



*Contract
95-16*

REPORT OF REVIEW

SOUTH CAROLINA DEPARTMENT OF PARKS,
RECREATION AND TOURISM

Heritage Corridor Project

Grant No. SC-11800-94-I-302-0825
December 5, 1994 - February 6, 1996

OIG Report 97-17(H)
March 12, 1997

I. INTRODUCTION

A. PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant (2) to determine if 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 grant as well as costs claimed as matching funds. The initial period of performance was December 5, 1994, through December 5, 1995; however, the grant was extended to February 6, 1996. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Columbia, South Carolina, November 14-15, 1996. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code.

C. BACKGROUND

ARC Grant SC-11800-94-I-302-0825 was awarded to the South Carolina Department of Parks, Recreation, and Tourism to provide funding assistance for an Appalachian Heritage Tourism Project in a three-county region of Appalachian South Carolina consisting of Oconee, Pickens, and Anderson Counties. The ARC funds were to be used to buy GIS equipment for the state tourism office and to pay personnel costs for one year for a regional field coordinator, a central office coordinator, and a GIS specialist.

The Appalachian Heritage Tourism Project was designed to achieve six basic goals, including: 1) economic development through increased tourism expenditures, 2) environmental conservation by developing mechanisms to provide public use and access to important natural and scenic areas,

3) preservation through the adaptive reuse of historic sites, 4) recreation by developing more uses of outdoor resources, 5) education by interpreting the natural and cultural resources, and 6) increasing the state's technological capabilities through the use of a geographical information system database for planning and marketing. Specifically, the grantee agreed to assess and catalog the tourism inventory, to generate awareness and community planning programs for the project area, and to use the GIS technology to plan and "map" the area for marketing and promotion. The state agreed to provide funding for a second year for the GIS specialist and the maintenance of the GIS equipment.

The grant was for the lesser of \$145,212 or 50 percent of the actual, reasonable, and eligible costs of the project as determined and approved by ARC. The grantee was to provide the non-Federal share of \$145,212 (50 percent) in cash, contributed services, or in-kind contributions as approved by ARC.

II. SURVEY RESULTS

A. PROJECT COSTS

The grantee claimed total project expenditures of \$280,582.36 including ARC costs of \$138,301.94 (47 percent) and matching costs of \$142,280.42 (50.7 percent). They indicated that grant funds totaling \$6,910 would not be used. The grantee's accounting records agreed with the total project amount claimed to ARC; however, we noted several discrepancies that need to be addressed. They include the following:

- 1) Matching costs were incurred prior to the grant period. We reviewed the documentation for a sample of grant and matching costs during our on-site visit and requested that more detailed information for some of the matching costs be sent to our office. The grantee provided the requested documentation; however, we noted that some of the marketing/promotions costs paid by the grantee to subrecipients were incurred prior to the grant period. OMB Circular A-102 indicates that costs charged to grants should be for obligations incurred during the funding period.

The grantee's records indicate they paid \$49,950.30 to subrecipients during Fiscal Year 1994-95. We reviewed documentation for costs paid to three subrecipients totaling \$31,520 and found that \$6,921.60 of the costs paid during the grant period were for expenses incurred prior to the grant period. For example, \$3,165.92 of the \$9,000 paid to the Pendleton District Historical, Recreation and Tourism Commission were for expenditures incurred between July 1, 1994, and November 21, 1994. The grant period began December 5, 1994.

During our review, we also noted that the grantee incurred additional personnel and fringe benefits costs under the ARC project that were not charged to the grant or to match. An official indicated they were aware they had incurred additional costs but they did not report them to ARC because they thought they had sufficient match without them.

- 2) Minor costs posted to the wrong subfund. We noted two instances where fringe benefits costs of \$375.54 and \$279.77 were claimed correctly as ARC costs but were erroneously posted to the accounting records as matching costs. The discrepancies were apparently due to oversight.
- 3) An employee was reimbursed twice for the same expenses. The same miscellaneous expenses were itemized on Voucher 24497 of May 22, 1995, and Voucher 27908 of June 22, 1995, resulting in a duplicate payment of \$82.98 to a former employee who worked on the ARC grant. The original and duplicate payments were both charged to match.


The grantee response, copy attached, indicates agreement with items 2 and 3. With respect to item 1, the grantee notes that the questioned cost represents a difference in accounting interpretation.

We do not believe the issue involves an accounting interpretation. Our position is that matching funds, like primary grantor funds, are intended to be used for services obtained during the grant period; and the payment time frame is not the issue. Since the applicable services were apparently obtained prior to the start of the grant period and such expenditures were not approved by ARC, we question the eligibility of the noted match.

Recommendation: We recommend that the grantee contact ARC project personnel to resolve the issue of questioned marketing/promotions costs totaling \$6,921.60 that were charged to match. Any necessary billing or payment adjustments should be initiated.

B. PROJECT STATUS

The grantee completed the grant objectives, and the GIS equipment continues to be used for the purposes specified by the grant agreement. The GIS function is currently funded by EDA.


Hubert N. Sparks
Inspector General

Attachment

South Carolina

Department of Parks, Recreation & Tourism

Finance Office

February 3, 1997

Mr. Hubert N. Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, DC 20235

Dear Mr. Sparks

We have reviewed the draft copy of your report on Grant No. SC-11800-94, Heritage Corridor Project which you sent to our Director, Grace Young and I am submitting our comments about the findings on her behalf:

II.A. 1) Matching Costs Were Incurred Prior To The Grant Period

This represents a difference in accounting interpretation as follows:

The report implies that these are Federal funds passed through PRT to local subrecipients in which case the costs are recognized as the subrecipient incurs them and A-102 would apply.

The agency contends that these matching (non-Federal) funds are part of an agency level grant program in which there is no liability or obligation on the Agency's part until the project is completed and passes audit. Based upon this PRT recognizes these expenditures at the time they are paid.

We would ask that this item be reconsidered, however, if the reported interpretation stands, we will reduce the final billing by the \$6,921.60.

II.A. 2&3) Minor Costs Posted To The Wrong Sub-fund & Double Reimbursement

Management agrees with these findings and has taken action to improve the related internal controls including the implementation of a dedicated Grants Coordinator.

We appreciate the opportunity to respond to this report.

Sincerely,



Ronald A. Cunningham
Director of Finance



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Office of the Inspector General


July 2, 1997

MEMORANDUM FOR MS. JUDY RAE, PROGRAM DIRECTOR

SUBJECT: Audit Followup

A review of our files indicates additional information from the grantee and/or ARC is necessary to close our files. I have summarized the needed information on the attached sheets; and in some cases, I have attached recent correspondence or the report cover letter that indicates the open items.

As possible, a summary of the status of actions in each case is appreciated and, where necessary, contact should be made with the grantee to obtain information.


Hubert N. Sparks
Inspector General

Attachments

SUMMARY OF REPORTS AND OPEN ITEMS

Report 96-8(H) **Grants PA-7752F-93, PA-8285-94, and PA-10774-91, Northwest Pennsylvania Regional Planning and Development Commission**

The OIG report and correspondence recommends return of interest earned on advances and questions the determination made by grantee. Also, we have no indication that interest was refunded. A copy of our July 2, 1997 letter to grantee is attached.

Report 96-30(H) **Grants PA-7784-93/94, Pennsylvania Consolidated Technical Assistance**

Information is needed to resolve the issues pertaining to allowable costs and matching contribution with respect to one project. A copy of our July 2, 1997 letter to grantee is provided.

Report 96-31(H) **Grants PA-0708C-95 and PA-8305-94, Northern Tier RP&DC**

Information is necessary to settle the matching issue as respects funds provided by the Pennsylvania Department of Transportation--e.g., were the funds provided?

Report 96-44(H) **Grant NC-11446-93, North Carolina Smart Start Program**

Information is needed with respect to the reconciliation and final report accounting for the \$8,000 error in request for payment and \$16,704 subcontract fee that was not part of the ARC project.

Report 97-1(H) **Grants CO-11465-94 and KY-11347-93, Forward in the Fifth**

Information dealing with documentation for the cash match, approval of a consulting contract and correction of final report to account for reported error of \$4,490.

Report 97-3(H) **Grants OH-11566-94 and OH-12038-95, Governor's Office of Appalachia**

Final information on matching contribution and approval of subcontract costs is requested.

Report 97-5(H) **Grant CO-11481-94, Ohio Valley Regional Development Commission**

Approval of use of program income requested.

Report 97-6(H) **Grant AL-11527-94, Alabama Department of Health**

ARC position on noted use of employee requested.

Report 97-7(H) **Grant CO-10959-92, Natchez Trace Parkway Association**

Information is requested with respect to completion of the project and deobligation of funds

Report 97-8(H) **Grant CO-11895-95, Concord College**

Information is requested about adequacy of final report information, including support for \$1,422 student assistance hours that were questioned.

Report 97-12(H) **Grant NY-11336-94, Southern Tier West Regional Planning and Development Board**

The issue of eligible match remains open pending ARC concurrence with grantee response on this issue.

Report 97-17(H) **Grant SC-11800-94, South Carolina Department of Parks, Recreation and Tourism**

Determinations with respect to use of funds prior to the grant period and unused funds are requested.

Report 97-19(H)

Grant TN-11804-94, Tennessee Tomorrow

Confirmation of ARC approval of the additional consultants is requested.

Report 97-23(H)

Grants SC-11569-94 and SC-12097-95, Greenville Hospital System

Information is needed with respect to the grantee refund of interest earned on advances and documentation of costs charged to the Nurse Practitioner grant. A copy of our letter to grantee dated July 2, 1997, is provided.

Report 97-24(H)


Grant KY-12032-95, Kentucky Highlands Investment Corporation

Several issues remain open. Of primary importance is the apparent nonspending of \$90,647, as of the audit, and apparent reporting to ARC that these funds were expended. We believe this is a significant issue and appropriate action could include recovery of \$65,000 of this amount. Other open issues pertain to equipment purchases, interest earned on advance, program income, and completion of grant objectives.

Report 97-34(H)

Grant CO-10720-91, Maryland Department of Business and Economic Development

Information is requested with respect to the need for certification/documentation of employee/consultants services to grantee.


Hubert N. Sparks
Inspector General

Attachments