

**MEMORANDUM REPORT ON REVIEW OF THE  
SEDA - COUNCIL OF GOVERNMENTS  
LEWISBURG, PENNSYLVANIA**

**Regional Geographic Information System**

**ARC Grant No: PA-11552-95-C1-302-0427**

**October 1, 1995 through September 30, 1996**

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**Report Number: 97-41-H  
Date: August 4, 1997**

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Under Contract Number J-9-G-5-0010 with the  
U.S. Department of Labor  
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Office of Audit

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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.: 97-41-H

**SUBJECT:** Memorandum Review Report on SEDA-Council of Governments (SEDA-COG), Geographic Information System, Lewisburg, Pennsylvania. Grant No: PA-11552-95-C1-302-0427, ARC Contract No. 95-151.

**PURPOSE:** The purpose of our review was to determine if (a) the total funds claimed for reimbursement by SEDA-COG for its Geographic Information System (GIS) project, 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 were met.

**BACKGROUND:** ARC awarded Grant Number PA-11552-95-C1-302-0427 to SEDA-COG for the period October 1, 1995 through September 30, 1996. Total grant funding was for an amount not to exceed \$150,000 of the actual, reasonable and eligible project costs. ARC required that the grant be matched with \$150,000 in cash, contributed services, or in-kind contributions. As of the end of the grant period ARC made three progress payments to SEDA-COG totaling \$120,022. In May 1997, ARC made the final progress payment of \$29,978.

The funds from this grant were to provide funding to continue the development of a regionally coordinated, locally managed GIS throughout the SEDA-COG region. In the first year of operation, SEDA-COG encouraged various counties and local governments to jointly participate in a program of new aerial photography to produce digital orthophoto-quads for mapping. SEDA-COG was to coordinate and manage activities through support of the regional GIS Task Force, negotiate joint purchasing/licensing agreements, and provide training in GIS technology to participants in each county.

The specific tasks of the grant program were to:

- Continue and formalize the GIS Task Force;
- Refine a GIS implementation reference guide;
- Acquire the necessary equipment, hardware, and software for use at the regional level to facilitate regional coordination;
- Explore data exchange standards; develop linkages with local, independent and varied GIS's; and acquire and test existing macro data base information;
- Cultivate partnerships with additional entities;
- Explore intra-state, intra-region partnerships and linkages; and,
- Identify and respond to local resource voids as resources permit.

SCOPE: We performed a program results review of the grant project as described in the Purpose, above. 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. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if SEDA-COG had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with SEDA-COG's personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review performed at SEDA-COG's offices in Lewisburg, Pennsylvania on June 24 through 26, 1997.

#### **A. Incurred Costs**

We reviewed the costs incurred by SEDA-COG for the GIS project from October 1, 1995 through September 30, 1996, totaling \$1,197,844. ARC reimbursable costs claimed totaled \$150,000, and non-federal matching costs claimed totaled \$1,047,844. We determined that, in general, the funds had been expended as reported by SEDA-COG. However, we determined that \$207 of the claimed costs were not allowable or unsupported in accordance with the terms of the grant and applicable OMB Circulars. These costs are discussed below.

Travel Costs Not Adequately Supported

SEDA-COG incurred a \$207 travel expense for lodging which was supported only by a credit card statement. No documentation to support the nature of the expense and its relationship to the objectives or specific tasks of the grant was maintained.

ARC Grant Administration Provisions, Article A10, Records of Disbursements, paragraph (3), states:

"All disbursements from the contract account shall be for obligations incurred, after the effective date, in the performance of this contract, and shall be supported by contracts, invoices, vouchers, and other data, as appropriate, evidencing the disbursements."

Without adequate documentation, the allowability, allocability and reasonableness of the costs can not be determined. Therefore, these costs are not reimbursable under the grant. However, since allowable costs greatly exceeded the grant requirement, no adjustment to claimed, reimbursable costs is necessary.

RECOMMENDATION:

We recommend that SEDA-COG ensure that expense vouchers are maintained to document the business reason and program activity for all costs claimed including travel and meal expenses.

**B. Internal Controls**

We determined that SEDA-COG had the following internal control weaknesses which affected the accountability of costs under the grant. Although the costs were determined to be allowable, the identified weaknesses could result in unallowable costs being claimed for reimbursement.

Approved Budget and Actual Costs Not Monitored

SEDA-COG did not compare the approved budget to actual costs incurred. This resulted in the Equipment/Space budget category exceeding the approved ARC budget as follows:

<b>Budget Amount</b>	<b>Cost Incurred</b>	<b>Difference</b>
\$5,830	\$11,560	\$5,730

OMB A-102, Attachment K, paragraphs 2 and 3, Budget Revision Procedures, states:

"2. The grant budget as used in this attachment means the approved financial plan for both the Federal and non-Federal shares to carry out the purpose of the grant. This plan is the financial expression of the project or program as approved during the grant application and award process. It should be related to performance for program evaluation purposes whenever appropriate and required by the grantor agency.

3. For nonconstruction grants, grantees shall request prior approvals promptly from grantor agencies when there is reason to believe that a revision will be necessary..."

RECOMMENDATION:

We recommend that SEDA-COG ensure that budget to actual comparisons are performed and request approval for all budget deviations prior to incurring costs on all future grants.

**C. Other Related Matters**

Automated General Ledger Adjustments Not Adequately Supported

SEDA-COG made adjustments to the local revenue account in the general ledger which were not adequately supported. These adjustments were made as a result of recommendations made by SEDA-COG's independent auditors. SEDA-COG did not record adjustments for each recommendation; instead adjustments combined several audit recommendations. SEDA-COG recreated the revenue account adjustments, however they were not able to provide the original journal entries.

RECOMMENDATION:

We recommend that SEDA-COG ensure that all general ledger adjustments are adequately supported prior to using the adjusted amounts as the basis for preparing financial reports.

**D. Program Results**

SEDA-COG has achieved all of the specific tasks and objectives identified in the grant, and summarized above.

DISCUSSION:

We discussed these issues with SEDA-COG's management during the exit conference held on June 26, 1997. SEDA-COG responded by stating that expense vouchers are usually maintained for all travel expenses, however the voucher in question could not be located. SEDA-COG understood that comparing the approved budgets to actual costs incurred is a necessary tool for monitoring the grant costs, however, they had recently implemented a new computerized accounting system and it did not have the capabilities to compare budget versus actual costs. They are currently working on adding this to the system. Finally, SEDA-COG agreed that a more accurate accounting trail should have been maintained to support the adjustments made to the local revenue account and with their further understanding of their new computerized system they have been working to improve how entries are recorded.

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