

**MEMORANDUM REPORT ON REVIEW OF THE
MISSISSIPPI CONSOLIDATED TECHNICAL ASSISTANCE GRANT
JACKSON, MISSISSIPPI**

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ARC Grant No.: MS-7763

**October 1, 1999 through September 30, 2000
October 1, 2000 through September 30, 2001**

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Report Number: 02-5 (H)

Date: January 25, 2002

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TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report No. 02-5 (H)

SUBJECT TO: Memorandum Review Report on the Mississippi Consolidated Technical Assistance Grants, ARC Grant Numbers: MS-7763-C19 and MS-7763-C20.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Mississippi Department of Economic & Community Development for its Mississippi Consolidated Technical Assistance Grants were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

BACKGROUND: ARC awarded Grant Numbers MS-7763-C19 and MS-7763-C20 to the Mississippi Department of Economic & Community Development for the periods from October 1, 1999 through September 30, 2000 and October 1, 2000 through September 30, 2001 respectively. The purpose of the grants were to provide funds to the Mississippi Department of Economic & Community Development for technical assistance, program planning and development, and monitoring and evaluation assistance for Mississippi's twenty two (22) Appalachian counties.

The original ARC grant funding for MS-7763-C19 was for \$175,000 or 44.1% of actual, reasonable and eligible project cost. The Grantee was to provide state and local matching funds

totaling \$221,596 or 55.9%, in cash, contributed services or in-kind contributions. However, ARC transferred \$50,000 of grant funds to the Appalachian Community Learning Project. This reduced the ARC portion of the grant to \$125,000.

The original ARC grant funding for MS-7763-C20 was for \$175,000 or 50% of actual, reasonable and eligible project cost. The Grantee was to provide state and local matching funds totaling \$175,000 or 50%, in cash, contributed services or in-kind contributions. However, ARC transferred \$54,000 of grant funds to the Appalachian Community Learning Project. This reduced the ARC portion of the grant to \$121,000.

The specific tasks were:

To provide funds to the Mississippi Department of Economic & Community Development for technical assistance, program planning and development, and monitoring and evaluation assistance for Mississippi's twenty two (22) Appalachian counties.

SCOPE: We performed a program review of the grant as described in the Purpose, above. Our review was based on the terms of the grant agreement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if Mississippi Department of Economic & Community Development had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Mississippi Department of Economic & Community Development's personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at Mississippi Department of Economic & Community Development in Jackson, Mississippi on August 13 through August 15, 2001.

A. Incurred Costs

Mississippi Department of Economic & Community Development paid out program costs of \$285,769 for grant MS 7763-C19, of which they claimed direct reimbursable costs from October 1, 1999 through September 30, 2000 of \$125,000 from ARC and in-kind costs of \$160,769. They also paid out costs of \$97,620 for grant MS 7763-C20, of which they claimed direct reimbursable costs from October 1, 2000 to February 28, 2001 of \$48,788 from ARC and in-kind costs of \$48,832. A final reporting of grant MS 7763-C20 has yet to be submitted. We reviewed the direct and in-kind costs incurred and determined that the funds had been expended as reported.

The Grantee was reimbursed for expenditures prior to the grant period.

The Mississippi Department of Economic & Community Development submitted for reimbursement expenses of \$20,635 from July 1, 1999 to September 30, 1999 from grant MS 7763-C19 which ran from October 1, 1999 to September 30, 2000. The prior grant MS 7763-C18 ended on June 30, 1999. It appears that the period from July 1, 1999 to September 30, 1999 was not covered by an ARC grant.

Grant Agreement Number MS-7763-C19 between ARC and Mississippi Department of Economic & Community Development Part I-6 Period of Performance states:

“The grant period of performance shall be October 1, 1999 through September 30, 2000.”

RECOMMENDATION:

We recommend that ARC allow reimbursements only for expenditures within the grant period. However, since the Mississippi Department of Economic & Community Development expensed \$35,769 more than their matching, no funds are due back to ARC.

GRANTEE RESPONSE:

We concur. This finding concerns Grant #MS 7763-C19. Previous grants covered the period of July 1 – June 30. Grant #MS7763-C19 period began with October 1 leaving a quarter uncovered. At the time of filing the first financial status report, we believed that is was not the intent of the ARC Washington Office to leave the Mississippi ARC Office unfunded for this quarter due to a change in reporting year and reported that quarter’s expenses. We were subsequently reimbursed by the Washington Office. As you stated in your recommendation, we overmatched an amount greater than the expenses reported for the July-September quarter; thus no funds are due ARC.

B. Internal Controls

We did identify two internal control weaknesses that could have affected the accountability of costs or compliance with the terms of the grant agreement.

1. Quarterly Project Progress Reports were not submitted every Quarter

During our review we noted that for grant MS-7763-C19 the grantee did not issue a progress report for the third quarter and the final report was not issued until five months after the grant period ended. For grant MS-7763-C20 the grantee issued only one progress report for the grant period. The final report was not complete at the time of our review.

Grant Agreement Numbers MS-7763-C19 and MS-7763-C20 between ARC and Mississippi Department of Economic & Community Development Part I-3. Reports states:

“Quarterly progress report and a final report are required under this agreement (see Part II, Article 4.”

Part II Article 4 Reports, (2) Final Report States:

“Within one (1) month after the period of performance, contractor shall prepare and submit to the ARC Project Coordinator for approval, a draft final report of all work accomplished under this contract including recommendations and conclusions based on the experience and results obtained.”

OMB A-102, Subpart C, Section 41, para. (b)(3), Frequency, states:

“The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.”

The grantee indicated that they couldn't complete a final report within 30 days of the end of the grant period. They thought it would be possible for them to complete a final report within 60 days of the end of the grant period.

RECOMMENDATION:

We recommend that ARC require the grantee on any future grants, to submit progress reports every quarter and complete a final report within 60 days of the end of the grant period.

GRANTEE RESPONSE:

We concur with the submission of quarterly reports. We respectfully request that the final report be allowed to be submitted within a 90 day period as is cited in OMB Circular A-102 (reference attached). Now that we have reestablished the grant period to end with June 30, the 90-day window would allow us to account for expenditures paid during the state's lapse period (July-August), as well as, reflect any adjustments that may be needed.

In response to the reason for the delay in submission of the quarterly project progress reports, the ARC office and the accounting office were reviewing in detail the expenditures reported to this grant in the accounting system. A new ARC director had been appointed and wanted to have a full understanding of all charges and the methods for reporting these charges, before quarterly reports were filed. It was confusing to the ARC director to look at the same expenses charged to two different reporting periods (her state reports reflected her expenditures against a state budget period of July through June and the grant reports provided to her reflected these same expenditures against a grant budget with a period of October through September). She

subsequently worked with the Washington ARC office to revise the grant period to coincide with the state year. The MDECD accounting office has a much closer working relationship with our ARC Office. Reports are sent weekly to the ARC director and reviewed timely. In addition, the accounting office has been working with the information systems bureau to create a new report for use by ARC.

The reasons for the delay in the filing of the final report of grant MS-7763-C19 was that we had received word that the grant had been extended to December 31, 2000, and that there were some mini-grants that would be processed against that grant. We asked Mr. Vincent Cobb in the Washington Office if we should submit interim reports until the final cost were processed and then submit the final. He advised us that we should hold off until all costs are processed and submit one final report/reimbursement request at that time.

2. Expenditures Not Reported For Mini-Grants

During our review of MS-7763-C19 mini-grants, we noted one instance involving a mini-grant of \$38,000 where expenditures were not reported and one instance where only expenditures related to the ARC funding of \$11,960 were reported. For grant MS-7763-C20 a budget for the mini-grant of \$15,500 was not noted in the files.

RECOMMENDATION:

We recommend that ARC require the grantee to provide final reports for all mini-grants. Final reports should include information about ARC and matching expenditures. The expenditure information should be separated out by ARC and matching funds; where in-kind contributions are part of the match, the valuation of the contributions should be documented. For grants with an extended performance period, progress reports should be submitted and vouchers reviewed for larger expenditures.

GRANTEE RESPONSE:

We concur. The ARC office will require subgrantees to provide final reports on mini-grants separating out ARC and matching funds. They will be requested to report in-kind contributions included in the match and the valuation of the contributions documented.

C. **Program Results**

Our review of the Mississippi Consolidated Technical Assistance Grant indicated that the objectives of the grant had been met.

D. General Comment

As noted above, funds of \$50,000 and \$54,000, respectively, were transferred from grants MS-7763-C-19 and C-20 to the Appalachian Community Learning Project. These transfers reduced the ARC funding levels for the technical assistance grants to \$125,000 and \$121,000, respectively. However, the grant budgets were not reduced, resulting in expenditures exceeding (C-19) and potentially exceeding (C-20) available funds. Actions were initiated by the grantee, ARC and the Mississippi Department of Economic and Community Development (MDECD) to correct this condition and to implement controls to better preclude recurrence. For Grant C-19, the MDECD assumed responsibility for the expenditures not covered by the ARC funds; and for Grant C-20, ARC revised the grant period to coincide with the State fiscal year. Additionally, communications and reporting with respect to the accounting for funds, including expenditures, between the Mississippi Regional Commission Office and the MDECD was increased.

TICHENOR & ASSOCIATES, LLP
Louisville, Kentucky
August 15, 2001