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

**Grant NC-13217
Tri-County Community College
Information Highway Site
Murphy, North Carolina**

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

Report No. 01-31 (H)

Prepared by

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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 NC-13217, Tri-County Community College Information Highway Site, to Tri-County Community College which is located in Murphy, North Carolina. The \$154,381 in ARC grant funds were to be used to underwrite the acquisition of video conferencing equipment, including a V-Tel video system, sixteen computers, printer, FAX machine, a VCR, satellite dish, monitors, other ancillary equipment/supplies, and training services. The grant objective was to equip and establish an Information Highway site at the Tri-County Community College satellite campus located in Robbinsville, North Carolina to provide distance learning education opportunities for residents of one of North Carolina's distressed counties.

Grant Agreement NC-13217 was amended twice after it was signed in November, 1998, extending the final grant period to October 1, 1998 through August 31, 2000. Neither Amendment involved any additional ARC funds and all other grant terms and conditions remained in full force and effect.

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 full grant period, October 1, 1998 through August 31, 2000. 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 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-21 “Cost Principles for Educational Institutions”; 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 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.

We noted that the grantee reported expending all \$153,481 in ARC Grant NC-13217 funds on this project. The grantee also reported matching the ARC grant funds with \$39,366 in state and/or local grant matching expenditures.

We reviewed the documentary support for 27 (77.1%) of the 35 project expenditure dollar amounts shown on pages 7 and 8 of the grantee’s Final Report to ARC on this grant. The 27 expenditure dollar amounts reviewed supported \$150,069 (97.8%) of the total reported grant expenditures of \$153,481. We physically inventoried, and verified the documentary support (e.g. purchase orders, vendor invoices, payment check references), for 16 expenditure amounts totaling \$133,219 and verified the documentary support only for 11 additional expenditure amounts totaling \$16,850. In addition, we reviewed the documentation supporting all \$39,366 of the reported state and local grant matching transactions, and physically inventoried \$32,359 (81.6%) of these grant matching items to determine if the required grant match had been provided.

We visited the Tri-County Community College offices in Murphy, North Carolina during the period March 27-29, 2001.

Specifically we performed the following procedures:

- We discussed the grant expenditure process and internal controls with Tri-County Community College officials.
- We reviewed the detail support for \$150,069 (97.8%) of the reported \$153,481 in expenditures charged to ARC Grant NC-13217 between October 1, 1998 (the grant period of performance starting date) and August 31, 2000 (the authorized grant expenditure ending date) and tied the grant expenditures in with the supporting vendor invoices, payment checks, and other supporting documents.
- We inventoried \$133,219 in audiovisual system, computers and peripherals, data network hardware, furniture, and room renovation enhancements that were purchased using ARC grant funds.
- We inventoried all \$32,359 in computers and peripheral equipment which was provided as state grant matching expenditures.
- We reviewed the detail support (purchase orders, vendor invoices, payment check data) for all of the reported \$39,366 in state and local grant matching expenditures. These expenditures exceeded the grant matching requirements of \$38,371 (25% of \$153,481).
- 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, and if ARC approval had been requested and obtained for any items not included in the original project budget or where the expenditure for any budget line item was expected to exceed the ARC approved budgeted amount by more than 10%.

RESULTS

No exceptions were noted.

CONCLUSION

Based on the results of our agreed upon procedures, in our opinion all \$153,481 of the grant fund expenditures reported to the ARC as having been incurred between October 1, 1998 and August 31, 2000 which were charged to the ARC for Grant NC-13217 were allowable, allocable and reasonable and should be accepted by the ARC. We also found that the state and other local sources provided more matching contributions than were required to meet the grant matching requirement.

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.
March 29, 2001