



SURVEY REPORT

**REPORT ON REVIEW OF
MISSISSIPPI DEPARTMENT OF ECONOMIC
AND COMMUNITY DEVELOPMENT**

Consolidated Technical Assistance Program

Grant No. MS-7763-93-C13-302-0318

July 1, 1993 - June 30, 1994

and

Grant No. MS-7763-94-C14-302-0309

July 1, 1994 - June 30, 1995

Report No. OIG 96-19 (H)

May 2, 1996

I. INTRODUCTION

A. PURPOSE

The purposes of our review were: (1) to determine the allowability of costs claimed under the two Appalachian Regional Commission (ARC) grants; (2) to determine if the 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 the subject grants, as well as costs claimed as matching funds. During our visit of January 22-26, 1996, we reviewed grantee's reports, examined records and held discussions with grantee's project officials and finance personnel from Tupelo and Jackson, Mississippi. The period of performance for the two grants was July 1, 1993 through June 30, 1995.

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-87 and A-102, and the ARC Code.

C. BACKGROUND

ARC Grants No. MS-7763-93-C13-302-0318 and MS-7763-94-C14-302-0309 were awarded to the Mississippi Department of Economic and Community Development (DECD) to develop specialized expertise in technical assistance, monitoring, evaluation, and program planning activities, economic

development, and to continue to carry out ARC programs already initiated. Specific activities to be completed included:

- 1) General Planning and Technical Assistance. Work with four Local Development Districts, federal agencies, and other public and private groups to develop and coordinate implementation strategies which will best meet the economic and human resource needs of the Districts.
- 2) Monitoring and Evaluation. Continue on-going initiatives to monitor construction projects currently open as well as new approvals. These are reviewed at least on a quarterly period (including on-site visits) to determine status, to ascertain any problems, to review funding and expenditures and other relevant data. Initiate maximum efforts to deobligate balances and recover funds from projects which are essentially complete.
- 3) Housing and Community Development. Continue assistance to local public non-profit housing corporations in applying for various federal housing programs. Grantee would work with sponsors in developing community development projects, such as sewer, water, solid waste, industrial site development, and access roads.
- 4) Human Resource and Business Development. Continue efforts toward human resource needs addressing education excellence, workforce training, youth leadership, child and elder care and health. Needs of distressed counties would continue to be a focal point of interest. General business development and projects supporting business development would continue as priority areas for investments, especially as they are related to tourism, the Tenn-Tom Waterway and the NASA Solid Rocket Motor plant.
- 5) Enterprise Development. Continue to promote enterprise development throughout the 21 Mississippi Appalachian counties by providing technical assistance to established small businesses and enterprises as well as newly formed enterprises, recognizing the importance of job creation by new small business enterprises.

Each of the grants was for \$175,000, or 50 percent of actual expenditures, and required local match in the same amount. At the time of our review, the grantee had claimed and received \$106,030.74 under the 1993-94 grant and \$68,969.26 remained in the grant account. They had reported matching costs of \$117,249.04. They had also claimed \$101,509.29 under the 1994-95 grant for costs incurred through December 31, 1994 and for anticipated costs through March 31, 1995. At the time of our review, \$73,490.71 remained in the 1994-95 grant account.

Grantee comments are included as an attachment and summarized in each applicable section.

II. RESULTS OF AUDIT

A. QUESTIONED COSTS

- 1) Indirect costs -- We found that \$1,128.24 was charged to the 1993-94 ARC project (PV 53051) in accordance with the approved FY 1994 State Central Service Cost Allocation Plan (SWCAP). However, Article A2 of the grant agreement's Grant Administrative Provisions indicates that overhead and other indirect expenses of a State are not ordinarily eligible as project costs. Grantee officials told us that the \$1,128.24 was charged to the 1993-94 project in error and agreed to deduct it from total project costs. Our prior survey report of March 1, 1994 questioned indirect costs claimed by the grantee including funds charged to SWCAP. We discussed this issue with ARC and understand that this matter is under review.
- 2) Costs charged to the wrong grant -- We noted that \$4,995 was paid to the University of Mississippi in April 1995 for services provided under a previous ARC grant (MS-7763-92); however, the expense was charged to the 1993-94 grant and included in the total costs (\$223,279.78) reported to ARC for the 1993-94 grant. We understand that funds are still available under the previous grant for this expense.

Recommendation: We recommend that the grantee adjust their records to reflect that the \$4,995 expense is chargeable to the 1992-93 grant and reduce reported costs for the 1993-94 grant by the same amount.

Grantee Comment: The grantee agreed to make the recommended adjustments.

- 3) Tort Claims Pool -- During our review, we noted that the 1993-94 and 1994-95 ARC projects were charged \$93.27 and \$1,381.00 respectively (\$1,474.27 total) as part of the DECD assessment for the Mississippi Tort Claims Fund. (One half of the cost was charged to state match.) We understand that the assessment generates funds to pay liability claims and is a form of self-insurance. We also understand that the assessment is based on each agency's payroll expenditures and vehicle pool and that the ARC program was treated the same as DECD's other programs.

Recommendation: We recommend that the grantee contact ARC to determine the allowability of this cost.

Grantee Comment: The grantee indicated that the charge is applicable to all of their programs and agreed to contact ARC to resolve the issue.

- 4) Miscellaneous costs -- a) On two occasions in December 1993 a grant official paid for meals for himself and other individuals totaling \$73.45 and charged them to the 1993-94 grant. b) After moving to a new location, the Northeast Field Office in Tupelo (which includes ARC program personnel) had an open house in December 1993. They charged flowers, decorations and food items totaling \$382.01 to the ARC grant.

We question that these costs are necessary for the successful completion of grant objectives. Grant officials indicated they were not aware of the kinds of expenses ARC would consider inappropriate or unallowable.

Recommendation: We recommend that the grantee contact ARC to resolve the miscellaneous questioned costs totaling \$455.46.

Grantee Comment: The grantee indicated they would adjust the questioned costs.

- 5) Office space charges -- Four individuals are charged to the ARC project. They share office space in Tupelo, Mississippi with several other DECD employees in the Northeast Field Office. Expenses for office rent, janitorial services, utilities and telephones are charged to the ARC project and to DECD based on actual space occupied by the two units. Project officials provided written documentation indicating that 48 percent of the space and therefore 48 percent of the costs apply to ARC and the balance to DECD. They traditionally charge 50 percent of the ARC portion to the grant and 50 percent to match. However, the July 1995 rent of \$1,200 (which was paid in June 1995) was charged 100% to the 1994-95 ARC project. Grant officials indicated that that was an error and that ARC's portion should have been 50 percent of \$576. They also indicated that it was their practice to charge the cost to the fiscal year in which it is paid. The grantee agreed to reduce the rent expense for the ARC program from \$1,200 to \$576 for this period.
- 6) Expenses for the Governor's Office -- According to OMB Circular A-87, expenses of the office of the Governor of a state are considered a cost of general State government and are unallowable. During our review we found that travel costs for the Governor's ARC Alternates totaling \$897.17 were charged to the 1993-94 grant and costs totaling \$1,662.60 were charged to the 1994-95 grant. We noted the same condition in our survey report of March 1, 1994 and grantee officials concurred with our finding and subsequently corrected their records. During our on-site visit, grantee officials indicated that the costs noted above were inadvertently charged to the grant.

Recommendation: We recommend that the grantee deduct \$897.17 from project expenses for the 1993-94 grant and \$1,662.60 from the 1994-95 grant.

We also recommend that the grantee ensure that expenses associated with the Governor's office are not charged to future ARC grants.

Grantee Comment: The grantee indicated that \$1,222.37 of the \$1,662.60 was charged to state general funds and not to ARC direct. They agreed to correct the balance.

Auditor Comment: Generally, an expense that is not allowable as a direct expense is also unallowable as match. In addition, we noted that grant and matching costs for the 1994-95 grant year were determined by adding together total costs posted to the grant account (341X) and to the match account (2411) and dividing by two. Therefore, we continue to recommend that the deductions be made to total project expenses.

- 7) Moving costs -- When DECD's Northeast Field Office moved to new office space in December 1993, the total moving costs of \$1,298.46 were charged to the 1993-94 ARC project. A grant official indicated that the cost should have been shared by DECD in the same way that rent and related costs are shared because part of the office is not involved with the ARC project.

Recommendation: We recommend that \$675.20 (52 percent) of the moving costs be deducted from total allowable project costs because they represent DECD's share of the costs for the Northeast Field Office.

Grantee Comment: The grantee agreed to reduce project costs by the recommended amount.

B) OUTSTANDING PRIOR YEAR FUNDS

We found that unspent grant funds are not deobligated timely. At the time of our review, ARC grant accounts contained unspent funds for three prior year grants, as follows:

<u>Grant Year</u>	<u>Unspent Funds</u>
1992-1993	\$ 77,748.38
1993-1994	\$ 68,969.26
1994-1995	<u>\$ 73,490.71</u>
Total	\$220,208.35

We did not locate documentation reflecting ARC follow up to assure timely deobligation of funds. Current year funding is still \$175,000. A grantee official indicated they would increase efforts to improve coordination between the finance and

program offices to enable them to utilize funds more efficiently and make timely adjustments as needed.

Recommendation: We recommend that the grantee advise ARC to deobligate unspent/unneded funds from prior year ARC grants and ensure that current and future ARC grant requests are based on need during the anticipated performance period.

Grantee Comment: The grantee agreed to deobligate unspent funds from prior year grants. They also indicated that program and finance staff would analyze current and future grants on an annual basis to determine what funds, if any, should be deobligated.


Auditor Comment: We concur with the response to the recommendation dealing with unspent funds and recommend that analysis include the extent to which funds can be used effectively within the performance period.

C. GRANTEE'S ACCOUNTING SYSTEM

When we arrived to review the ARC grants, the grantee told us they had implemented a new accounting system in July 1994 which required substantial refinement over the following year. The expenditure records for the 1993-94 grant were under the old system which separated ARC costs from matching costs. The expenditure records for the 1994-95 grant were under the new system. In the first few months under the new system, the grantee posted all costs to Fund 341X (ARC). In November 1994, they began paying all costs from Fund 2411 (match) and reimbursing 50 percent of the costs from the ARC account. They reversed some of the earlier postings and subsequently decided it would be less confusing to add the 341X and 2411 accounts together and charge half to ARC and half to state match. The grantee indicated that the current system is usable but not yet exactly how they want it. For our review, we verified total project costs and judgmentally selected a sample of expenditures identified in the accounting records for further review.

D. PROJECT STATUS

The grantee provided the management and technical assistance services required by the grant agreements and work continues under a current ARC grant. The grantee's ARC project director indicated that 60 percent of his time is devoted to the current ARC project and the balance to special projects.


Hubert N. Sparks
Inspector General



**STATE OF MISSISSIPPI
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

**JAMES B. HEIDEL
EXECUTIVE DIRECTOR**

April 5, 1996

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, Northwest
Washington, District of Columbia 20235

Dear General Sparks:

**SUBJECT: Report on Appalachian Regional Commission (ARC) Grants
MS-7763-93/94, OIG Report 96-19(H)**

This is in response to your draft report concerning ARC Technical Assistance Grants sent under the date of March 19, 1996. Questioned costs and comments are as follows:

QUESTIONED COST #1

Indirect costs (SWCAP) in the amount of \$1,128.24 were charged to the 1993-1994 ARC project in error. Article A2 of the grant agreement's Grant Administrative Provisions indicates that overhead and other indirect expenses of a state are not ordinarily eligible as project costs.

COMMENT

It is agreed that a reduction should be made in the 1993-1994 and 1994-1995 grant for the above costs.

-2-

Mr. Hubert N. Sparks
April 5, 1996

QUESTIONED COST #2

Costs charged to the wrong grant: \$4,995 was paid to the University of Mississippi for services allowable under grant (MS-7763-92), but were charged to the 1993-1994 grant.

COMMENT

We agree that our records should be adjusted to reflect the \$4,995 expense to grant MS-773-92 and reduce the 1993-1994 grant by same.

QUESTIONED COST #3

It was noted that \$1,474.27 was charged to the 1993-1994 and 1994-1995 ARC grants for payment to the State Tort Claims Pool. A determination should be made by the ARC office as to the allowability of this cost.

COMMENT

Since the charge is treated the same for all Mississippi Department of Economic and Community Development (MDECD) programs and is, in essence, an insurance, we will contact the ARC office to petition the allowability of this cost.

QUESTIONED COST #4

Miscellaneous costs of meals and open house expenses in the amount of \$445.46 were charged to the grant. Upon audit these costs were questioned as to the necessity for the successful completion of the grant objectives.

COMMENT

We will adjust the ARC costs accordingly.

-3-

Mr. Hubert N. Sparks
April 5, 1996

QUESTIONED COST #5

The July 1995 office space charge in the amount of \$1,200 should have been \$576 (\$288 direct and \$288 match).

COMMENT

ARC costs will be adjusted accordingly.

QUESTIONED COST #6

Travel costs for the Governor's ARC alternate in the amounts of \$897.17 (1993-1994) and \$1,662.60 (1994-1995) were charged to the ARC grant and are considered unallowable under OMB Circular A-87.

COMMENT

These costs were inadvertently charged to the ARC grant and will be adjusted accordingly. However \$1,222.37 of the \$1,662.60 was charged to state general funds and not to ARC direct. The balance will be corrected.

OUTSTANDING PRIOR YEAR FUNDS

Unspent grant funds are not deobligated timely.

COMMENT

An analysis will be made annually and jointly by the program and finance staff to determine what funds, if any, should be deobligated. Unspent funds from grant years 1992-1993, 1993-1994 and 1994-1995 will be deobligated.

QUESTIONED COST #7

Moving costs of \$1,298.46 should have been \$623.27 (\$311.64 direct and \$311.63 match). These costs should have been shared proportionately by ARC and MDECD.

-4-

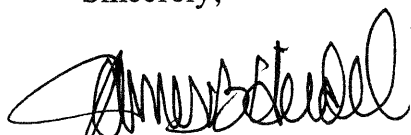
Mr. Hubert N. Sparks
April 5, 1996

COMMENT

ARC costs will be reduced accordingly.

We appreciate the opportunity to respond to the draft report. Please direct any questions or concerns you have to either Mike Larsen or George Milam. They are associated with MDECD's Administration/Finance Office and may be reached at (601) 359-3797.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Heidel". The signature is stylized with a large initial "J" and a long, sweeping underline.

James B. Heidel
Executive Director

JBH:PW:ao

cc: Mike Larsen
George Milam
Glen McCullough



Memorandum

To: Hubert N. Sparks
From: Thomas M. Hunter
Date: May 20, 1996
Subject: OIG Report No 96-19(H): Mississippi Consolidated Technical Assistance Grants

ARC Program Operations and Finance Staff and the General Counsel have been involved in various aspects of followup on your report. This provides an update and response to your concerns.

- 1. Questioned indirect and other costs. It is my understanding that the grantee has agreed that indirect costs are not allowable under the grant and has adjusted the grant accounting accordingly. It is also my understanding the in future the grantee will charge only appropriately documented direct administrative costs to the ARC grant. Grantee has also agreed not to charge ARC grant funds for costs charged to the wrong grant, as well as certain miscellaneous, rent, and moving costs questioned in the audit.

I have determined on the basis of ARC staff work that the questioned Tort Claims Pool cost is chargeable to the grant as a direct allowable administrative cost. The cost represents a necessary insurance cost of operations.

The audit questioned the use of some travel expenses by the ARC Alternate as match for the grant. The ARC authorizing statute has proscribed payment of any compensation to such individuals, but by no means does it limit allowance of other costs incurred by them in the conduct of official ARC business. The costs in this case are therefore not considered improper or unallowable.

- 2. Outstanding Prior Year Funds. ARC Program Operations staff expects a complete financial status report from the grantee very shortly, and the staff will take appropriate action to adjust funding accordingly if necessary.
3. Grantee's Accounting System. I understand that the grantee is reorganizing accounting procedures covering the ARC grant assistance, and that future problems will be obviated. ARC staff has discussed this matter with your auditor and understands that the new procedures are satisfactory. Staff will also assist the grantee and the Tupelo office as requested by the state.

OFFICE OF INSPECTOR GENERAL
REPORT OF CONTACT

NOTE: This form must be filled in with ink or typewriter.

NAME OF CONTACT:

Pat Williams

DATE OF CONTACT:

10-25-96

ADDRESS OF CONTACT:

Mississippi Dept. of Economic and Community Development
Accounting & Finance Div.

TELEPHONE NO.:

(601)359-3797

SUBJECT:

Status of Grant Funds Provided to Northeast Region (Glenn McCullough)

TYPE OF CONTACT:

Personal Telephone

STATEMENT OF INFORMATION REQUESTED/GIVEN:

I called George Milam, Accounting and Finance Manager, at the phone number noted above. He is out of the office until next week. I asked for Pat Williams and asked her if the Northeast Region gets a status of funds for the ARC grants. She said she thinks they get a monthly budget report and maybe a list of current month expenditures. Kay Sheffield would be the person to talk to about it but Kay is out of the office until Tuesday (10-29-96). Pat is unsure about what format the information is provided in. She will let George know I called. I told her I will be out of the office until Tuesday also and will call back if necessary.

SIGNATURE:

J. Brenner

PAGE 1 OF / PAGES



October 23, 1996

MEMORANDUM FOR Guy Land
Judy Rae

SUBJECT: 19
OIG Report 96-19(H)--Mississippi Consolidated Technical Assistance Program

ISSUES:

Underspending of Approved and Obligated Funds

Table with 3 columns: Grant Number, Approved, Deobligations. Rows include 92-104, 93-79, 94-85, and a total row.

Grants closed and 43 percent of funds deobligated as of 10/21/96. Final reporting resulted in deobligations of \$228,009 versus \$220,208 recommended in report.

For information, the most recent technical assistance grant, 95-152, which expired June 30, 1996, has a balance of \$103,297 as of 10/23/96.

Grantee attributed problem to limited coordination and information exchange between finance and program offices. Grantee agreed to deobligate funds.

We also attributed condition to insufficient communication and initiative by finance and program officials but also believe there is a need for a work plan that will better identify fund needs and specific intended uses, which, if implemented, should result in more timely use of funds.

Also, there is a need for more timely ARC followup with grantees when substantial funds are not being claimed during the grant period.

Accounting System

The Administration and Finance Office of the Mississippi Department of Economic and Community Development (MECD) implemented a new accounting system in 1994, and system problems were being addressed at the time of our review. An effective accounting system should

permit better tracking, allocation of funds, and reports and, thus, should reduce conditions noted as respects timely use of funds, charging of costs to wrong grants, or cost pools (indirect/direct) and claiming of unallowable costs.

Information to be provided by the MECD Finance Office to the Tupelo Regional Office should include a summary monthly report of expenditures by object class (salary, benefits, travel, equipment, etc.) and a quarterly report that provides more detail (salary by person, travel by person, specific equipment purchases, etc.).

Indirect Costs

Our 1994 and 1996 reports questioned the claiming of indirect costs by grantee since indirect costs generally are not claimable by state agencies under ARC regulations. The grantee concurred, but this is an issue we also recommended for review by ARC to determine if the ARC procedures should be revised based on the allowance for indirect costs by other grantor entities.

Questioned/Unsupported Costs

The 1996 report raised questions about costs related to:

- indirect cost charges
- charging wrong grants
- self-insurance (tort claims fund)
- meals
- ARC portion of rental charge
- Governor's (Alternate) office expenses, including travel
- ARC portion of moving expense

The above issues were resolved by grantee reimbursement to ARC of \$5,304; and ARC determinations that claims for insurance and Alternate's expenses were appropriate.

Although we accepted ARC determinations, the travel expense for the ARC Alternate could be further clarified because the grantee response to our report indicated partial concurrence with the auditor position that these costs were unallowable.

Work Plan/Application/Budget

We did not review the grant application as part of our review. However, a review of a copy of the grant agreement and application in our workpaper files indicates a need for detail as to specific activities in order to better identify needed funds rather than limiting comment to broad categories of activities.

For example, the grant agreement and application identify the following work categories:


- general planning and technical assistance
- monitoring and evaluation
- housing and community development
- human resource and business development

General statements are made about continuing efforts and contacts in these areas. The grant agreement also refers to enterprise development.

The proposed budget identifies total figures for salary; travel; supplies; equipment; other costs (postage, telephone, rent, fees, etc.); and administration costs but does not provide breakouts-- e.g., whose salaries, what proportion of salaries, anticipated travel, needed equipment, or services to be received for the \$74,124 of professional fees.

The activity milestone graph included in the application lists many general items, e.g., continue, provide, meet with, develop, assist, etc., but little identification of the specific level of effort required to accomplish the task.

Information in the application/work plan with respect to the level of effort, e.g., number of projects to be monitored, types of assistance and time requirements, identification of staff use and responsibilities, types of training to be provided, types of professional services to be obtained and reasons therefor, travel destinations, equipment needs, etc., would provide grantee and ARC a better basis for identifying fund needs. It may be that current levels of funding are basically too high in relation to identifiable activities.


Hubert N. Sparks
Inspector General



**STATE OF MISSISSIPPI
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

**JAMES B. HEIDEL
EXECUTIVE DIRECTOR**

April 5, 1996

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, Northwest
Washington, District of Columbia 20235

Dear General Sparks:

**SUBJECT: Report on Appalachian Regional Commission (ARC) Grants
MS-7763-93/94, OIG Report 96-19(H)**

This is in response to your draft report concerning ARC Technical Assistance Grants sent under the date of March 19, 1996. Questioned costs and comments are as follows:

QUESTIONED COST #1

Indirect costs (SWCAP) in the amount of \$1,128.24 were charged to the 1993-1994 ARC project in error. Article A2 of the grant agreement's Grant Administrative Provisions indicates that overhead and other indirect expenses of a state are not ordinarily eligible as project costs.

COMMENT

It is agreed that a reduction should be made in the 1993-1994 and 1994-1995 grant for the above costs.

-2-

Mr. Hubert N. Sparks

April 5, 1996

QUESTIONED COST #2

Costs charged to the wrong grant: \$4,995 was paid to the University of Mississippi for services allowable under grant (MS-7763-92), but were charged to the 1993-1994 grant.

COMMENT

We agree that our records should be adjusted to reflect the \$4,995 expense to grant MS-773-92 and reduce the 1993-1994 grant by same.

QUESTIONED COST #3

It was noted that \$1,474.27 was charged to the 1993-1994 and 1994-1995 ARC grants for payment to the State Tort Claims Pool. A determination should be made by the ARC office as to the allowability of this cost.

COMMENT

Since the charge is treated the same for all Mississippi Department of Economic and Community Development (MDECD) programs and is, in essence, an insurance, we will contact the ARC office to petition the allowability of this cost.

QUESTIONED COST #4

Miscellaneous costs of meals and open house expenses in the amount of \$445.46 were charged to the grant. Upon audit these costs were questioned as to the necessity for the successful completion of the grant objectives.

COMMENT

We will adjust the ARC costs accordingly.

-3-

Mr. Hubert N. Sparks
April 5, 1996

QUESTIONED COST #5

The July 1995 office space charge in the amount of \$1,200 should have been \$576 (\$288 direct and \$288 match).

COMMENT

ARC costs will be adjusted accordingly.

QUESTIONED COST #6

Travel costs for the Governor's ARC alternate in the amounts of \$897.17 (1993-1994) and \$1,662.60 (1994-1995) were charged to the ARC grant and are considered unallowable under OMB Circular A-87.

COMMENT

These costs were inadvertently charged to the ARC grant and will be adjusted accordingly. However \$1,222.37 of the \$1,662.60 was charged to state general funds and not to ARC direct. The balance will be corrected.

OUTSTANDING PRIOR YEAR FUNDS

Unspent grant funds are not deobligated timely.

COMMENT

An analysis will be made annually and jointly by the program and finance staff to determine what funds, if any, should be deobligated. Unspent funds from grant years 1992-1993, 1993-1994 and 1994-1995 will be deobligated.

QUESTIONED COST #7

Moving costs of \$1,298.46 should have been \$623.27 (\$311.64 direct and \$311.63 match). These costs should have been shared proportionately by ARC and MDECD.

-4-

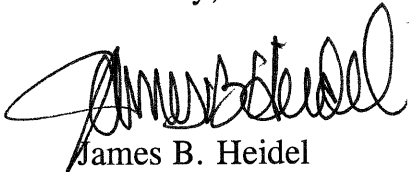
Mr. Hubert N. Sparks
April 5, 1996

COMMENT

ARC costs will be reduced accordingly.

We appreciate the opportunity to respond to the draft report. Please direct any questions or concerns you have to either Mike Larsen or George Milam. They are associated with MDECD's Administration/Finance Office and may be reached at (601) 359-3797.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Heidel". The signature is fluid and cursive, with a large initial "J" and "H".

James B. Heidel
Executive Director

JBH:PW:ao

cc: Mike Larsen
George Milam
Glen McCullough



Memorandum

To: Hubert N. Sparks

From: Thomas M. Hunter *TMH*

Date: May 20, 1996

Subject: OIG Report No 96-19(H): Mississippi Consolidated Technical Assistance Grants

ARC Program Operations and Finance Staff and the General Counsel have been involved in various aspects of followup on your report. This provides an update and response to your concerns.

1. *Questioned indirect and other costs.* It is my understanding that the grantee has agreed that indirect costs are not allowable under the grant and has adjusted the grant accounting accordingly. It is also my understanding the in future the grantee will charge only appropriately documented direct administrative costs to the ARC grant. Grantee has also agreed not to charge ARC grant funds for costs charged to the wrong grant, as well as certain miscellaneous, rent, and moving costs questioned in the audit.

I have determined on the basis of ARC staff work that the questioned Tort Claims Pool cost is chargeable to the grant as a direct allowable administrative cost. The cost represents a necessary insurance cost of operations.

The audit questioned the use of some travel expenses by the ARC Alternate as match for the grant. The ARC authorizing statute has proscribed payment of any compensation to such individuals, but by no means does it limit allowance of other costs incurred by them in the conduct of official ARC business. The costs in this case are therefore not considered improper or unallowable.

2. *Outstanding Prior Year Funds.* ARC Program Operations staff expects a complete financial status report from the grantee very shortly, and the staff will take appropriate action to adjust funding accordingly if necessary.
3. *Grantee's Accounting System.* I understand that the grantee is reorganizing accounting procedures covering the ARC grant assistance, and that future problems will be obviated. ARC staff has discussed this matter with your auditor and understands that the new procedures are satisfactory. Staff will also assist the grantee and the Tupelo office as requested by the state.



June 18, 1996


MEMORANDUM FOR .Mary Byrski, Project Coordinator
Robert Decker, Director, Finance & Information Services

SUBJECT: OIG Audit Report 96-19(H), Mississippi Technical Assistance Grants

Enclosed is a response from the grantee, including a check for \$5,303.60 to the Appalachian Regional Commission States' Washington Representative.

The information provided correlates with the specific questioned or unallowable costs for which reimbursement was recommended and agreed with by the grantee. The \$2,497.50 in allowable costs not previously claimed should be identified and documented in the project file.

Also, as of this date, there remain balances of \$77,748; \$68,969; and \$73,491 (\$220,208) in Contracts 92-104, 93-79, and 94-85, respectively; and there remains a need to deobligate these funds as recommended in our report.


Hubert N. Sparks
Inspector General

Enclosure



June 18, 1996

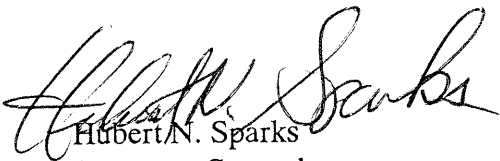
MEMORANDUM FOR Mary Byrski, Project Coordinator
Robert Decker, Director, Finance & Information Services

SUBJECT: OIG Audit Report 96-19(H), Mississippi Technical Assistance
Grants

Enclosed is a response from the grantee, including a check for \$5,303.60 to the Appalachian Regional Commission States' Washington Representative.

The information provided correlates with the specific questioned or unallowable costs for which reimbursement was recommended and agreed with by the grantee. The \$2,497.50 in allowable costs not previously claimed should be identified and documented in the project file.

Also, as of this date, there remain balances of \$77,748; \$68,969; and \$73,491 (\$220,208) in Contracts 92-104, 93-79, and 94-85, respectively; and there remains a need to deobligate these funds as recommended in our report.


Hubert N. Sparks
Inspector General

Enclosure



**STATE OF MISSISSIPPI
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

JAMES B. HEIDEL
EXECUTIVE DIRECTOR

June 11, 1996

Honorable Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1536 Connecticut Avenue, N.W.
Washington, D.C. 20235

Dear General Sparks:

Enclosed are Standard Form #270, Final Report, closing the 1992/1993, 1993/1994, and 1994/1995 Technical Assistance Grants and our check # 004093375 in the amount of \$5,303.60 representing payments as listed below. Each grant year report reflects adjustments necessary to address questioned cost noted from your Survey Report dated March 19, 1996 and supports the refund amount as follows:

Grant Year	Description	ARC Funds Due to/(From)
1992/1993	Audit- allowable cost not reported	(\$2,497.50)
1993/1994	Audit- unallowable cost	5,653.57
1994/1995	Audit- unallowable cost	1,064.23
1994/1995	Unexpended funds	1,083.30
	Total	\$5,303.60

You may contact us at (601) 359-3797 if there are any questions concerning this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "George S. Milam".

George S. Milam, Manager
Accounting and Finance

Enclosures

cc: Neal Walp

VENDOR V0000051780
PAY DATE 06-07-96

AGENCY NAME ADDRESS CITY
DED-DEPT OF ECONOMIC DEV

DATE	INVOICE NUMBER	P.O. NUMBER	DESCRIPTION	NET INVOICE AMOUNT
	93172			\$ 5,303.60
	93172			\$ 4,995.00
	93172		418585285	\$ 0.00
	93172			\$ 4,995.00-
	93172		418585285	\$ 0.00
	93172			\$ 0.00

WARRANT TOTAL \$ 5,303.60

REMITTANCE ADVICE, PLEASE DETACH

NO. 004093375



THE STATE OF MISSISSIPPI

DEPARTMENT OF FINANCE AND ADMINISTRATION
P. O. BOX 1060 JACKSON, MS. 39215-1060

WARRANT ON THE STATE TREASURER
VOID AFTER 1 YEAR

*****5,303 DOLLARS AND 60 CENTS *****

PLEASE REMOVE THIS EDGE BEFORE CASHING

PAY TO THE ORDER OF: APPALACHIAN REGIONAL COMM STATES' WASHINGTON REP 1666 CONNECTICUT AVE NW WASHINGTON DC 20235

MO. DA. YR. PAY THIS AMOUNT
06-07-96 \$*****5,303.60

Edmund H. Rountree
EXECUTIVE DIRECTOR-DEPARTMENT OF FINANCE AND ADMINISTRATION

**Questioned Costs Related to
Audit Report 96-19(H)
Mississippi Technical Assistance Grants**

1994-1995

Rent	\$ 624.00
Travel	<u>440.23</u>
	<u>\$ 1,064.23</u>

1993-1994

Indirect Costs	\$ 1,128.24
Open House/Meals	455.46
Travel	897.17
Moving Costs	<u>675.20</u>
	\$ 3,156.07
 Additional Claim	 \$ 2,497.50

**Questioned Costs Related to
Audit Report 96-19(H)
Mississippi Technical Assistance Grants**

1994-1995

Rent	\$ 624.00
Travel	<u>440.23</u>
	<u>\$ 1,064.23</u>

1993-1994

Indirect Costs	\$ 1,128.24
Open House/Meals	455.46
Travel	897.17
Moving Costs	<u>675.20</u>
	\$ 3,156.07
 Additional Claim	 \$ 2,497.50



96-19 (H)

**STATE OF MISSISSIPPI
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT**

**JAMES B. HEIDEL
EXECUTIVE DIRECTOR**

April 5, 1996

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, Northwest
Washington, District of Columbia 20235

Dear General Sparks:

**SUBJECT: Report on Appalachian Regional Commission (ARC) Grants
MS-7763-93/94, OIG Report 96-19(H)**

This is in response to your draft report concerning ARC Technical Assistance Grants sent under the date of March 19, 1996. Questioned costs and comments are as follows:

QUESTIONED COST #1

Indirect costs (SWCAP) in the amount of \$1,128.24 were charged to the 1993-1994 ARC project in error. Article A2 of the grant agreement's Grant Administrative Provisions indicates that overhead and other indirect expenses of a state are not ordinarily eligible as project costs.

COMMENT

It is agreed that a reduction should be made in the 1993-1994 and 1994-1995 grant for the above costs.

-2-

Mr. Hubert N. Sparks
April 5, 1996

QUESTIONED COST #2

Costs charged to the wrong grant: \$4,995 was paid to the University of Mississippi for services allowable under grant (MS-7763-92), but were charged to the 1993-1994 grant.

COMMENT

We agree that our records should be adjusted to reflect the \$4,995 expense to grant MS-773-92 and reduce the 1993-1994 grant by same.

QUESTIONED COST #3

It was noted that \$1,474.27 was charged to the 1993-1994 and 1994-1995 ARC grants for payment to the State Tort Claims Pool. A determination should be made by the ARC office as to the allowability of this cost.

COMMENT

Since the charge is treated the same for all Mississippi Department of Economic and Community Development (MDECD) programs and is, in essence, an insurance, we will contact the ARC office to petition the allowability of this cost.

QUESTIONED COST #4

Miscellaneous costs of meals and open house expenses in the amount of \$445.46 were charged to the grant. Upon audit these costs were questioned as to the necessity for the successful completion of the grant objectives.

COMMENT

We will adjust the ARC costs accordingly.

-3-

Mr. Hubert N. Sparks
April 5, 1996

QUESTIONED COST #5

The July 1995 office space charge in the amount of \$1,200 should have been \$576 (\$288 direct and \$288 match).

COMMENT

ARC costs will be adjusted accordingly.

QUESTIONED COST #6

Travel costs for the Governor's ARC alternate in the amounts of \$897.17 (1993-1994) and \$1,662.60 (1994-1995) were charged to the ARC grant and are considered unallowable under OMB Circular A-87.

COMMENT

These costs were inadvertently charged to the ARC grant and will be adjusted accordingly. However \$1,222.37 of the \$1,662.60 was charged to state general funds and not to ARC direct. The balance will be corrected.

OUTSTANDING PRIOR YEAR FUNDS

Unspent grant funds are not deobligated timely.

COMMENT

An analysis will be made annually and jointly by the program and finance staff to determine what funds, if any, should be deobligated. Unspent funds from grant years 1992-1993, 1993-1994 and 1994-1995 will be deobligated.

QUESTIONED COST #7

Moving costs of \$1,298.46 should have been \$623.27 (\$311.64 direct and \$311.63 match). These costs should have been shared proportionately by ARC and MDECD.

-4-

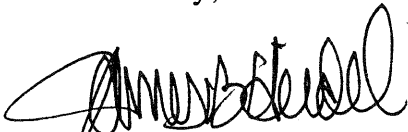
Mr. Hubert N. Sparks
April 5, 1996

COMMENT

ARC costs will be reduced accordingly.

We appreciate the opportunity to respond to the draft report. Please direct any questions or concerns you have to either Mike Larsen or George Milam. They are associated with MDECD's Administration/Finance Office and may be reached at (601) 359-3797.

Sincerely,

A handwritten signature in black ink, appearing to read "James B. Heidel". The signature is stylized and cursive.

James B. Heidel
Executive Director

JBH:PW:ao

cc: Mike Larsen
George Milam
Glen McCullough

SCHEDULE OF QUESTIONED COSTS
Mississippi Consolidated Technical Assistance

SUBJECT	GRANT YEAR	VOUCHER DATE	VOUCHER NO.	FUND	QUESTIONED COST	
Indirect Costs	1993-1994	6/13/94	411/53051	341x	\$1,128.24	
Costs Charged to Wrong Grant		4/ 5/95	411/66840	341x	\$2,497.50	
				2411	<u>2,497.50</u>	
					\$4,995.00	
Tort Claims Pool	1993-1994	10/15/93	411/50912	341x	\$ 93.27	
	1994-1995	8/ 5/94	411/55340	341x	<u>1,381.00</u>	
					\$1,474.27	
Miscellaneous	1993-1994	12/17/93	411/51470	341x	\$ 222.76	
		12/17/93	411/51473	341x	81.14	
		12/22/93	411/51505	341x	42.71	
		12/22/93	411/51507	341x	35.40	
		2/ 7/94	411/51871	341x	<u>73.45</u>	
						\$ 455.40
Office Space Charges	1994-1995	6/30/95	411/69403	341x	\$ 312.00	
				2411	<u>312.00</u>	
					\$ 624.00	
Governor's Office	1993-1994	10/22/93	411/05097(6)	341x	\$ 392.32	
		2/ 2/94	411/051812	341x	157.75	
		2/22/94	411/052015	341x	<u>347.10</u>	
						<u>\$ 897.17</u>
	1994-1995	8/ 8/94	411/55342	341x	\$ 144.80	
		8/ 8/94	411/55342	341x	144.80	
		8/17/94	411/55424	341x	11.82	
		8/17/94	411/55424	341x	11.81	
		8/17/94	411/55424	341x	56.50	
		8/17/94	411/55424	341x	56.50	
		8/17/94	411/55424	341x	7.00	
		8/17/94	411/55424	341x	7.00	
		9/15/94	411/61144	2411	260.00	
		10/13/94	411/61950	2411	20.50	
		10/13/94	411/61950	2411	113.00	
		11/15/94	411/62856	2411	408.00	
		11/15/94	411/62856	2411	-368.00	
		1/12/95	411/64336	341x	204.00	
		1/12/95	411/64336	2411	204.00	
		2/14/95	411/65206	341x	-204.00	
		3/21/95	411/66301	2411	5.25	
		3/21/95	411/66301	2411	125.12	
		3/21/95	411/66301	2411	30.00	
	3/21/95	411/66301	2411	16.50		
	5/16/95	411/67895	2411	<u>408.00</u>		
					\$1,662.60	
Moving Costs	1993-1994	12/ 1/93	411/51309	341x	\$ 472.40	
		12/20/93	411/51485(?)	341x	<u>202.80</u>	
					\$ 675.20	

SCHEDULE OF QUESTIONED COSTS
Mississippi Consolidated Technical Assistance

SUBJECT	GRANT YEAR	VOUCHER DATE	VOUCHER NO.	FUND	QUESTIONED COST	
Indirect Costs	1993-1994	6/13/94	411/53051	341x	\$1,128.24	
Costs Charged to Wrong Grant		4/ 5/95	411/66840	341x	\$2,497.50	
				2411	<u>2,497.50</u>	
					\$4,995.00	
Tort Claims Pool	1993-1994	10/15/93	411/50912	341x	\$ 93.27	
	1994-1995	8/ 5/94	411/55340	341x	<u>1,381.00</u>	
					\$1,474.27	
Miscellaneous	1993-1994	12/17/93	411/51470	341x	\$ 222.76	
		12/17/93	411/51473	341x	81.14	
		12/22/93	411/51505	341x	42.71	
		12/22/93	411/51507	341x	35.40	
		2/ 7/94	411/51871	341x	<u>73.45</u>	
					\$ 455.40	
Office Space Charges	1994-1995	6/30/95	411/69403	341x	\$ 312.00	
				2411	<u>312.00</u>	
					\$ 624.00	
Governor's Office	1993-1994	10/22/93	411/05097(6)	341x	\$ 392.32	
		2/ 2/94	411/051812	341x	157.75	
		2/22/94	411/052015	341x	<u>347.10</u>	
					<u>\$ 897.17</u>	
		1994-1995	8/ 8/94	411/55342	341x	\$ 144.80
			8/ 8/94	411/55342	341x	144.80
	8/17/94		411/55424	341x	11.82	
	8/17/94		411/55424	341x	11.81	
	8/17/94		411/55424	341x	56.50	
	8/17/94		411/55424	341x	56.50	
	8/17/94		411/55424	341x	7.00	
	8/17/94		411/55424	341x	7.00	
	9/15/94		411/61144	2411	260.00	
	10/13/94		411/61950	2411	20.50	
	10/13/94		411/61950	2411	113.00	
	11/15/94		411/62856	2411	408.00	
	11/15/94		411/62856	2411	-368.00	
	1/12/95		411/64336	341x	204.00	
	1/12/95	411/64336	2411	204.00		
	2/14/95	411/65206	341x	-204.00		
	3/21/95	411/66301	2411	5.25		
	3/21/95	411/66301	2411	125.12		
	3/21/95	411/66301	2411	30.00		
	3/21/95	411/66301	2411	16.50		
	5/16/95	411/67895	2411	<u>408.00</u>		
				\$1,662.60		
Moving Costs	1993-1994	12/ 1/93	411/51309	341x	\$ 472.40	
		12/20/93	411/51485(?)	341x	<u>202.80</u>	
					\$ 675.20	

SCHEDULE OF QUESTIONED COSTS
Mississippi Consolidated Technical Assistance

SUBJECT	GRANT YEAR	VOUCHER DATE	VOUCHER NO.	FUND	QUESTIONED COST	
Indirect Costs	1993-1994	6/13/94	411/53051	341x	\$1,128.24	
Costs Charged to Wrong Grant		4/ 5/95	411/66840	341x	\$2,497.50	
				2411	<u>2,497.50</u>	
					\$4,995.00	
Tort Claims Pool	1993-1994	10/15/93	411/50912	341x	\$ 93.27	
	1994-1995	8/ 5/94	411/55340	341x	<u>1,381.00</u>	
					\$1,474.27	
Miscellaneous	1993-1994	12/17/93	411/51470	341x	\$ 222.76	
		12/17/93	411/51473	341x	81.14	
		12/22/93	411/51505	341x	42.71	
		12/22/93	411/51507	341x	35.40	
		2/ 7/94	411/51871	341x	<u>73.45</u>	
						\$ 455.40
Office Space Charges	1994-1995	6/30/95	411/69403	341x	\$ 312.00	
				2411	<u>312.00</u>	
					\$ 624.00	
Governor's Office	1993-1994	10/22/93	411/05097(6)	341x	\$ 392.32	
		2/ 2/94	411/051812	341x	157.75	
		2/22/94	411/052015	341x	<u>347.10</u>	
						<u>\$ 897.17</u>
	1994-1995	8/ 8/94	411/55342	341x	\$ 144.80	
		8/ 8/94	411/55342	341x	144.80	
		8/17/94	411/55424	341x	11.82	
		8/17/94	411/55424	341x	11.81	
		8/17/94	411/55424	341x	56.50	
		8/17/94	411/55424	341x	56.50	
		8/17/94	411/55424	341x	7.00	
		8/17/94	411/55424	341x	7.00	
		9/15/94	411/61144	2411	260.00	
		10/13/94	411/61950	2411	20.50	
		10/13/94	411/61950	2411	113.00	
		11/15/94	411/62856	2411	408.00	
		11/15/94	411/62856	2411	-368.00	
		1/12/95	411/64336	341x	204.00	
		1/12/95	411/64336	2411	204.00	
		2/14/95	411/65206	341x	-204.00	
		3/21/95	411/66301	2411	5.25	
		3/21/95	411/66301	2411	125.12	
		3/21/95	411/66301	2411	30.00	
		3/21/95	411/66301	2411	16.50	
	5/16/95	411/67895	2411	<u>408.00</u>		
					\$1,662.60	
	Moving Costs	1993-1994	12/ 1/93	411/51309	341x	\$ 472.40
12/20/93			411/51485(?)	341x	<u>202.80</u>	
					\$ 675.20	



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past
A New Vision*

Office of the Inspector General

96-19 (4)

January 2, 1996

Mr. Glenn L. McCullough, Jr.
Director, Appalachian Regional Office
Department of Economic and
Community Development
P. O. Box 1606
Tupelo, MS 38802

re: ARC Contracts 93-79 and 94-85,
Consolidated Technical Assistance


Dear Mr. McCullough:

This letter confirms our discussion about conducting a followup review of the subject grants. The review will be conducted during the week of January 22, 1996. Jo Ann Brenner of my staff will be contacting you directly to make final arrangements.

The review will include testing of the grantee's accounting and internal control systems effecting the grant, a comparison of available accounting records to financial status reports and other reports submitted to ARC, compliance with programmatic requirements of the contract, and results of the project. The auditor will review and utilize other available audit reports to the maximum extent deemed possible in order to avoid duplication of efforts. Essentially, the work will review available information on the status of these grants and the use of grant funds in line with ARC grant requirements.

Feel free to call me if you have any questions.

Sincerely,


Hubert N. Sparks
Inspector General

APPLICATION FOR FEDERAL ASSISTANCE

OMB APPROVAL NO. 0347-004

TYPE OF SUBMISSION:
 Application
 Construction
 Non-Construction

Preapplication
 Construction
 Non-Construction

DATE SUBMITTED: _____ Application Number: _____

1. DATE RECEIVED BY STATE: _____ State Application Identifier: _____

4. DATE RECEIVED BY FEDERAL AGENCY: _____ Federal Identifier: _____

MS-7763-94-014-3020

APPLICANT INFORMATION
 Legal Name: **Mississippi Department of Economic and Community Development**

Organizational Unit:
Appalachian Regional Office

Address (give city, county, state, and zip code):
**Post Office Box 1606
 Tupelo, MS 38802**

Name and telephone number of the person to be contacted on matters involving this application (give area code):
**Glenn L. McCullough, Jr.
 (601)841-1184**

EMPLOYER IDENTIFICATION NUMBER (EIN):
 [] [] - [] [] [] [] [] [] [] []

7. TYPE OF APPLICANT: (enter appropriate letter in box) **A**

A. State	H. Independent School Dist.
B. County	I. State Controlled Institution of Higher Learning
C. Municipal	J. Private University
D. Township	K. Indian Tribe
E. Interstate	L. Individual
F. Intermunicipal	M. Profit Organization
G. Special District	N. Other (Specify): _____

TYPE OF APPLICATION:
 New Continuation Revision

Revision, enter appropriate letter(s) in box(es):

A. Increase Award B. Decrease Award C. Increase Duration
 D. Decrease Duration Other (specify): _____

9. NAME OF FEDERAL AGENCY:
Appalachian Regional Commission

CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER:
 [2] [3] [0] [1] [1]

11. DESCRIPTIVE TITLE OF APPLICANT'S PROJECT:
Mississippi Appalachian Program and Management Program

TITLE:
 AFFECTED BY PROJECT (cities, counties, states, etc.):
County One County ARC Region in Mississippi

A proposal for a Technical Assistance grant to implement the Mississippi Appalachian Development Program, (Mississippi Department of Economic and Community Development)

PROPOSED PROJECT:
 Start Date: **1/94** Ending Date: **6/30/95**

14. CONGRESSIONAL DISTRICTS OF:
 a. Applicant: **First, Third**
 b. Project: **First, Third**

ESTIMATED FUNDING:		
Federal	\$	175,000 .00
Applicant	\$.00
State	\$	175,000 .00
Local	\$.00
Other	\$.00
Program Income	\$.00
TOTAL	\$	350,000 .00

16. IS APPLICATION SUBJECT TO REVIEW BY STATE EXECUTIVE ORDER 12372 PROCESS?

a. YES. THIS PREAPPLICATION/APPLICATION WAS MADE AVAILABLE TO THE STATE EXECUTIVE ORDER 12372 PROCESS FOR REVIEW ON: _____ DATE _____

b. NO. PROGRAM IS NOT COVERED BY E.O. 12372
 OR PROGRAM HAS NOT BEEN SELECTED BY STATE FOR REVIEW

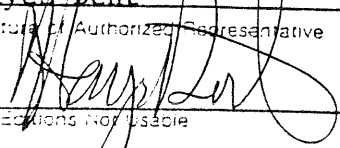
17. IS THE APPLICANT DELINQUENT ON ANY FEDERAL DEBT?
 Yes If "Yes," attach an explanation. No

TO THE BEST OF MY KNOWLEDGE AND BELIEF, ALL DATA IN THIS APPLICATION/PREAPPLICATION ARE TRUE AND CORRECT. THE DOCUMENT HAS BEEN DULY REVIEWED BY THE GOVERNING BODY OF THE APPLICANT AND THE APPLICANT WILL COMPLY WITH THE ATTACHED ASSURANCES IF THE ASSISTANCE IS AWARDED

Signature of Authorized Representative:
Hayes Dent

b. Title:
ARC State Alternate

c. Telephone number:
601-359-2968

Signature of Authorized Representative:


e. Date Signed:
Feb 3 1994

**MISSISSIPPI CONSOLIDATED
TECHNICAL ASSISTANCE GRANT**

1995

SECTION A - BUDGET SUMMARY

Grant Program Function or Activity (a)	Catalog of Federal Domestic Assistance Number (b)	Estimated Unobligated Funds		New or Revised Budget		
		Federal (c)	Non-Federal (d)	Federal (e)	Non-Federal (f)	Total (g)
1.		\$	\$	\$ 175,000	\$ 175,000	\$ 350,000
2.						
3.						
4.						
5. TOTALS		\$	\$	\$ 175,000	\$ 175,000	\$ 350,000

SECTION B - BUDGET CATEGORIES

Object Class Categories	GRANT PROGRAM, FUNCTION OR ACTIVITY					Total (5)
	(1)	(2)	(3)	(4)	(5)	
a. Personnel	\$ 130,000	\$	\$	\$	\$	\$ 130,000
b. Fringe Benefits	28,600					28,600
c. Travel	25,000					25,000
d. Equipment	15,000					15,000
e. Supplies	4,000					4,000
f. Contractual	74,124					74,124
g. Construction						
h. Other						
i. Total Direct Charges (sum of 6a - 6h)	73,276					73,276
j. Indirect Charges						
k. TOTALS (sum of 6i and 6j)	\$ 350,000	\$	\$	\$	\$	\$ 350,000
7. Program Income		\$	\$	\$	\$	\$

PART IV
PROGRAM NARRATIVE

1. OBJECTIVE AND NEED FOR ASSISTANCE

The State of Mississippi became a partner in the Appalachian Regional Commission late in 1967 and administered the Commission programs and projects through a piecemeal approach until 1980. Since 1980 the State has, through the ARC Consolidated Technical Assistance Program, provided technical assistance, program planning and development, and monitoring and evaluation activities. These activities were previously a part of a particular program and project and did not relate to the overall Appalachian Program. Frequently certain types of technical assistance or program development activity were provided under an education grant that might or might not have an impact on a similar activity under a health program. Oftentimes, this approach resulted in duplication of effort or at least an uncoordinated effort.

The State of Mississippi in 1980 developed the consolidated approach which provided under a single program the following activities:

1. Overall ARC Program Planning and Local Development Districts Assistance and Coordination;
2. Program and Project Monitoring and Evaluation;
3. Housing and Community Development Program Planning and Technical Assistance;
4. Health Program Planning and Technical Assistance;

5. Education Program Planning and Technical Assistance; and,
6. Enterprise Development Planning and Technical Assistance.

Beginning in Fiscal Year 1985, the six program activities listed were combined to simplify bookkeeping and reporting procedures. For FY 1994, the following categories were utilized for planning and reporting purposes:

- I. Overall State ARC Program Planning, Local Development District Assistance and Coordination, and Monitoring and Evaluation
- II. Housing/Community Development
- III. Education
- IV. Enterprise Development

To further comply with the State Department of Finance and Administration's bookkeeping and reporting procedures, the budget has been condensed into one category -- Mississippi Appalachian Planning and Program Management Project. Details of activities accomplished under each category will be reported in the semi-annual and annual progress reports to ARC Washington. For Fiscal Year 1995, the Appalachian Regional Office will use the following categories for planning and reporting purposes, and will continue to use the existing format for budget preparation and narrative reporting.

- I. Overall State ARC Program Planning, Local Development District Assistance and Coordination, and Monitoring and Evaluation
- II. Housing/Community Development
- III. Human Resources and Business Development

2. RESULTS OR BENEFITS EXPECTED

As stated above, the primary benefit expected from this project is improved implementation of the Appalachian Development Program within Mississippi. During the past seven years the ARC funded projects and programs have benefited from these activities through improved management. This is anticipated to continue under the requested assistance grant.

3. APPROACH

A. Plan of Action

The Appalachian Regional Office is set up to administer the Appalachian Program in the State of Mississippi. By Executive Order No. 522 issued in 1984, the Governor's Office of Appalachian Development has the following functions: (a) administer certain grants from the Appalachian Regional Commission under the Appalachian Regional Development Act of 1965, as amended (P.L. 89-4); (b) promote and coordinate Appalachian Regional Commission activities in the 21-county Appalachian area of Mississippi; (c) serve as the lead agency to assist planning and development districts, local units of government and other groups in the 21-county Appalachian area of Mississippi in locating and obtaining federal funding sources; (d) be prepared to administer, receive or expend funds under any other related federal or state programs as they become authorized; and, (e) be prepared to perform other services for the state that relate to the 21-county Appalachian area of Mississippi.

The Appalachian Regional Office is located in Tupelo where it may better serve the needs of the 21 counties in the ARC Region. The location of the office geographically in the area it serves enhances the capabilities of staff to work more efficiently with local grantees and to more accurately assess the needs of the area. ARC Program Specialists will work closely with the planning and development districts and local grantees with emphasis being placed on providing technical assistance in the four functional areas: LDD assistance and coordination, monitoring and evaluation; housing and community development; education; and, enterprise development.

B. Schedule of Activities

Attached is a program work list by activity to be performed over a period of the proposed grant program. As demonstrated in the attached charts, target dates for performing and/or completing certain activities have been identified.

C. Data to Be Collected

It is anticipated that various types and forms of data will be compiled and utilized in fulfilling the objectives of this proposal. It is not anticipated, however, that additional data will be generated from this project, with the exception of the development of survey data relating to ARC program areas for the purpose of obtaining citizen input into the design of ARC programs, plans and projects.

4. Geographic Location

The technical assistance, program planning, and monitoring and evaluation activities included in this proposal will be specifically directed to improving the effectiveness of the Appalachia Program in Mississippi. The Appalachian Area of Mississippi includes the following counties: Alcorn, Benton, Calhoun, Chickasaw, Choctaw, Clay, Itawamba, Kemper, Lee, Lowndes, Marshall, Monroe, Noxubee, Oktibbeha, Pontotoc, Prentiss, Tippah, Tishomingo, Union, Webster, and Winston.

ATTACHMENT

1. OVERALL STATE ARC PROGRAM AND LOCAL DEVELOPMENT DISTRICT ASSISTANCE AND COORDINATION

The State will continue to improve its overall planning and technical assistance functions. This grant will enable the State to carry out the objectives of the ARC program in the 21-county ARC Region. There will be ongoing coordination of planning and management efforts with other agencies and organizations (i.e., CDBG, FmHA, TVA).

The Appalachian Regional Commission is supporting four planning and development districts in northeastern Mississippi through its local development district program. The State is proposing through this grant to assist the planning and development districts in developing those implementation strategies which will best meet the economic and human resource needs of the districts. The State will work with the districts in an effort to include their input in the development of an effective screening process for the various types of program efforts available for meeting the needs of each district in particular and the ARC region as a whole.

2. MONITORING AND EVALUATION

The State will continue to develop and operate an ARC project management information system. The Appalachian Regional Office will continue to implement a program and project monitoring system which was established under previous grants. A primary thrust of the program management effort

during this program year will be to proceed with maximum efforts to deobligate and recover those funds from those projects which are remaining active, but are essentially complete.

3. HOUSING AND COMMUNITY DEVELOPMENT

Through this grant the Appalachian Regional Office will assist local public non-profit housing corporations in applying for various federal housing programs including ARC's 207 program. The continued objective of this program will be to increase the production of new housing units and to serve families, in addition to the elderly and handicapped groups of the region.

The Community Development Program of the Mississippi Appalachian Regional Office is designed to assist the ARC counties, local development districts and local communities in addressing priority needs by providing grant assistance to a flexible set of program activities, including water, sewer, solid waste or other community facilities, industrial site development, local access roads and local government assistance.

4. HUMAN RESOURCE AND BUSINESS DEVELOPMENT

The Appalachian Regional Office will continue to identify needs of the region, especially in distressed counties, and will promulgate a strategy of promoting Human Resource

programs in five areas: education excellence, workforce training, leadership development, child and elder day care, and health. All programs will be analyzed to see that they meet the provisions of the ARC Code and existing resolutions.

The Appalachian Regional Office will also support, encourage and promote activities identified by the Governor as Special Initiatives, working with the state, local development districts and local communities to carry out these projects which address special development opportunities or regional initiatives.

Tourism promotion and economic development along the Tenn-Tom Waterway will continue to be addressed.

As always, technical assistance will be made available to communities within Mississippi ARC counties to aid in their goal of improved economic development and standard of living.

MISSISSIPPI APPALACHIAN PLANNING AND PROGRAM
MANAGEMENT PROJECT

JULY 1, 1994 - JUNE 30, 1995

*Should be
ARC match*

I.	Salaries and Fringe	
	A. Salaries	\$130,000
	B. Fringe Benefits	28,600
		Subtotal \$158,600
II.	Travel	\$ 25,000
III.	Commodities/Supplies*	\$ 4,000
IV.	Equipment	\$ 15,000
V.	Other Cost	
	A. Postage	\$ 2,000
	B. Telephone	12,000
	C. Office Rent	12,000
	D. Equipment Rent/Repair	15,000
	E. Professional Fees and Services	74,124
	F. Other Direct Costs	7,000
		Subtotal \$122,124
VI.	Administrative Costs	\$ 25,276
		Total \$350,000

ARC	\$175,000
STATE	\$175,000
TOTAL	\$350,000

* The State of Mississippi considers any item with a unit cost of over \$100 as equipment, whereas ARC considers any item with a unit cost of under \$5,000 supplies.

MISSISSIPPI APPALACHIAN PLANNING AND PROGRAM MANAGEMENT PROJECT
PROGRAM OF WORK
JULY 1, 1994 - JUNE 30, 1995

WORK ACTIVITIES	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
OVERALL STATE ARC PROGRAM PLANNING AND LOCAL DEVELOPMENT DISTRICT ASSISTANCE	*****											
Overall Program Planning Coordination	*****											
Development of Mississippi Annual Investment Program and State Plan	*****											
Modification of Distressed Counties Strategy	*****											
Assistance to PDDs in preparation and implementation of strategies which compliment the objectives of the Mississippi ARC Program	*****											
Continue to coordinate State's efforts regarding block grant with the ARC Program	*****											
MONITORING AND EVALUATION	*****											
Continue implementation of program and project monitoring system established in previous grant	*****											
Continue development and operation of an ARC Project Management Information System	*****											

MISSISSIPPI APPALACHIAN PLANNING AND PROGRAM MANAGEMENT PROJECT
PROGRAM OF WORK
JULY 1, 1994 - JUNE 30, 1995

WORK ACTIVITIES	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
HOUSING AND COMMUNITY DEVELOPMENT PROGRAM												
Continue to develop and refine Appalachian Housing Program Strategy for Mississippi	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Continue development and improvement of community development strategies including water and sewer, focusing on designated distressed counties	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Continue to assist in establishing economical and environmentally sound solid waste collection and disposal systems in the Appalachian Region. Promote city/county cooperation in operating a regional solid waste management system	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Work with PDDs, local communities and governments in developing properly planned industrial sites in the Region	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****
Continue to assist in providing a comprehensive coordinated system of transportation which can meet present and future needs of area residents, including securing funds for construction of industrial access roads and bridges; providing information and placing emphasis on Tenn-Tom Waterway opportunities; and completion of the tourlaning of U.S. 78, 45, and Corridor V	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****	*****

MISSISSIPPI APPALACHIAN PLANNING AND PROGRAM MANAGEMENT PROJECT
PROGRAM OF WORK
JULY 1, 1994 - JUNE 30, 1995

WORK ACTIVITIES	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
Support and assist in efforts to insure long-range rail service in the area. Promote improvement of air service that is crucial to improving economic development potential	*****											
Provide for the administration of the State's Appalachian 207 Housing Fund	*****											
HUMAN RESOURCES AND BUSINESS DEVELOPMENT												
Continue to provide assistance to health professionals, local officials and State Board of Health in improving health care and health facilities in the ARC Region	*****											
Continue development of education program strategies with emphasis placed on the problems relating to basic skills, and innovative approaches to solving these problems	*****											
Work toward reducing school dropout rates through stimulating public and private resources to support dropout reduction and preventive programs	*****											
Provide technical assistance to counties in the ARC Region requesting such assistance in development and implementation of leadership training programs	*****											

MISSISSIPPI APPALACHIAN PLANNING AND PROGRAM MANAGEMENT PROJECT
PROGRAM OF WORK
JULY 1, 1994 - JUNE 30, 1995

WORK ACTIVITIES	JULY	AUG	SEPT	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUNE
Promote the development of employer sponsored child care options as an economic development tool that would not only benefit the employee but the employer as well	*****											
Provide technical assistance to existing and newly developing enterprises in their efforts to develop job opportunities in the Region	*****											
Encourage and promote development of agri-business projects as an alternative source of income for the small farmer and displaced factory worker	*****											
Work with State Department of Education as needed in developing new programs and methodologies of meeting the Region's vocational and technical needs	*****											
Coordinate various education related programs being funded by ARC with other education activities at state, regional or local levels	*****											
Provide technical assistance to PDDs and others in assessing educational needs and in development and management of ARC funded programs and projects	*****											
Continue development of strategies to bring about economic development along the Tennessee-Tombigbee Waterway, not only in the areas of wood products and port development, but also in recreational and tourism projects.	*****											