



REPORT OF REVIEW

WEST VIRGINIA DEVELOPMENT OFFICE CHARLESTON, WEST VIRGINIA

International Development Enhancement and Expansion Project

Grant No. WV-12301-96-I-302-1117
December 1, 1995 - May 16, 1997

OIG Report No. 98-11(H)
May 4, 1998

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 period of performance was December 1, 1995 through May 16, 1997. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Charleston, West Virginia, December 1-2, 1997. 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 WV-12301-96-I-302-1117 was awarded to assist in the enhancement and expansion of activities and services to better serve the export needs of small and medium-sized businesses and improve general economic conditions in the State of West Virginia. According to the grant agreement, the following tasks were to be completed:

- 1) Hire a staff person for the International Development Unit who will be responsible for both export and reverse investment activities, and who will

attend the NASDA Level 1 International Trade Specialist Training Program to enhance his/her knowledge of export and reverse investment strategy;

- 2) Identify and support three globally diverse trade events, plus the 1996 Europartenariat;
- 3) Develop multi-lingual promotional materials and catalogs of West Virginia businesses; acquisition and setup of a computer system, and participation in trade-related information delivery systems, such as Trade Point USA with the State of Ohio; and
- 4) Hold trade educational programs in conjunction with the West Virginia Export Council, to include, but not be limited to, informational seminars, business training workshops, and seminars on opportunities in specific markets.

The grant was for a total sum not to exceed \$133,300, which was estimated to be approximately 80 percent of project costs. The grantee was to pay or cause to be paid the non-federal share in cash, contributed services, or in-kind contributions, as approved by ARC. At the time of our review, the grantee had claimed and been paid \$115,248.63 based on total project expenditures of \$144,060.79. Grant funds totaling \$18,051.37 were deobligated and the grant was closed out at ARC in October 1997.

II. SURVEY RESULTS

A. Questioned Costs

The grantee claimed grant costs of \$115,248.63 (80 percent) and matching costs of \$28,812.16 (20 percent). We reviewed a sample of grant and matching expenditures and are questioning some meal costs associated with a grant-related business trip to Italy. A West Virginia delegation attended Europartenariat Italia in Genoa, Italy in November 1996. A "finale dinner" for four or five guests costing \$634.48 was charged to the ARC project. Guests included individuals from the state of West Virginia, a participating West Virginia company, the U. S. Embassy and the U.S. Department of Commerce - Milan, Italy. It was unclear whether the \$634.48 included dinner for a grantee representative (who subsequently left the grantee's employ) but we noted that he signed the charge slip and claimed \$47 for meals on his travel voucher for that day. The grantee provided documentation during our visit indicating that the allowance for meals and incidental expenses for Genoa, Italy were \$96 per day at that time. We are questioning the \$634.48, noted primarily as expenses for dinner guests, as being excessive and possibly duplicative of per diem reimbursements to attendees.


Recommendation: We recommend that the grantee resolve the questioned costs totaling \$634.48 with ARC program personnel and notify us of the outcome.

B. Grantee Response

The grantee concurred with our recommendation.

C. Grant Status

We determined that the tasks required of the grantee under the grant agreement were completed. The ARC project allowed the grantee to increase public awareness of its export initiatives, expand export promotion activities, and provide support and technical assistance to West Virginia businesses interested in exporting their products. Grant funds were also used to replace obsolete office equipment and hire an additional International Trade Representative.


Hubert N. Sparks
Inspector General



May 6, 1998

MEMORANDUM FOR ARC EXECUTIVE DIRECTOR

SUBJECT: OIG Reports

Enclosed are copies of reports dealing with the following grants.

- 98-11(H), Grant WV-12301-96, International Development and Expansion Project
- 98-17(H), Grant PA-07784-95, Technical Assistance
- 98-18(H), Grant TN-07783-95/96, Technical Assistance
- 98-19(H), Grant TN-12486-96, Tennessee Customized Industrial Training
- 98-20(H), Grant TN-12315-96, International Business Development in Appalachian Tennessee
- 98-29(H), Grant VA-12410-96, Appalachian School of Law

The report on the Tennessee Customized Industrial Training Program questions the eligibility of large companies to participate in the project based on criteria included in the grant application. We are questioning approximately \$430,000 in ARC and matching costs; and this issue needs to be resolved, including the potential for some offsets attributable to the funding of other eligible training or state matching contributions. Also, the grantee noted an intention to request deobligation of the project balance of \$396,000. The report also recommends that future projects include identification of controls and procedures to be used to ensure the implementation of eligibility criteria included in grant applications or agreements.

The Pennsylvania Technical Assistance report notes improvements in the state's accounting system, which could facilitate closing of grants on a more expeditious basis. The report also cites the need for additional supporting information for some claimed costs and match and ARC's decision with respect to use of program income.

Conditions noted in the other reports are minor and generally were resolved prior to report issuance.


Hubert N. Sparks
Inspector General

Enclosures

cc: Mr. Charles Howard
 Ms. Judy Rae



May 6, 1998


Mr. Ralph H. Goolsby, ARC Manager
Local Capacity Development
West Virginia Development Office
State Capitol Complex, Bldg 6, Room 553
Charleston, WV 25305

re: **OIG Report 98-11(H), Grant WV-12301-96, International
Development Enhancement and Expansion Project**

Dear Mr. Goolsby:

Enclosed is a copy of our report dealing with the subject grant.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

January 26, 1998

Mr. Stephen E. Spence, Director
International Division
West Virginia Development Office
1900 Kanawha Blvd, Bldg 6, Room 504
Charleston, WV 25305-0311

re: **OIG Report 98-11(H)
Grant WV-12301-96**

Dear Mr. Spence:

Enclosed is a copy of our draft report dealing with a grant to assist with the expansion of international development. The one item noted pertains to dinner charges claimed in connection with the Europartenariat Italia in Genoa, Italy, in November 1996. We are questioning the cost because of the total amount in relation to daily per diem levels, the extent to which attendees may have been reimbursed as part of travel reimbursements, and the eligibility of grant funds to be used as noted.

We will discuss this issue with ARC prior to issuance of a final report but would also like to provide you with the opportunity to identify additional information or factors that should be considered.

We would appreciate any additional input or comments within 30 days.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

May 6, 1998

Mr. Steve Spense, Director
International Development
West Virginia Development Office
1900 Kanawha Boulevard, Bldg 6, Rm 504
Charleston, WV 25305-0311

re: **OIG Report 98-11(H), Grant WV-12301-96,
International Development Enhancement and
Expansion Project**


Dear Mr. Spense:

Enclosed is a copy of the subject report. As noted, the condition related to eligibility of expenses should be resolved with ARC; and our office should be notified of the outcome.

A copy of this report is being provided to the Federal Co-Chairman, ARC Executive Director, and West Virginia State Alternate.

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



MEMORANDUM

To: Alfred Lewis, Finance and Administration

Date: August 31, 1998

Re: Refund check from WVDO

Please find the attached check made out to the Appalachian Regional Commission in the amount of \$634.48. This amount was recommended to be recovered from the grantee by the ARC Inspector General in report 98-11(H), dated May 4, 1998, after a review of grant WV-12301-96-I-302-1117. Please credit this to said account.

A handwritten signature in black ink, appearing to read 'D. Hughes', is written over the typed name.

David Hughes
Program Operations Division

cc: Hobie Sparkes

AUG 28 1998

Cecil H. Underwood, Governor



WEST VIRGINIA DEVELOPMENT OFFICE

1900 KANAWHA BOULEVARD, EAST
CHARLESTON, WV 25305-0311

August 25, 1998

Mr. David Hughes
Program Manager
Appalachian Regional Commission
1666 Connecticut Avenue NW
Washington, DC 20235-0002

Dear Mr. Hughes

Please find enclosed a check in the amount of \$634.48 to cover costs questioned in your review of Grant Number WV-12301-96-I-302-1117.

Although we are returning the amount questioned to the Appalachian Regional Commission to speed the resolution of this matter, we feel this expenditure was made in compliance with the rules of the State of West Virginia. Our economic development representatives are authorized to entertain guests involved in economic development activities. Also, as a State agency, all employees expense reimbursements must be approved by the State Auditor's Office. A totally independent agency headed by a constitutional officer.

Although the cost of this meal may seem a bit excessive, there is no way the Development Office can police the other dinner attendees to determine if they received a per diem reimbursement from their company or agency for this dinner. This would seem to be an integrity issue, between the individual attendee and their employer.

If you have any further questions or would like to discuss this matter further, please call me at (304) 558-0350.

Sincerely,

A handwritten signature in black ink that reads "Carl D. Smith". The signature is written in a cursive style with a large, prominent "C" and "S".

Carl D. Smith
Grants Coordinator

/dds

Enclosure

cc: Steve Spence

TOTAL: \$634.48 DATE: 08/14/98 AMOUNT \$634.48
TRANSACTION ID INVOICE NUMBER & PAYEE REFERENCE PURCHASE ORDER
I003592022 MV1230196I3021117

If you have questions concerning the above, please call 304-558-0352.

REMOVE DOCUMENT ALONG THIS PERFORATION



THIS CHECK HAS MULTIPLE SECURITY FEATURES TO DETER FRAUD AND COUNTERFEITING
VOID UNLESS PRESENTED FOR PAYMENT WITHIN SIX MONTHS

State of West Virginia

STATE CAPITOL, CHARLESTON

WARRANT # 4-1162184

AUGUST 14, 1998

PAY TO THE ORDER OF APPALACHIAN REGIONAL COMMISSION

*****\$634.48**

4-1162184

John A. Beckner Glen B. Haines III
STATE TREASURER AUDITOR

WEST VIRGINIA TREASURY

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