

**Final Report  
On**

**GRANT AGREEMENT EXPENDITURES AUDIT  
Grant VA-12409-96  
Cumberland Plateau Health District  
Lebanon, Virginia**

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

**Report No. 00-28(H)**

**Prepared by**

**Leon Snead & Company, P. C.  
January 28, 2000**

## ***BACKGROUND AND OBJECTIVE***

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.

On January 28, 1995 the ARC approved Resolution 629. This Resolution authorized Regional Initiatives in the areas of Internationalization of the Economy, Telecommunications, and Leadership and Civic Development. In accordance with this resolution, program design and project criteria for each regional initiative was approved by the Federal Co-Chairman and the State Alternates upon the recommendation of the Policy Development Committee.

The ARC awarded Grant VA-12409-96 to the Cumberland Plateau Health District to provide funds to hire a dentist and dental assistant to provide dental care at two existing mobile units to approximately 4,500 indigent children in Buchanan and Dickenson counties. The grantee was to provide all necessary personnel, services, supplies and materials to carry out this specific task.

Grant VA-12409-96 was amended three times since it was signed in September 1996. The amendments extended the grant period of performance from October 1, 1996 through September 30, 1997 to October 1, 1996 through March 31, 1999. The grant agreement called for the ARC to contribute up to \$90,000 towards estimated total project costs of \$180,432. The ARC \$90,000 contribution was to be approximately 50% of the total budgeted project costs. The amendments extended the grant period of performance, but involved no additional ARC funds. All other grant terms and conditions remained in full force and effect. The \$90,433 match was to come from a \$10,000 Department of Health block grant, a \$10,000 grant from the Thompson Foundation, in-kind clerical and administrative services contributions totaling \$20,433 and 2 grantee owned mobile dental units valued at \$50,000.

Leon Snead & Company, P. C. is under contract to the Office of Inspector General (OIG) of the ARC to provide audit services. We were tasked with conducting an audit of the grant expenditures reported to the ARC for Grant VA-12409-96 for the period October 1, 1996 through March 31, 1999. The objective of our audit was to determine whether the reported grant expenditures were allowable, allocable, and reasonable.

## ***SCOPE AND METHODOLOGY***

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-122 “Cost Principles for Non-Profit Organizations”; the Federal Drug-Free Workplace Act of 1988 (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 that 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. This audit was 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 visited the grantee’s office in Lebanon, Virginia during the period January 24 through January 28, 2000. We reviewed the available documentary support for approximately 28% of the salary, benefits, and FICA paid with ARC grant funds during the period October 1, 1996 through March 31, 1999. We also reviewed the documentary support for approximately 58% of the reported matching and in-kind services and facilities support contributions to determine if the grantee met the agreed upon local participation percentage and dollar amount. We performed audit tests as necessary to determine whether the expenditures charged to Grant VA-12409-96 were allowable, allocable, and reasonable. Specifically, we performed the following procedures:

- We discussed the grant expenditure process and internal controls with Cumberland Plateau Health District officials.
- We selected audit samples of ARC grant expenditures, tangible (e.g. equipment, supplies, travel expense reimbursements) ARC grant matching expenditures, and intangible ARC grant matching in-kind personal services expenditures for the period October 1, 1996 through March 31, 1999 for review. Overall, we sampled 44 monthly grant expenditures or local matching participation as follows:

30 ARC grant expenditures	\$ 25,331
14 Matching items	<u>58,061</u>
44 Total expenditures/items	<u>\$ 83,392</u>

- We reviewed grantee detail payroll expenditures reports, payment checks, vendor invoices, purchase orders, vouchers and in-kind support payroll information for the period November 1996 through March 1999 and compared the entries in these reports and documents with the entries shown in grantee summaries of ARC grant and grantee and local entity matching contributions for this same time period.

## ***RESULTS***

No exceptions were noted.

## ***CONCLUSION***

Based on the results of our audit, in our opinion all \$90,000 in ARC grant fund expenditures reported to the ARC for Grant VA-12409-96 are allowable, allocable and reasonable and should be accepted by the ARC. We also found that the grantee and other local sources provided approximately \$9,000 more of in-kind matching contributions than were required to meet the local matching requirement of \$90,432.

## ***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.*  
LEON SNEAD & COMPANY, P. C.  
January 28, 2000



APPALACHIAN  
REGIONAL  
COMMISSION

*A Proud Past,  
A New Vision*

*Office of the Inspector General*

March 23, 2000

Ms. Toby F. Cook, Project Director  
Cumberland Plateau Health District  
155 Rogers Street  
P. O. Box 2347  
Lebanon, VA 24266

re: OIG Report 00-28(H), Grant VA-12409

Dear Ms. Cook:

Enclosed is a copy of our final report dealing with a grant to provide dental care to indigent children. We consider the report closed.

The work was performed by an auditor with Leon Snead and Company, P.C., under contract with my office. A copy of the report is being provided to the Federal Co-Chairman, the ARC Executive Director, and the Virginia State Alternate.

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,

A handwritten signature in cursive script that reads "Hubert N. Sparks".

Hubert N. Sparks  
Inspector General

Enclosure