

**MEMORANDUM REPORT ON REVIEW OF  
FROSTBURG STATE UNIVERSITY  
FROSTBURG, MARYLAND**

**Integrated Microscope Facility**

**ARC Grant No: MD-11262-93-I-302-0226**

**September 15, 1993 through March 31, 1995**

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**Report Number: 98-7**

**Date: November 20, 1997**

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Woodbridge, Virginia

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. 98-7

SUBJECT: Memorandum Review Report on Frostburg State University, Integrated  
Microscope Facility, Frostburg, Maryland. Grant No: MD-11262-93-I-  
302-0226, ARC Contract No. 93-133.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Frostburg State University, for the Integrated Microscope Facility 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 had been met.

BACKGROUND: ARC awarded Grant Number MD-11262-93-I-302-0226 to Frostburg State University (Grantee) for the period September 15, 1993 through March 31, 1995. Total project costs were estimated at \$58,921 of which total ARC funding was not to exceed \$24,080, or 43 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$32,000, or 57 percent in cash, contributed services, or in-kind contributions, as approved by ARC. ARC made one payment to Frostburg State University totaling \$24,080, on August 18, 1995 when the project was complete.

The funds from this grant were to provide funding for the installation and acquisition of necessary equipment for a new integrated microscope facility at Frostburg State University.

The specific tasks of the grant were to 1) complete the installation of a Scanning Electron Microscope (including air conditioning), and purchase and install ancillary equipment, e.g. Sputter Coater and Tissue Processor, at the Grantee's Integrated Microscope Facility in the Biology Department, Tawes Hall, at Grantee's Campus; and, 2) once operational, monitor use of the facility by individual users; monitor the number of joint research and development projects, and the number and dollar amount of grant proposals submitted for such projects.

SCOPE: We performed a program 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 specific 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 Frostburg State University had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Frostburg State University's personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review performed at Frostburg State University's campus in Frostburg, Maryland on November 17 through 20, 1997.

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

Frostburg State University incurred total program costs of \$55,710, of which they claimed direct reimbursable costs from September 15, 1993 through March 31, 1995 of \$24,080 and in-kind costs of \$32,000. We reviewed the direct and in-kind costs claimed and determined that, in general, the funds had been expended as reported. However, we determined that Frostburg state reported total ARC expenditures of \$24,080, however, the final progress report indicated that only \$23,710 had been incurred. These costs are discussed below.

#### Costs Claimed Did Not Agree to the Final Status Report

Frostburg State University claimed, and was paid by ARC, total reimbursable costs from September 15, 1993 through March 31, 1995 of \$24,080 for the Integrated Microscope Facility. Frostburg State University's records indicated only \$23,710 of direct reimbursable costs had been incurred. The request for payment dated August 18, 1995, requested the entire ARC portion of \$24,080. The basis for claiming the difference of \$370 could not be determined or explained.

ARC Grant Administration Provisions, Article A10, Records Requirements, paragraph (1), states:

"Contractor shall establish procedures to ensure that all records pertaining to costs, expenses, and funds related to the contract shall be kept in a manner which is consistent with generally accepted accounting procedures. The documentation in support of each action in the accounting records shall be filed in such a manner that it can be readily located."

RECOMMENDATION:

We recommend that Frostburg State University recalculate the ARC portion of the project based on the stipulated 43 percent of total allowable project costs after adjusting for \$370 overclaim.

GRANTEE'S RESPONSE:

The Grantee stated that the \$370 was for air conditioning installation and a transfer was made to the FSU Utility Plant Maintenance on October 18, 1995. In addition, the Grantee stated that the grant file contained detailed records to support the materials and labor costs.

AUDITOR'S ADDITIONAL STATEMENT:

We reviewed the journal entry and the ledger and determined that the entries were dated well beyond the end of the grant period of March 31, 1995. Therefore, these costs are not reimbursable under the grant in accordance with the ARC Grant agreement, Article 4, Effective Date.

We reviewed the support for the labor costs including the work orders and the payroll information. Frostburg State University completes a work order to document the personnel assigned to a project. The personnel then complete a timesheet indicating the total hours worked on each day. While the timesheet appears to be completed by the individual, the work order is completed for all personnel by one person. The Grantee originally calculated the average pay rate for the labor category documented on the work order and claimed \$4,491. In their response, the Grantee recalculated the labor costs for each assigned person using the actual labor rates. Based on the support provided, we accept the labor costs claimed as reasonable.

**B. Internal Controls**

We determined that Frostburg State University had the following internal control weaknesses which affected the accountability of costs or compliance with the terms of the grant. These weaknesses could result in unallowable costs being charged to the grant.

Quarterly Progress Reports Were Not Prepared and Submitted to ARC

During the period of the grant September 15, 1993 to March 31, 1995, no quarterly progress reports were prepared and submitted to ARC. A final progress report dated June 9, 1995, was prepared by the Project Director and submitted to ARC for approval.

Grant Agreement No. MD-11262-93-I-302-0226, Section 2-6.2 Progress Reports states:

“Grantee shall prepare and submit to the ARC Project Coordinator, in three copies, quarterly progress reports indicating the work accomplished under the agreement to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period”

RECOMMENDATIONS:

We previously recommended that Frostburg State University develop and implement procedures for accurately recording and tracking all matching expenses. This finding and recommendation were resolved based on the Grantee's Response below.

In addition, we recommend that Frostburg State University request and maintain written authorization to modify grant requirements, including the submission of stipulated progress reports.

GRANTEE'S RESPONSE:

The Grantee stated that copies of the service contract invoices supporting in-kind expenses were available and documented the payment of those expenses by non-Federal programs. In addition, the Grantee enclosed copies of the quarterly progress reports and stated that in the future progress reports will be prepared and submitted as stipulated.

AUDITOR'S ADDITIONAL STATEMENT:

We reviewed the documentation supporting the previously questioned in-kind costs for the microscope service contract and determined the costs were charged to the Biology Department and the School of Natural and Social Sciences, both of which are not Federally funded

according to the accounting system documentation. We concur with the Grantee's response that progress reports will be completed and submitted on a timely basis in the future.

**C. Program Results**

Our review of Frostburg State University's Integrated Microscope Facility Grant Program indicated the specific tasks identified in the grant, and summarized above, had been achieved.

DISCUSSION:

We discussed these issues with Frostburg State University's management during an exit conference held on November 20, 1997. Management responded by stating that they understood that the matching costs were difficult to track, but the charges had not been used to match other federal programs. They also stated that no prior reviews had been performed other than their annual A-133 audit and this had not been an issue during that audit. Management also stated that quarterly status reports are now prepared and submitted as required by ARC.

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