July 31, 1999 to June 1, 1998 through October 31, 1999. The amendment also stated that it involved no additional ARC funds and all other terms and conditions remain in full force and effect. The grant called for the ARC to contribute up to \$400,000 towards estimated total project costs of \$500,000. The agreed upon combined contributions, by entity, were to be as follows:

- ARC ----- \$400,000 or 80.0% of estimated total project costs.
- Allegany College----- 5,030 or 1.0% of estimated total project costs.
- Hagerstown Commun. Coll. 5,030 or 1.0% of estimated total project costs.
- Garrett Community College 5,030 or 1.0% of estimated total project costs.
- University System of Md.-- 84,910 or 17.0% of estimated total project costs.

The Grant Agreement called for ARC to contribute up to \$400,000 (80.0%) towards actual, reasonable, and eligible total project costs. The grantee was to pay, or cause to be paid, the non-ARC share of \$100,000 (20.0%) in cash, contributed services, or in-kind contributions, as approved by ARC.

The ARC Final Payment/Closeout Record for Grant MD-13162-302 showed \$399,213.19 had been paid to the grantee, \$781.61 in grant funds were deobligated, and the grantee provided \$123,235.96 in approved grant matching contributions.

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 June 1, 1998 through October 31, 1999. The objectives of our agreed upon procedures were to determine whether the reported grant expenditures were allowable, allocable, and reasonable, the required grantee matching contributions were provided, and whether the Grantee was in compliance with applicable laws and regulations.

SCOPE AND METHODOLOGY

We performed the procedures enumerated below, which were agreed to by the Inspector General of the Appalachian Regional Commission solely to assist you in evaluating 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 Acquisition 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 audit, 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.

We reviewed the available documentary support for all (100%) of the reported \$399,213 in reported ARC grant expenditures and all of the grantee provided cash, contributed services, or in-kind contributions to determine if the expenditures charged to ARC Grant MD-13162-302 were allowable, allocable, and reasonable.

We visited the Regional Education Service Agency (RESA) office in Cumberland, Maryland on December 13 and December 14, 2000.

Specifically we performed the following procedures:

- We reviewed the accounting procedures and methodology used by the grantee for accumulating and reporting grant expenditures for overall adequacy.
- We reviewed the detail support for all \$399,213 (100.0%) of the reported expenditures charged to ARC Grant MD-13162-302 during the authorized grant expenditure period (June 1, 1998 through October 31, 1999) and tied the grant expenditures in with the supporting vendor invoices, billings, payment checks, quarterly expense reports, credit memorandums, and other supporting documents.
- We reviewed the detail support for all of the reported \$122,236 (100.0%) in reported grantee and state grant matching expenditures.
- We compared the grant expenditures made with the approved project budget to determine if grant funds were spent only on items which were included in the original project budget.
- We reviewed each Request For Advance or Reimbursement, Standard Form 270, which the grantee submitted to the ARC and the documentation supporting it and documented our review.

RESULTS

No exceptions were noted.

CONCLUSION

Based on the results of our agreed upon procedures, in our opinion all of the \$399,213 in grant fund expenditures reported to the ARC for grant MD-13162-302 are allowable, allocable and reasonable and should be accepted by the ARC. We also found that the grantee and other local sources provided \$19,236 more of cash, contributed services, or in-kind contributions than it was required to provide per the terms of the grant agreement. Finally, we concluded that the accounting procedures and methodology used by the grantee for accumulating and reporting grant expenditures were adequate.

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.

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December 14, 2000