

**APPALACHIAN REGIONAL COMMISSION
WASHINGTON, DC**

**REPORT ON APPLYING AGREED-UPON
PROCEDURES TO
CONCORD COLLEGE**

GRANT No. CO-11895

ARC CONTRACT No. 95-34

GRANT PERIOD: MARCH 13, 1995 THROUGH MARCH 31, 1996

**OIG Report 97-8
September 11, 1996**

Caution: Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 9(b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.

Mr. Hubert Sparks
Inspector General
Appalachian Regional Commission
Washington, DC

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

We have performed the procedures described below, which were agreed to by the Appalachian Regional Commission's Office of Inspector General, with respect to the Appalachian Regional Commission's (ARC) Grant No. CO-11895 to Concord College for the period March 13, 1995 through March 31, 1996, solely to assist you in determining the allowability of costs incurred, whether grant objectives were met, and the current status of the project. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Appalachian Regional Commission's Office of Inspector General. Consequently, we make no representations regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures are as follows:

- Held an entrance conference with the grantee
- Evaluated the grant agreement and any modifications
- Compared total grant costs by budget category to the general ledger line items
- Evaluated the allowability and supporting documentation of a sample of eight payroll costs, seven non-personnel costs, and three subgrantee costs
- Determined if specific grant objectives were achieved
- Discussed program accomplishments with the Program Manager
- Held an exit conference with the grantee

The results of these procedures are discussed in the **RESULTS OF APPLYING AGREED-UPON PROCEDURES** section of this report.

Appalachian Regional Commission
Inspector General
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We were not engaged to, and did not perform an audit, the objective of which would be the expression of an opinion on payments received and costs incurred under this grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Appalachian Regional Commission and the management of Concord College and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Upon, acceptance, however, this report is a matter of public record.

M. D. Copenhagen & Company, P.C.

Fairfax, Virginia
September 11, 1996

**REPORT ON APPLYING AGREED-UPON PROCEDURES
TO CONCORD COLLEGE
ATHENS, WEST VIRGINIA**

**GRANT No. CO-11895
ARC CONTRACT No. 95-34**

GRANT PERIOD: MARCH 13, 1995 THROUGH MARCH 31, 1996

PURPOSE

The purpose of our application of agreed-upon procedures was to determine (1) the allowability of costs incurred, under the Appalachian Regional Commission's (ARC) Grant No. CO-11895, by Concord College, (2) if the grant objectives had been or are being met, (3) the Grantee's compliance with OMB Circulars, provisions of the grant agreement, and the ARC Code, and (4) the current status of the project.

SCOPE

As of the date of fieldwork, Concord College had not yet submitted a payment request to ARC. Consequently, we evaluated the costs incurred under ARC Grant No. CO-11895 recorded in the general ledger as of their fiscal year end, June 30, 1996. Under the terms of this grant, for the complete and satisfactory performance of this agreement, and upon receipt of a proper invoice approved by ARC, the Commission shall reimburse the Grantee for actual, reasonable and eligible costs of the project, as determined and approved by ARC, provided total cost reimbursement payments shall not exceed \$14,185.

The original period of performance for this grant was March 13, 1995 to October 31, 1995, but it was extended to March 31, 1996. On April 24, 1995, \$14,185 was obligated. The Grantee had not yet claimed any reimbursement for costs incurred under this grant as of the date of fieldwork. The Grantee plans to submit one payment request when the final report is submitted.

During the period September 9-11, 1996, we held discussions with the Program Manager and the Grants Accountant and evaluated the general ledger for costs incurred under this grant. The three subcontract agreements and the draft final report were evaluated, as well as the database in both hard copy and computer formats. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circular A-110 and OMB Circular A-21, and the Appalachian Regional Commission Code.

BACKGROUND

The primary purpose of this grant to Concord College was to provide funds to develop an updated tourism inventory database for four West Virginia counties adjacent to Appalachian Corridor L (US Route 19). The counties are Braxton, Fayette, Nicholas, and Raleigh. The design of the program was to produce a comprehensive list of tourism resources in the categories of accommodations, food service establishments, attractions, annual events, promotion, marketing organizations, and other tourism-related businesses. ARC proposed that the work program include student involvement.

Under this grant agreement, Concord College was to perform the following specific tasks:

- Develop a master list, from secondary resources, of each category required for the inventory;
- Identify missing data items required for each categorical inventory;
- Research via telephone and personal contacts for missing data;
- Identify and research needed information for new entries in categorical inventories not found in the secondary sources;
- Conduct on-site and personal interviews for confirmation of the final draft inventory, and
- Evaluate the project.

There was an expectation at the outset of the project that inventory data would be obtained from the Appalachian Travel Inventory System (ATRIS) developed by West Virginia University (WVU) and utilized as a base to build the current inventory record. However, when ARC Grant No. 94-3 expired in November, 1994 (which funded the development of ATRIS), WVU ceased work on that database. Consequently, the inventory data was not available for use on this project.

Some initial data was obtained from the files of the Appalachian Tourism Research and Development Center at Concord College, but it proved to be insufficiently detailed to be useful. Consequently, other primary sources of information had to be obtained. This change in approach, as well as the lack of student assistance during the summer months, resulted in a request for extension of the grant period for six months.

RESULTS OF APPLYING AGREED-UPON PROCEDURES

PROGRAMMATIC ACTIVITIES

The completed database is divided into eight categories: 1) annual events, 2) attractions, 3) recreational activities, 4) accommodations, 5) food service establishments, 6) emergency services and facilities, 7) traveler services, and 8) tourist information services. Within these eight categories are fifty-nine sub-categories that provide more information concerning specific resources.

The computer software utilized for the inventory is File Maker Pro, a Windows database program. It is a user-friendly package that allows flexibility in the number of ways the data can be displayed. Hard copies of the information are also readily available. Working from the basic database, communities can update or expand the inventory to include greater detail and additional areas of community interest.

Because of its ease of use and flexibility, the Program Manager anticipates that the information could be utilized not only for tourism planning and development but to provide direct information for travelers or promotional organizations. Decisions concerning future marketing of the data and database program to the communities must still be made by the grantee and ARC.

FINANCIAL REPORTING

We evaluated the costs incurred by Concord College under ARC Contract No. 95-34 for the period March 13, 1995 through March 31, 1996. The results of applying agreed-upon procedures are discussed in the **OBSERVATIONS AND RECOMMENDATIONS** section. Under ARC Contract 95-34, \$14,185 was obligated by ARC. At the time of our fieldwork, no payment requests had been made. The Program Manager indicated that a request for payment will be submitted with the final report.

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATION #1 - LACK OF TIMELY SUBMISSION OF FINAL REPORT

The grantee submitted a draft final report to ARC on April 30, 1996 in compliance with the grant agreement. ARC reviewed the report and returned it to the grantee with comments. As of the date of our fieldwork, the final report had not yet been resubmitted with the modifications requested by ARC. The grantee has also not yet submitted a payment request for costs incurred for the project, nor submitted copies of the database in hard copy and computer formats to ARC. The grantee was not able to provide a date for completion of these deliverables.

The grant agreement states:

Within 15 days after receipt of the approved draft final report, the Contractor will prepare and submit to the Commission, through the ARC Project Coordinator, 5 copies of the approved report and a reproducible master.

RECOMMENDATION

We recommend that Concord College promptly submit the final report and payment request, along with the database deliverables, so that the data base is useful before it becomes dated.

GRANTEE'S RESPONSE

The grantee concurred with the observation reported.

OBSERVATION #2 - LACK OF AN ADEQUATE FINANCIAL MANAGEMENT SYSTEM

As of the date of fieldwork, Concord College had not submitted a request for reimbursement for costs incurred under this grant. We evaluated the general ledger for grant expenses recorded at the end of the fiscal year, June 30, 1996, and found the records incomplete, inaccurate, and not fully supported.

The Program Manager's salary and fringe benefits should be allocated to the projects under his responsibility. For the fiscal year ending June 30, 1996, this was not done. As a result, direct charges for his salary and fringe benefits were not recorded to this grant.

The general ledger indicates a charge of \$477.50 for part-time labor plus an associated \$36.53 in FICA match. The timecard for this individual was coded to this grant, but the Program Manager indicated the individual never worked on the project.

Timecards for the period October 1995 - March 1996 were obtained for all students listed in the draft final report who worked on the project with the exception of the office assistant. The total student assistance hours calculated were 195.75 hours @ \$4.25 (\$831.94). The general ledger indicates \$2,254.70 recorded for student assistance. No support was provided for the \$1,422.76 difference.

OMB Circular A-110, Subpart C states:

Recipients' financial management systems shall provide for the following:

- (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program*
- (7) Accounting records . . . that are supported by source documentation.*

RECOMMENDATION

We recommend that costs incurred under this grant be reviewed before submission for reimbursement to ensure that the amounts reported are accurate, current, complete, and supportable. The grantee should ensure that the amount claimed is itemized in order to facilitate a careful review by ARC of this payment request.

GRANTEE'S RESPONSE

The grantee concurred with the observation reported.

OBSERVATION #3 - LACK OF AN AUDITED INDIRECT COST RATE

The Project Budget indicates an indirect cost rate of 44.26% of the total personnel costs to be charged to the project. A cost allocation plan supporting this rate was submitted with the original cost proposal and was prepared in compliance with OMB Circular A-21, *Cost Principles for Educational Institutions*. We received no response to our request for documentation to support the numbers submitted in the plan, and we also were not provided with any indication that the rate was ever approved or audited.

In 1993, OIG Report No. 93-9(H) found that the indirect costs charged by Concord College to ARC Grants Nos. 90-21, 90-130, 91-86, and 92-135 were not supported by a cost allocation plan and were subsequently disallowed. Concord College hired a consultant to assist them in developing a cost allocation plan which would be in compliance with OMB Circular A-21. As of the date of our fieldwork, Concord College has not submitted an indirect cost proposal for approval by any cognizant agency.

OMB Circular A-88, *Indirect Cost Rates, Audit, and Audit Followup at Educational Institutions* states:

One Federal agency will negotiate the indirect cost rate or rates at a single institution. This agency is referred to here as the "cognizant agency." Negotiations will be carried out in accordance with relevant provisions of law and other applicable regulations or requirements The negotiated rates will be accepted by all Federal agencies.

RECOMMENDATION

We recommend that ARC ensure that any indirect costs charged under this grant be allowable, allocable, and reasonable per the cost principles established under OMB Circular A-21, *Cost Principles for Educational Institutions*. We also recommend that Concord College either comply with Federal regulations to obtain a negotiated indirect cost rate or not charge indirect costs against any future ARC awards.

GRANTEE'S RESPONSE

The grantee concurred with the observation reported.

**CONCORD COLLEGE
ATHENS, WV**

Grant No. CO - 11895

ARC Contract No. 95-34

Grant Period: March 13, 1995 through March 31, 1996

(UNAUDITED)

SCHEDULE OF COSTS INCURRED (1)

GENERAL LEDGER CODE	DESCRIPTION	EXPENDITURES @ JUNE 30, 1996	SUPPORTED COSTS	UNSUPPORTED COSTS
(2) 5013	Classified Salary	\$ 0.00	\$ 0.00	\$ 0.00
5015	Part-Time	477.50	0.00	477.50
5016	Student Assistance	2,254.70	831.94	1422.76
5110	FICA Match	36.53	0.00	36.53
5120	PEIB	0.00	0.00	0.00
5140	Worker's Compensation	10.74	0.00	10.74
5160	TIAA Match	0.00	0.00	0.00
5200	Office Expense	477.24	477.24	0.00
5240	Telephone	1,041.42	1,041.42	0.00
5250	Contractor	3,500.00	3,500.00	0.00
5260	Travel	357.85	357.85	0.00
Total		\$ 8,155.98	\$ 6,208.45	\$ 1,947.53

- (1) As the grantee has not submitted a reimbursement request to ARC, these costs represent the costs recorded in the grantee's general ledger as of the date of our fieldwork.
- (2) The Program Manager's salary and related fringe benefits had not been allocated and charged to the grant as of June 30, 1996.