



April 23, 2007

Memorandum for: The Federal Co-Chair  
ARC Executive Director

Subject: OIG Report 07-06  
Review of the Alabama Department of Economic And  
Community Affairs (ADECA), Alabama Strategic Plan  
For Telecommunications in Appalachia  
ARC Grant Number: AL-14515-03

Attached is the report dealing with the subject grant to the Alabama Department of Economic and Community Affairs (ADECA). The grant period was from June 1, 2003 through September 30, 2005 for an amount not to exceed \$160,000. ARC made six payments to ADECA totaling \$88, 432.

The report contains one recommendation which has been responded to sufficiently for the report to be closed. However, in response to this audit report, ADECA pointed out the difficulty caused by ARC's utilization of paper based notification of funding rather than one of the widely used automated payment methods such as ASAP (Automated Standard Application for Payments) or PMS (Payment Management System). We recommend ARC explore these payment methods.

A handwritten signature in black ink, appearing to read 'Cliff H. Jennings', with a long horizontal stroke extending to the right.

Clifford H. Jennings  
Inspector General

Attachment

cc: Director for Program Operations  
Director for Finance and Administration

**MEMORANDUM REPORT ON REVIEW OF  
ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS  
(ADECA)  
MONTGOMERY, ALABAMA**

**ALABAMA STRATEGIC PLAN FOR TELECOMMUNICATIONS  
IN APPALACHIA**

**ARC Grant Number: AL-14515-03**

**Grant Period: June 1, 2003 through September 30, 2005**

**CAUTION:** *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b) (4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

**Report Number: 07-06**

**Date: April 20, 2007**

**MEMORANDUM REPORT ON REVIEW OF  
ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS  
(ADECA)  
MONTGOMERY, ALABAMA**

**ALABAMA STRATEGIC PLAN FOR TELECOMMUNICATIONS  
IN APPALACHIA**

**ARC Grant Number: AL-14515-03**

**Grant Period: June 1, 2003 through September 30, 2005**

**Prepared By:**

**Tichenor & Associates, LLP  
Certified Public Accountants  
304 Middletown Park Place, Suite C  
Louisville, Kentucky 40243**

# TICHENOR & ASSOCIATES, LLP

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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 Number: 07-06

SUBJECT: Memorandum Review Report on the Alabama Department of  
Economic and Community Affairs (ADECA), Alabama Strategic  
Plan for Telecommunications in Appalachia, ARC Grant Number:  
AL-14515-03.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to ADECA for its Alabama Strategic Plan of Telecommunications in Appalachia 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; (b) the accounting, reporting, and internal control systems provided for disclosure of pertinent financial and operating information; and (c) that the objectives of the grant are being met.

BACKGROUND: ARC awarded Grant Number AL-14515-03 to ADECA for the period June 1, 2003 through September 30, 2005. Total grant funding was for an amount not to exceed \$160,000 or 50 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$160,000 or 50 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made six payments to ADECA totaling \$88,432.

The grant provided funds for a project consisting of the mapping of existing telecommunications resources in Appalachian Alabama, establishing a steering committee to hold regional meetings to identify current and future telecommunications needs, and developing a new strategic telecommunications plan.

The ARC grant funded the costs of salaries, fringe benefits, travel, and indirect costs associated with the project. The grant also underwrote the costs of consulting services undertaken by the University of Alabama.

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 ADECA was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with ADECA personnel. Our results and recommendations are based upon those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results are based on our review performed at ADECA in Montgomery, Alabama, on February 5, 2007 through February 7, 2007.

#### **A. Incurred Costs**

ADECA's financial records report total program costs of \$204,083 for the grant period. Of these costs, \$88,432 (43.3%) was attributed to ARC expenditures, with the remaining \$115,651 (56.7%) attributed to matching and in-kind expenditures.

During the course of the audit, we reviewed the direct, indirect, and in-kind costs claimed and determined that in general the funds had been expended as shown in the financial records.

#### **B. Internal Controls**

During the course of the audit, we reviewed ADECA'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.

##### 1. Internal Control over Receipts

Proper internal control procedures require that all receipts be posted to the appropriate account in a timely manner.

ADECA was reimbursed for costs incurred for this grant; however, reimbursements were not posted to ADECA's ledger in a timely manner. In one case, ADECA submitted a request for reimbursement on October 14, 2005. The ARC made payment on November 28, 2005, but the payment did not post to ADECA's ledger until January 25, 2006, 58 days after the payment was made. Other receipts were similarly delayed.

Recommendation:

We recommend ARC require that the Alabama Department of Economic and Community Affairs implement a system to monitor incoming receipts and follow up with the ARC and the State Treasurer if the receipt is not posted in a timely manner.

ARC'S Response:

ARC believes that Alabama Department of Economic and Community Affairs has instituted the necessary internal control procedures to ensure the proper and timely posting of future ARC funds to the proper account. (See Appendix A – ARC's Response.)

Auditor's Comment:

*Actions have been taken to ensure the proper and timely posting of future ARC funds to the proper account. As a result, the recommendation is considered closed.*

**C. Program Results**

Our review of the Alabama Department of Economic and Community Affairs' Alabama Strategic Plan for Telecommunications in Appalachia grant indicated that the specific objectives identified in the grant have been achieved.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

Louisville, Kentucky

February 7, 2007

**APPENDIX A  
ARC'S RESPONSE**



APPALACHIAN REGIONAL COMMISSION  
*A Proud Past,  
A New Vision*

April 10, 2007

William Tichenor  
Tichenor & Associates, LLP  
Certified Public Accountants  
304 Middletown Park Place, Suite C  
Louisville, Kentucky 40243

RE: Draft Audit on AL-14515 -- Alabama Strategic Telecommunications Plan

Dear Mr. Tichenor:

The Appalachian Regional Commission is in receipt of your Draft Audit on the above referenced project. The ARC Project Coordinator for the project, Harry L. Roesch, has discussed your findings with the State grantee. The Director of Alabama's Department of Economic and Community Affairs, Mr. Bill Johnson, who is Alabama's ARC Alternate, has provided a response to the audit question that was raised in the audit done by Matt Mitchell of your staff.

Mr. Roesch has subsequently discussed the formal response to the audit question with the grantee, and their response is considered satisfactory [see attached response]. ARC believes the grantee has instituted the necessary internal control procedures to ensure the proper and timely posting of future ARC funds to their account.

Based on this information your office can now provide a clear audit statement on this project.

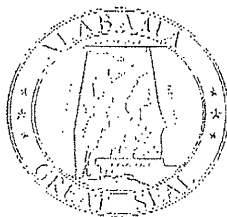
Sincerely,

Henry B. King PhD.  
Director, Program Operations Division

CC: H. Roesch  
C. Jennings  
B. Durham



OFFICE OF THE GOVERNOR



ALABAMA DEPARTMENT OF ECONOMIC AND COMMUNITY AFFAIRS

BOB RILEY  
GOVERNOR

Bill JOHNSON  
DIRECTOR

STATE OF ALABAMA

April 3, 2007

Mr. Harry Roesch  
ARC Project Coordinator  
Appalachian Regional Commission  
Suite 700  
1666 Connecticut Avenue, NW  
Washington DC 20009-1068

Dear Mr. Roesch:

This letter is in response to the review of AL-14515-03 by Tichenor & Associates.

Internal Control over Receipts

Proper internal control procedures require that all receipts be posted to the appropriate account in a timely manner.

RECOMMENDATION:

We recommend ARC require that the Alabama Department of Economic and Community Affairs implement a system to monitor incoming receipts and follow up with the ARC and the State Treasury if the receipt is not posted in a timely manner.

ADECA's Response:

ARC needs to utilize a web based payment system such as the Automated Standard Application for Payments (ASAP) or the Payment Management System (PMS). The method used by ARC is time consuming. Once the SF270 (paper form) was mailed to ARC, we did not know when to expect payment to be made. The accountant could have asked the State Bank to notify ADECA when the funds were received but it did not seem feasible since an approximate date could not be given. Therefore, we were not aware when funds were transferred to our bank account. The accountant would email the ADECA program manager who would email the ARC project coordinator to ascertain when the payment was made. It would have been helpful if ARC had notified us that the payment was being processed on a certain date.

*acceptable response HSK*

Currently on another ARC program, the ADECA accountant is notifying the State Bank of pending receipts. Once the bank notifies ADECA that the funds have been received, the receipt is certified into the State Treasury. We will continue this process in order to receipt funds in a timely manner.

Please call Kathy Hornsby at (334) 242-5284 or Tammy Rolling at (334) 242-5667 if you have questions or need further information.

Sincerely,

Bill Johnson  
Director