

**MEMORANDUM REPORT ON REVIEW OF
NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING &
DEVELOPMENT COMMISSION
(NCPRPDC)
RIDGWAY, PENNSYLVANIA**

**NORTH CENTRAL ENTREPRENEURIAL
NETWORK INITIATIVE GRANT**

ARC Grant Number: PA-12904G

Grant Period: Fiscal Years Ending June 30, 2003 and 2004

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Report Number: 06-12

Date: March 15, 2006

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Prepared By:

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

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: Federal Co-Chair Anne B. Pope
ARC Executive Director Thomas M. Hunter
OIG Report Number: 06-12

SUBJECT: Memorandum Report on Review of North Central Pennsylvania
Regional Planning & Development Commission (NCPRPDC),
Entrepreneurial Network Initiative Grant for Local Development
District, ARC Grant Number: PA-12904G.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to NCPRPDC for its Entrepreneurial Network Initiative Grant were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; and (b) the accounting, reporting, and internal control systems provided for disclosure of pertinent financial and operating information.

BACKGROUND: ARC awarded Grant Number PA-12904G to NCPRPDC for the fiscal years ending June 30, 2003 and 2004. Total ARC grant funding was for an amount not to exceed \$45,000 or 50 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$45,000 or 50 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made payments to NCPRPDC in fiscal year 2003 and 2004 totaling \$9,337 as follows:

For The Fiscal Year Ended June 2003: \$6,186

For The Fiscal Year Ended June 2004: \$3,151

The grant is to provide funds for the purpose of assisting and enabling NCPRPDC to establish and expand economic development services that are deemed to be useful and pertinent to the accomplishment of the objective and purposes of the ARC.

The main objective of NCPRPDC is to help local entities in a six-county Appalachian region plan and develop projects to boost economic activity and the quality of life for the citizens of the region. In addition, NCPRPDC researches sources of funding available to local entities, and assists in the application and reporting process for the applicable funding.

This agreement implements a grant made under the authorities of Section 302 of the Appalachian Regional Development Act of 1965 (ARDA), as amended, to provide continued assistance for a multi-phase entrepreneurial initiative in the North Central Region of Appalachian Pennsylvania. Grantee will undertake the following tasks: 1. Provide a comprehensive program for financial and technical assistance by continuing to pursue and re-capitalize loan pools and provide loan assistance services. 2. Provide opportunities for education and training by holding targeted entrepreneurship workshops to entrepreneurs and community-based organizations. 3. Implement new entrepreneurial development projects including an analysis of the feasibility of an entrepreneurial eco-tourism incubator located in a State Park. And 4. Coordination and promotion of an entrepreneurial network including the administration, outreach, marketing and promotion of the network.

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 agreed-upon procedures previously discussed with the ARC, OIG. Specifically, we determined if the tasks described above were being performed, if the accountability over ARC funds is sufficient as required by applicable Office of Management and Budget (OMB) Circulars, and if NCPRPDC was in compliance with the requirements of the grant agreement. Our results and recommendations are based upon those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

REVIEW RESULTS:

The following results are based on our review performed at NCPRPDC in Ridgway, PA:

A. Incurred Costs

NCPRPDC's financial records report total program costs of \$18,674 for fiscal years ending June 30, 2003 and 2004. Of these costs, \$9,337 (50%) was attributed to ARC expenditures, with the remaining \$9,337 (50%) attributed to matching and in-kind expenditures.

For The Fiscal Year Ended June 2002: \$12,372

For The Fiscal Year Ended June 2003: \$6,302

B. Internal Controls

During the course of the audit, we reviewed NCPRPDC's system of internal controls. One area of weakness was identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

FINDING 1. No Mandatory Vacation Requirement for Employees In Key Financial Positions

Proper internal control procedures require that all employees in key financial positions be required to take annual vacations.

The detection of misappropriation of funds is made more difficult by not requiring that employees in key financial positions take annual vacations.

Presently, employees in key financial positions are not required to take annual vacations.

We recommend that all employees in key financial positions be required to take annual vacations.

In response to our draft report, NCPRPDC management stated that they will be updating their Personnel Policies and Employee Handbook to require that employees in key financial positions take mandatory annual vacations. (See attached grantee response.)

We believe that implementation of the above recommendation will strengthen NCPRPDC's systems of internal controls.

C. Compliance

As part of obtaining reasonable assurance about whether NCPRPDC grant financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our review, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the ARC and NCPRPDC, and is not intended to be and should not be used by anyone other than these specified parties.

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky
January 20, 2006

Grantee Response

North Central Pennsylvania Regional Planning and Development Commission

A Pennsylvania Local Development District "LDD"

651 Montmorenci Road Ridgway, PA 15853

Phone (814) 773-3162 Fax (814) 772-7045 e-mail - ncprpdc@ncentral.com www.ncentral.com/~ncprpdc

February 28, 2006

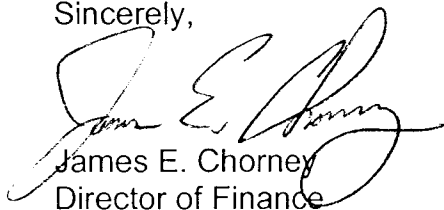
William R. Tichenor, CPA
Managing Partner
Tichenor & Associates, LLP
304 Middletown Park Place, Suite C
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Dear Mr. Tichenor:

Enclosed is North Central Pennsylvania Regional Planning and Development Commission's response to the purposed findings in the Draft audit report for the Appalachian Regional Commission.

Please let me know if you have any questions regarding this information.

Sincerely,



James E. Chorney
Director of Finance

North Central Pennsylvania Regional Planning and Development Commission

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North Central Pennsylvania Regional Planning and Development Commission's response to the Appalachian Regional Commission Draft Audit Report prepared by Tichenor & Associates.

B. Internal Controls

Finding 1. Grantee's Response: North Central Pennsylvania Regional Planning and Development Commission will be updating the Personnel Policies and Employee Handbook to include a section that employees in key financial positions be required to take mandatory annual vacations.

Contracts: PA-13868-0-1, 21-769-0001, PA-12904G, PA-14570, PA-8312, PA-0708B