

**MEMORANDUM REPORT ON THE REVIEW OF THE  
VIRGINIA WATER PROJECT, INCORPORATED**

**Volunteers for Communities Program  
Ivanhoe, Virginia**

**ARC Grant No: CO-11268-95-CI-302-1011  
November 1, 1994 through October 31, 1995**

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**Report Number: 96-60 (H)**

**Date: July 25, 1996**

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**Prepared by:**

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U.S. Department of Labor  
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TO: Appalachian Regional Commission (ARC)  
Office of Inspector General (OIG)

FROM: Tichenor & Associates  
Woodbridge, Virginia

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report No. 96-60 (H)

SUBJECT TO: Memorandum Review Report on Virginia Water Project, Incorporated,  
Volunteers for Communities Program, Ivanhoe, Virginia. Grant No:  
CO-11268-95-CI-302-1011: ARC Contract No. 95-7.

**PURPOSE:** The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Virginia Water Project, Incorporated (VWP) were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant had been met.

**BACKGROUND:** ARC awarded Grant Number CO-11268-95-CI-302-1011, with maximum ARC funding of \$50,000 to VWP for the period November 1, 1994 through October 31, 1995. ARC required that the ARC grant be matched with cash, contributed services or in-kind contributions of, at least, \$50,000. ARC made two progress payments through August 15, 1995 totalling \$45,000. The final payment of \$5,000 was requested on May 20, 1996, but had not been received as of the date of our review.

The purpose of the grant was to provide financial support for the continuation and expansion of the Volunteers for Communities (VOC) Program which trains low income communities to host student volunteers. The specific tasks of the grant program were to:

- Introduce the VOC program to community leaders;
- Provide training and preparation for community leaders;
- Provide training demonstrations for a community committee to host student volunteers;
- Host a group of students in the community;
- Evaluate and modify the program through community evaluations;
- Monitor the ongoing status of community volunteer programs; and
- Provide technical support to help those maturing VOC communities make the transition to independence.

SCOPE: We performed a review of the grant as described in the Purpose section of this report. Our review was based on the terms of the grant agreement and on the application of certain agreed-upon procedures previously discussed with the ARC OIG. We determined if the specific tasks of the grant had been met, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if VWP had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with VWP's personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review performed at VWP's offices in Ivanhoe, Virginia:

**A. Incurred Costs**

VWP incurred total program costs totalling \$253,495, of which they claimed direct reimbursable costs from November 1, 1994 through October 31, 1995 of \$50,000 and in-kind costs of \$203,495. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported by VWP. However, we determined that \$6,326 of the direct costs and \$50,701 of the in-kind costs were unallowable in accordance with the terms of the grant. These costs are discussed below.

ARC Direct Costs: Costs Not Allocable to the ARC Program

VWP claimed costs for ARC reimbursement, as shown below, for program activities performed outside the Appalachian Region.

Travel	\$3,399
Salaries	1,270
Consulting Fees	1,333
Fringe Benefits	<u>324</u>
 TOTAL	 <u>\$6,326</u>

The travel, salary and fringe benefit costs were incurred when the VOC program was expanded to locations outside the Appalachian region. To identify the costs associated with program activities outside the Appalachian region, we reviewed travel documents and determined the dates on which VWP personnel travelled outside the region. We then quantified those travel costs and the related salaries and fringe benefits incurred on those dates by the identified personnel.

The unallowable consulting fees also included \$333 associated with the expanded locations, outside the Appalachian region. The remaining \$1,000 of unallowable consulting costs were for the preparation of a proposal to the Campaign for Human Development soliciting funds to support the program.

Appendix 18-3 of the ARC Code, applicable to Section 302 grants to local development districts, Section 2. Use of Grant Funds, states, in part:

"Grant assistance and matching contributions shall:...(d) be used entirely for the benefit of an area which is within the Appalachian Region...."

OMB Circular, Attachment B, Section 19.b., which is incorporated into the grant through reference in the ARC Code, states:

"Costs of organized fund raising, including financial campaigns, endowment drives, solicitation of gifts and bequests, and similar expenses incurred solely to raise capital or obtain contributions are unallowable."

Based on these criteria, we determined the \$6,326 is unallowable and should not be included in ARC direct reimbursable costs.

In-Kind Costs: Costs Not Allocable to the ARC Program

VWP claimed \$203,496 of matching cash, contributed services or in-kind contributions to the ARC program. We reviewed the supporting documentation and determined that VWP's match was comprised of cash donations, volunteer labor valued at \$5 per hour, room and board for students valued at \$100 per student, donated meals valued at \$5 per meal and other donated items. As discussed above, VWP expanded the program to areas outside the Appalachian region. Also as discussed above, costs associated with the areas outside the Appalachian region are not allowable as direct or matching costs. We identified \$50,701 in matching costs which were associated with communities outside the Appalachian region, which is unallowable in accordance with Appendix 18-3 of the ARC Code. However, since VWP exceeded the required match of \$50,000, there is no effect on the allowable grant costs.

**B. Compliance and Program Results**


The specific tasks included in the grant, as summarized in the Background section of this report, did not include quantifiable results. The grant agreement, however, did require VWP to submit quarterly progress indicating the work accomplished. We reviewed VWP's final report, dated January 26, 1996, and determined that results reported included statistics on both the program in the Appalachian region and communities outside the Appalachian region. We summarized the specific tasks which reported results from both regions, as follows:

Task	Total Communities Reported	Communities Within Region
1. Introduction of program to community leaders	35	14
2. Training preparation for community leaders	10	5
3. Training demonstrations for a community committee to host student volunteers	5	2
4. Hosting a group of students in the community	10	5
5. Program evaluation and modification through a community evaluation	10	5
	70	31

Although VWP stated that ARC had not expressed concerns regarding the location of the program efforts until after the final progress report had been submitted, it is VWP's

responsibility to assure that the program complies with the terms of the grant, including the grant referenced guidelines and regulations such as those discussed above. However, since the grant agreement did not include quantifiable objectives, there is no effect on the grant.

RECOMMENDATIONS: We recommend that VWP separate program costs and results between activities in the Appalachian Region which are eligible for ARC funding, and activities outside the Region. Adjustments should be made to account for the \$6,326 noted as unallowable based on activities outside the Appalachian Region. We further recommend that ARC include quantitative performance measures in future grant agreements and evaluate the extent of achievement subsequent to grant implementation.

  
TICHENOR & ASSOCIATES  
Woodbridge, Virginia  
May 31, 1996