

APPALACHIAN REGIONAL COMMISSION
Grant Number CO-11115-92-I-302-0605

SURVEY REPORT

Western Maryland Multi-Bank Community Development Corporation

TRI-COUNTY COUNCIL FOR WESTERN MARYLAND, INC.
111 South George Street
Cumberland, Maryland 21502

OIG Report No. 95-36 (H)
April 27, 1995

REPORT RELEASE RESTRICTION

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PURPOSE AND SCOPE

In connection with our survey of the Revolving Loan Fund, we performed a survey of the financial and programmatic records as they relate to Grant Number CO-11115-92-I-302-0605 (92-166) awarded by the Appalachian Regional Commission (ARC) to the Tri-County Council for Western Maryland (TCCWM). The grant is for an amount not to exceed \$20,000 which will fund the establishment of the Western Maryland Multi-Bank Community Development Corporation. The period of performance of this grant, including all amendments, was June 8, 1992 to July 1, 1994.

The objective of the survey was to determine whether TCCWM maintained adequate accountability over program funding and programmatic records as they relate to ARC Grant Number 92-166. We conducted our survey from March 29 to March 31, 1995. The scope of our survey was limited to the following:

1. Held an entrance conference with Grantee personnel and discussed the scope of the survey.
2. Obtained and reviewed a copy of the Grant Agreement and amendments.
3. Held discussions with the Financial Manager and Grant Program Manager at TCCWM regarding financial records and reporting and programmatic operations.
4. Performed procedures to determine if there was evidence that tasks listed in the Specific Tasks section of the Grant Agreement had been performed.
5. Traced several subcontract costs to supporting documentation.
6. Performed survey procedures to determine the Grantee's adherence to the ARC Code, applicable OMB Circulars, and the Grant Agreement, as related to financial management of the grant.
7. Obtained and reviewed the September 30, 1994 Tri-County Council for Western Maryland, Inc. OMB Circular A-128 Single Audit Report.
8. Held an exit conference with the Program Manager and discussed the observations and recommendations made in this report.

BACKGROUND

The Tri-County Council for Western Maryland was awarded a grant by the Appalachian Regional Commission on June 8, 1992 for an amount not to exceed \$20,000. As of the date of our survey, \$18,000 has been drawn down by the Grantee.

The purpose of the grant was to provide mobilization of capital necessary to create a well-diversified base of business and industry which would, in turn, have full employment potential in Western Maryland.

The grant provides funds for the services of an expert consultant to assist the Governor's Western Maryland Business Leaders Task Force to establish the Western Maryland Multi-Bank Community Development Corporation. The specific tasks required under the Grant Agreement include:

- ◆ Plan the Multi-Bank Community Development Corporation
- ◆ Prepare investment proposal
- ◆ Negotiate with bank regulators
- ◆ Organize the Multi-Bank Community Development Corporation
- ◆ Review potential investments
- ◆ Maintain a close liaison with the "Oversight Committee"
- ◆ Prepare a written report detailing the results of bank contacts.

SUMMARY OF SURVEY RESULTS

1. Based on our limited survey procedures, it appears that the Grantee maintained adequate financial records and controls relating to the grant.
2. Based on our limited survey procedures, it appears that the tasks outlined in the Grant Agreement have been or are being performed.

Our survey did disclose one matter which we believe needs to be brought to the attention of the Tri-County Council for Western Maryland.

OBSERVATION #1

A). Quarterly Reports

The Grantee did not have evidence that they submitted quarterly progress reports to ARC, indicating the work performed. The Grant Agreement states:

2-9.1 Progress Reports. Grantee shall prepare and submit to the ARC Project Coordinator, in three copies, quarterly progress reports indicating the work accomplished under the agreement to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period.

Therefore, it appears that the Grantee is not in compliance with the Grant Agreement. ARC needs these reports to monitor the activities under the grant.

B). Final Report

The Grantee provided no evidence that a draft final report had been submitted to ARC. Amendment No. 1 to the Grant Agreement states:

2-9.2 Final Report.

(1) Draft: Contents. Within one (1) month after the period of performance. . . .Grantee shall prepare and submit to the ARC Project Coordinator for approval, three copies of a draft final report of all work accomplished under this agreement including recommendations and conclusions based on the experience and results obtained.

Amendment No.1 extends the period of performance through July 1, 1994. As of the time of our survey (March 31,1995), neither the draft nor the final report had been submitted, as Task E and Task F are not yet complete. Therefore, the Grantee appears to be not in compliance with the Grant Agreement as it relates to the period of performance or the reporting requirements. As the grant formally ended on July 1, 1994, no costs can be charged to the grant after that date without an extension.

RECOMMENDATION

We recommend that the Grantee submit the required progress reports indicating the work performed to date. The Grantee must demonstrate to ARC that the progress for this project is being monitored. Also, we recommend that the Grantee file for and justify an extension of the period of performance of the grant with ARC, in order to complete the project. If an extension is granted, the Grantee should submit a draft final report to ARC within one month after the period of performance.

GRANTEE COMMENTS

The Grantee concurred with all observations and recommendations noted in this report.

TRI-COUNTY COUNCIL FOR WESTERN MARYLAND, INC.
Western Maryland Multi-Bank Community Development Corporation
Grant Number CO-1115-92-I-302-0605
SCHEDULE OF SUBCONTRACT COSTS
As of September 30, 1994
(Unaudited)

DATE	TASK	AMOUNT
10/19/92	A	\$ 3,600
02/02/93	B	3,600
12/31/93	D (50%)	1,800
03/15/94	C (50%)	1,800
05/15/94	C (50%)	1,800
08/03/94	D (50%)	1,800
INCOMPLETE	E	0
INCOMPLETE	F	0
TOTAL		<u>\$14,400</u>

Task A - Plan the bank Community Development Corporation

Task B - Prepare investment proposal

Task C - Negotiate with bank regulators

Task D - Organize the bank Community Development Corporation

Task E - Review potential investments

Task F - Prepare report detailing results of bank contacts