



SURVEY REPORT

REVIEW OF SENECA TRAIL RESOURCE CONSERVATION AND DEVELOPMENT COUNCIL, INC.

AGRICULTURAL BUSINESS EFFECTIVENESS PROGRAM

Grant No. NY-10770-91-I-302-0320
December 1, 1991 through August 31, 1994

OIG Report 95-11(H)
March 31, 1995

I. INTRODUCTION

A. PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if grant objectives were met, and (3) to determine the current status of the project.

B. SCOPE

Our survey included procedures to review costs incurred and claimed for reimbursement under ARC Grant No. NY-10770-91. The initial period of performance was December 1, 1991 through May 30, 1993; however, it was extended twice after that to December 31, 1993 and to August 31, 1994. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Franklinville, New York, September 22-23, 1994. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreements, Office of Management and Budget (OMB) Circulars A-110 and A-122, and the ARC Code.

C. BACKGROUND

ARC Grant No. NY-10770-91-I-302-0320 (Contract 92-17) was awarded to the Seneca Trail Resource Conservation and Development (RC&D) Council, a nonprofit corporation, on December 9, 1991. The grant amount was to be the lesser of \$100,000 or 35.05 percent of actual, reasonable and eligible project costs. The grantee was required to provide the non-federal share of \$161,000 (56.43 percent) in cash, contributed services, or in-kind contributions, as approved by ARC. The non-federal share was to include New York State Urban Development Corporation (UDC) funds which were to be used as part of the 50 percent reimbursement of private consultant services that were provided to and paid for by the agricultural businesses.

Other Federal funds in the amount of \$24,300 (8.52 percent) were to be provided by the U.S. Department of Agriculture, Soil Conservation Service (SCS).

The grant was to provide consultative services to agricultural businesses in the three-county (Allegany, Cattaraugus and Chautauqua) area served by the Southern Tier West Regional Planning and Development Board and to encourage those businesses to become familiar with and to effectively utilize available agricultural industry private consulting services in such areas as crop, business, herd and feed management as a means of increasing the productivity and competitiveness of the area's agricultural businesses. Specific tasks to be completed were:

1. Hire a project director who will have overall program responsibility and will work with county cooperative extension agents and others to establish a steering committee and set up program guidelines and criteria for project participation. The project director will also locate and list appropriate private consultants and potential agricultural business participants as well as serve as a liaison between cooperating agencies, consultants and business participants.
2. Establish a steering committee to be responsible for certifying private consultants, qualifying agricultural business participants, conducting orientation meetings, conducting consultant interviews, reviewing consultant reports, determining consultant report deficiencies and assisting in program assessment/evaluation and in producing a final report.
3. Develop program criteria and procedures for private consultants to be certified in order to work with participating agricultural businesses and for agricultural businesses to qualify for participation in the program.
4. Identification of participants in the project. This includes the recruiting of private consultants through outreach efforts, orientation meetings, interviews for selection purposes and the development of lists of appropriate consultants together with the selection and listing of agricultural business participants through use of outreach programs and orientation meetings.
5. Agricultural business reimbursement and consultant accountability procedures under the program. This element includes agricultural business reimbursement which is accomplished through the hiring of certified consultants, the provision of consultant recommendations and reports, the provision of proof of payment, the review of recommendations and reports and reimbursement of cost share expenses. This element also includes deficient consultant report procedures and decertification procedures for consultants where necessary.
6. Program assessment and evaluation procedures. Questionnaires will be developed and distributed and interviews will be conducted of private consultants and agricultural business participants in order to obtain feedback following services rendered under the program. This will help the Seneca Trail RC&D Council identify and make any need changes and/or improvements in program procedures as the program moves along. Also, participating agricultural business operations will be tracked for immediate evaluation purposes. In addition, an independent audit of the program will be conducted.

7. A final report will be developed in order to serve as a basis for any future programs of this type which may be adopted and implemented by appropriate state or Federal economic development agencies. Distribution of this final report will be to the Appalachian Regional Commission, the Southern Tier West Regional Planning and Development Board, the New York State Department of Agriculture and Markets, the New York State Department of Economic Development and other similar agencies and organizations.

At the time of our review, the grantee had received progress and advance payments totaling \$81,013.01 and \$18,986.99 remained in the grant account at ARC.

II. SURVEY RESULTS

A. GENERAL

The steering committee established under the grant agreement certified 21 private consultants for the program and 16 of them provided services to 100 qualified agricultural businesses. Each participating agricultural business was eligible for reimbursement of 50 percent of the cost of consultant services, up to a maximum of \$2,000. We found that payments to consultants totaled \$137,422.42. Of that amount, \$18,583.64 was charged to ARC, \$45,958.56 to the New York State Urban Development Corporation (UDC), and the business participants contributed \$72,880.22.

The grantee obtained feedback from participating businesses and consultants through written questionnaires and personal interviews and will provide the results in their final report. We reviewed responses from 10 of the businesses and found that all of them considered their consultative experiences to be beneficial and worthwhile.

The grantee indicated that the total program cost was less than anticipated because the average consulting fee was \$1,600 rather than the estimated fee of \$2,000. They estimated that 108 businesses would participate and actually got 100 in the program.

B. KEY DUTIES SHOULD BE SEPARATED

The treasurer of the Seneca Trail RC&D Council is a volunteer who is responsible for a variety of tasks including preparing and signing checks, manually posting receipts and disbursements to the accounting records, reconciling bank statements and maintaining canceled check files and supporting documentation. We recognize that available program staff is limited, however, some key financial/accounting duties should be performed by different individuals in accordance with good business practices. For example, if possible, the same person who signs the checks should not reconcile bank statements.

Recommendation: We recommend that the grantee establish procedures to ensure that key accounting/financial duties are separated.

C. ACCOUNTING SYSTEM IMPROVEMENTS NEEDED

OMB Circular A-110, Cost Principles for Nonprofit Organizations, requires that the financial management systems of grantees be accurate and allow for expenditures to be compared with budget amounts. During our on-site visit, we reviewed the accounting records and documentation for claimed grant expenditures. We found numerous minor errors including check amounts that differed from the amount recorded in the accounting records, checks written for the wrong amount, and a voided check recorded in the accounting records as a valid expense. Because the monthly bank statements were not reconciled to the accounting records these errors were not detected. Other errors which were discovered were sometimes not corrected legibly in the accounting records or in such a way as to allow the balance of the account to be readily determined.

In addition, the accounting records did not allow for expenses to be separated by budget category. The grantee's project coordinator maintained computer listings of expenses by category, but they were not reconciled to the books and did not show total expenses paid or the budget amount.

The grantee's project coordinator stated that the Seneca Trail RC&D Council had never had an independent audit and indicated that they intended to use the \$2,500 set aside in the budget for that purpose.

Recommendation: We recommend that the monthly bank statements be reconciled with the accounting records on a timely basis and any errors corrected promptly and clearly. If the grantee receives any ARC grants in the future, we recommend that their accounting system allow for the comparison of actual expenses with the budget amounts. We also recommend that the grantee obtain required audits as soon as possible and provide the results to ARC program staff upon completion.

D. FINAL EXPENDITURE AND PROGRESS REPORTS SHOULD BE SUBMITTED

As of our visit, the grant performance period ended July 31, 1994. The grantee's project coordinator indicated at the time of our visit that some project expenses had been incurred, but not paid, in August 1994. They included personnel costs totaling \$2,000 for the project director, travel costs of about \$450 and contractual reimbursements of about \$2,000. The project coordinator told us the expenses were legitimate project costs and that they would like to use some of the remaining grant funds to pay them. Subsequent to our visit, the grantee requested and received permission from ARC to extend the grant period through August 1994.

We determined that grant costs were \$83,582.15 excluding costs for August 1994 and the \$2,500 budgeted but not spent for the independent audit. Final project and grant costs should be included in grantee's final expenditure report.

Recommendation: We recommend that the grantee submit final reports to ARC as soon as possible.

E. BETTER DOCUMENTATION OF MATCHING COSTS IS NEEDED

OMB Circular A-110 requires that in-kind contributions be verifiable from the grantee's records. At the time of our visit, documentation for in-kind contributions was not available for review, however, the grantee subsequently provided a letter listing in-kind contributions of \$48,188 that were provided by the SCS. It included personnel and fringe benefits costs of \$38,680 for two SCS employees; however, no time and attendance or other time distribution records were available. One employee's time was charged at 10 percent for 32 months and the other at 50 percent for 32 months. A fringe benefit rate of 33 percent was applied for each. Thirty percent of office space and telephone costs for the Seneca Trail RC&D Council for 32 months was also charged as in-kind match. Additional documentation/justification for the percentage basis used was not provided.


The grantee also provided letters from the Cornell Cooperative Extension in the counties of Allegany, Cattaraugus and Chautauqua to document in-kind expenses totaling \$3,782. However, the letters included line-item summaries of expenses and backup documentation was not available.

Recommendation: We recommend that the grantee resolve the issue of unverified in-kind matching costs with ARC program personnel.

F. PROGRAM STATUS

Due to the success of this program, the project coordinator indicated there is a strong possibility that state funding can be obtained to continue it.

A draft report was forwarded to the grantee for comment on January 9, 1995; and a followup letter was forwarded on March 20, 1995. The report was finalized without a response to the draft report.


Hubert N. Sparks
Inspector General