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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL  
AUDIT OF GRANT AWARD**

**Chautauqua County  
Equestrian Trail System, Phase I & II  
Jamestown, New York**

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**Final Report Number: 16-10  
Project Number: NY-17300-302-12  
March 29, 2016**

**Prepared By:**

**Bonadio & Co., LLP**  
Certified Public Accountants

March 29, 2016

Appalachian Regional Commission  
Office of Inspector General  
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Bonadio & Co., LLP completed a performance audit of grant number NY-17300-302-12 awarded by the Appalachian Regional Commission (ARC) to Chautauqua County for development of an Equestrian Trail System Plan Implementation, Phase I & II. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expensed as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals and objectives of the grant were met.

Issues identified during our audit are discussed in detail in the Findings and Recommendations section of the report. A draft report was provided to Chautauqua County on March 15, 2016, for comments. Chautauqua County provided a response to the report on March 22, 2016. Their comments are included in their entirety in Appendix I.

Bonadio & Co., LLP appreciated the cooperation and assistance received from Chautauqua County and the ARC staff during the audit.

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## BACKGROUND

Bonadio & Co., LLP completed a performance audit of grant number NY-17300-302-12 awarded by the Appalachian Regional Commission (ARC) to Chautauqua County (the County) for development of an Equestrian Trail System Plan Implementation, Phase I & II. The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

ARC grant number NY-17300-302-12 was awarded to cover the period April 1, 2012 to March 31, 2013. The performance period was amended twice and was completed on September 30, 2014. It provided \$150,000 in ARC funds and required \$150,000 in non-ARC funds and in-kind services for the grantee to provide support for the Equestrian Trail System, Phase I & II, in Chautauqua County. Major components of the County's plan is to assist in the development of a network of equestrian trail linking important destinations, including environmental features, public facilities, town centers and businesses. The development of the plan involved broad stakeholder input with dozens of volunteers participating in steering committee meetings, field reconnaissance, reports and presentations.

The plan outlines the development of a 35-mile equestrian loop to serve as a model for future trail development to be implemented in a 4-phase effort. Future development would connect the equestrian trails to snowmobile trails in neighboring Cattaraugus and Allegany counties.

The approved budget called for \$31,000 (in-kind) from the NY Department of Environmental Conservation; Chautauqua County \$87,000 (cash) and \$4,425 (in-kind); County IDA \$8,000 (cash); Lou Eibl Corral Inc. \$19,575 (in-kind) and \$150,000 (cash) from the ARC. Total cash outlay is \$245,000 and in-kind is \$55,000.

## OBJECTIVES, SCOPE, AND METHODOLOGY

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expensed as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, where appropriate were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals, objectives and performance measures of the grant were met.

We reviewed the documentation provided and interviewed County personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We reviewed County administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We also reviewed the most recent Single Audit report to determine whether there were any issues that impacted the ARC grant.

Of the \$243,529 in cash expenditures charged to the Equestrian Trail Phase I & II, we selected a sample of \$227,786 in expenditures for testing to determine whether the charges were properly supported and allowable.

The criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, federal cost principles, and audit requirements for federal awards. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of February 23-25, 2016, including on-site work at the Chautauqua County Department of Planning & Economic Development in Jamestown, New York. The audit results were discussed with County representatives at the conclusion of the on-site visit.

## REVIEW OF AUDIT RESULTS

Overall, County administrative procedures were adequate to manage the grant funds. The expenses tested were supported and considered reasonable and we did not identify any questioned costs. In general, County records and reports indicate that the goals of the grant agreement were accomplished with the exception of certain accounting schedules that needed to be reconstructed as a result of employee turnover. Results were reported for only three of the six performance measures; two of these performance measures have not reached projected outcomes. A final accounting of the outputs and outcomes were not adequately explained in the County's final report to the ARC. We noted that the County did not retain adequate supporting documentation for the performance progress reports sent to the ARC.

### Findings and Recommendations:

#### A. Written Policies and Procedures

We evaluated County policies and procedures for compliance with the ARC grant agreement and other Federal requirements. In doing so, we determined that the County had written policies and procedures for a number of areas relevant to grant management, including the County's purchasing policy and accounting procedures manual. Bonadio & Co. LLP noted areas where the County's policies were not followed. Most notable was the ARC general ledger did not agree to performance progress reports submitted to the ARC. The general ledger totaled approximately \$111,000 for the grant period; the amount reported to the ARC was \$146,039. Pat Gooch, the current Senior Planner for the County, indicated that some of the grant expenditures were recorded in the wrong general ledger account. In preparation for the current audit, County employees spent a significant amount of time "reconstructing" the accounting records to be audited. The total project budget was \$300,000 of which \$245,000 was cash. The County provided a spreadsheet detailing expenses including equipment, supplies, contractual and other categories for cash purchases. The spreadsheet also contained information about in-kind services provided by the different parties noted in the grant approval. The cash outlay per the reconstructed spreadsheet was \$243,529, of which we tested \$227,786 or 93% of the cash disbursements. All expenses reviewed were properly supported and allowable.

The County's policy is to capitalize any asset over \$5,000. The total outlay for equipment purchases reported to the ARC was \$29,359. It was noted during testing that a John Deere Gator was purchased for \$14,201 and this was reported to ARC under the contractual category of the progress performance.

#### Recommendations

1. All grant expenditures should be recorded in a separate general ledger account. This account should agree to performance reports submitted to the ARC.
2. The County should establish a record retention policy in accordance with the grant agreement to maintain supporting documentation for grant expenditures. ARC administrative requirements generally require records to be retained for three years following the date of the last expenditure report submitted to ARC.
3. Expenditures should be properly classified in accordance with the policies established by the County and the approved grant budget.

## **B. Progress Reporting**

A progress report for every 120-day period was required by the grant agreement due within 30 days of the end of the period. Progress report #4 for the period of April 1, 2013 through July 31, 2013 was submitted to the ARC on October 4, 2013, beyond the 30 day requirement.

Progress report #5 and #6 were "combined" for the period of August 1, 2013 through March 31, 2014. The reporting period was greater than 120 days.

### **Recommendation**

1. The County should designate an individual to monitor reporting requirements established by the grant agreement.

## **C. Performance Reporting**

To determine if the ARC grant goals were met, we reviewed the metrics and results included in the final report on grant NY-17300-302-12 since it had been completed. The grant application included performance goals in the form of 6 individual metrics, either as a planned output or planned outcome. The final report submitted to the ARC for Phase I & II showed 1 of 6 of the planned outcomes were met; two communities improved. Planned outcomes of 20 new jobs and 4 new business created have not been achieved. As of the date of the final payment/closeout summary, actual results reported were 6 new jobs and 1 new business created. For the remaining three goals in the grant agreement there were no results reported to the ARC. The County could only generalize their performance results and there was no supporting documentation to substantiate their findings.

The final report submitted to the ARC did not contain any narrative on the performance measures. ARC guidance in its Grant Management Handbook on project reporting does not explicitly state what information should be reported regarding individual performance goals. However, it does generally encourage information that documents outputs and outcomes and a discussion of problems encountered. The grant under audit covered Phase I & II of the project. The County is currently in the process of Phase III & IV of the project.

### **Recommendations**

1. The County should provide a clear explanation for individual performance goals (outputs and outcomes) where there is significant lack of progress or achievement. This would include discussing the reasons for underperformance and the actions that are being taken or could be taken to improve achievement.
2. The County should establish procedures to document and substantiate performance results (outputs and outcomes).



# Appendix I

## Introduction

The 2016 audit conducted by Bonadio & Co., LLP was conducted between February 23<sup>rd</sup> and 25<sup>th</sup>, with a meeting outlining the audit results conducted February 25<sup>th</sup>. The Chautauqua County Department of Planning & Economic Development is grateful to the auditors who worked with the County for their cordial working relationship. The County employee, who spearheaded and administered grant number NY-17300-302-12, recently left his position with the County. As such, County employees not previously involved in this grant, were tasked with learning the details of the grant and its administration. This presented a challenge for both the auditors and the County when additional information or material was requested.

It is the County's belief that the auditor's report was accurate and fair. The auditors strived to faithfully perform their audit and ensure they had an accurate picture of the grant, its administration, and the expenses incurred. The auditor's report noted several deficiencies regarding the reporting requirements that are being addressed by new management at the County, including Chautauqua County Department of Planning & Economic Development Director Kevin Sanvidge and Deputy Director of Planning & Economic Development Don McCord. Additionally, Phases III and IV of Grant NY-17300 will be administered by Pat Gooch, Senior Planner. With these changes to management and administration, the County is confident that all deficiencies will be corrected and eliminated moving forward. The following details the County's response to the 2016 audit of NY-17300.

## Response to Review of Audit Results:

Those responsible for grant administration on Phase I & II did not prepare sufficient backup documentation in an aggregated format while administering the grant. Therefore, to faithfully and accurately respond to the initial survey and the auditors questions, Chautauqua County Planning & Economic Development, attempted to break down and then aggregate the expenses over the life of the grant in a series of excel sheets to better understand Phases I & II. These materials are referenced as *accounting schedules that needed to be reconstructed*. The County was able to verify through its administrative and financial records that all expenses reported were accurate. These aggregated records of expenses incurred for Phase I & II were shared with the auditor.

## Response to A. Written Policies and Procedures:

It is unclear why a John Deere Gator worth \$14,201 was reported under the contractual category of the progress report. However, this asset is accounted for and is solely used for this grant and is inventoried on an annual basis.

## Response to A. Written Policies and Procedures Recommendations:

1. All grant expenditures were recorded. However, some of the initial purchases for materials were handled by the Department of Public Facilities (DPF) as they have experience purchasing materials such as aggregate, creating bid documents, and are familiar with the relevant procedures under New York State Procurement Law.
2. Records pertaining to grant NY-17300-302-12 have been kept in accordance with the record retention policy of the grant agreement. However, aggregate or tabulated versions of the records were not kept.

## Response to B. Progress Reporting Recommendations:

1. The County employee who oversaw the grant was responsible for overseeing and preparing the progress reports in a timely fashion. Moving forward, new management and new employees are working on Phase III and Phase IV. Both staff and management of the Department of Planning & Economic Development are working together to ensure that all future progress reporting requirements are timely and accurately completed.

## Response to C. Performance Reporting Recommendations:

1. The performance goals, both outputs and outcomes, were not thoroughly investigated by the previous grant administrator. As required by the grant agreement, which incorporates the grant application, the County will work with businesses in the grant area to monitor and document outcomes on a six month basis. Pat Gooch, Senior Planner for the County has met with stakeholders in the grant area and volunteers working on Phase III of the grant to investigate the outputs and outcomes.