

**APPALACHIAN REGIONAL COMMISSION
WASHINGTON, DC**

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

FAYETTE COUNTY CHAMBER OF COMMERCE

GRANT No. WV-12384-96

GRANT PERIOD: AUGUST 1, 1995 THROUGH DECEMBER 31, 1997

OIG Report 98-13 (H)
March 11, 1998

Caution: Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 5222 9(b)(4). Distribution of this report should be limited to the 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. WV-12384-96 to the Fayette County Chamber of Commerce for the period of August 1, 1995 through December 31, 1997, 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 following procedures were performed to determine the grantee's compliance with OMB Circulars, provisions of the grant agreement, and the ARC code:

- Held an entrance conference with the grantee.
- Reviewed the grant agreement and any modifications.
- Compared total grant costs by budget category, as claimed to ARC, to the books of account maintained by the grantee.
- Analyzed cash receipts against current needs and interest earned and remitted.
- Tested the allowability and supporting documentation of a sample of thirteen subcontractor costs and five non-personnel costs.
- Determined if specific grant objectives were achieved.
- Held an exit conference with the grantee.

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

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 the Fayette County Chamber of Commerce 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. Oppenheim & Company, P.C.

Fairfax, Virginia
March 11, 1998

**REPORT ON APPLYING AGREED-UPON PROCEDURES TO
FAYETTE COUNTY CHAMBER OF COMMERCE
OAK HILL, WEST VIRGINIA**

GRANT No. WV-12384-96

GRANT PERIOD: AUGUST 1, 1995 THROUGH DECEMBER 31, 1997

PURPOSE

The purpose of our application of agreed-upon procedures was to determine (1) the allowability of costs claimed, under the Appalachian Regional Commission's Grant No. VA-12384-96, by the Fayette County Chamber of Commerce, (2) if the grant objectives had been met, (3) the grantee's compliance with OMB Circulars, provisions of the grant agreement, and the ARC code, and (4) the status of the project.

SCOPE

We tested five non-personnel costs and thirteen subcontractor costs incurred and claimed for the reimbursement under ARC Contract No. WV-12384-96. Under the terms of this grant, for the complete and satisfactory performance of this grant agreement, and upon receipt of proper invoices approved by ARC, the Commission shall reimburse the grantee for the actual, reasonable and eligible costs of the project, as determined and approved by ARC, provided total cost reimbursement payments shall not exceed \$214,106.

The period of performance for this grant was August 1, 1995 through December 31, 1997. The Appalachian Regional Commission obligated \$214,106 for this grant. The grantee received payments totaling \$214,106 (see **EXHIBIT A**).

We reviewed reports prepared by the grantee and evaluated project records during the period March 10-11, 1998. 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-122* and *A-110*, and the Appalachian Regional Commission Code.

BACKGROUND

The primary purpose of this grant was to provide funds to develop the tourism industry along Appalachian Corridor Highways in West Virginia. Projects were selected, by a local steering committee, that focused on projects that were sustainable and that created economic opportunity and jobs.

The specific objective of this project, financed by ARC, was to supply all personnel, facilities, services and supplies necessary to coordinate projects that will stimulate tourism along Corridor L in West Virginia. The projects included:

- Summersville Trail Plan – development of a trail around Summersville Lake in coordination with the town of Summersville and the Corps of Engineers.
- Summersville Convention and Visitors Bureau – development of a feasibility study for Summersville Convention Center.
- Sign-On! – a study of logo and Tourist Oriented Directional Signage (TODS) for Route 19 and surrounding areas.
- National Whitewater Hall of Fame – a feasibility study to develop a museum for the whitewater industry.
- Small Town Survival – a program to enhance the character of the five incorporated towns along the corridor.
- Historic Fayette Theater – theater promotions oriented to visitors.
- Travelvision – a video program of the area produced for local motel in-room promotions.
- West Virginia Grown – a promotion of West Virginia grown and manufactured products.
- Regional Locator Map – a directional and promotional piece for the Corridor.
- Parks and Wildlife Services (PAWS) – feasibility study of a wildlife resort in Fayette County.
- Hospitality Training – a program to increase awareness of and hospitality of local businesses to visitor.
- Corridor Management Plan – a model project designed to develop proper use of the corridor.
- Route 19 Visitors Center Enhancement – an informational kiosk for the Fayette County Chamber of Commerce.
- Regional Tourism Conference – a regional conference to facilitate networking and development of ongoing corridor organization.

- Travel West Virginia – match of state funding for high school projects that study and promote tourism along the corridor.
- Taste of Southern WV – a feasibility study for a food-oriented event, highlighting the area’s many restaurants and food producers.
- Museum Loop Tour – a brochure to highlight six small museums along Routes 60, 16, and 19.
- Appalachian Adventure Festival/Media Marketing – a triathlon and festival to promote the area and kick off the spring season.
- Theater WV – highlight and promote WV history to students through Theater West Virginia.
- Fayette County Museum – a feasibility and development study of Fayette County Jail Museum.
- Tourism Management Plan – to gather information from four Corridor L counties to provide to a consultant, interested in participating in the Tourism Management Plan for the area.

RESULTS OF APPLYING AGREED-UPON PROCEDURES

All 21 projects under this grant were completed. Selection of the projects, which ranged from \$1,500 - \$40,000, was locally driven by the Corridor L Tourism Enhancement Project Steering Committee. The efforts of the steering committee and local coordinator are indicative of the local incentive and infrastructure in place to continue economic development in rural, central West Virginia.

We tested five non-personnel and thirteen subcontractor costs incurred by the Fayette County Chamber of Commerce under ARC Grant No. WV-12384-96 for the period August 1, 1995 through December 31, 1997. The results of applying agreed-upon procedures are discussed in the **OBSERVATIONS AND RECOMMENDATIONS** section and in **EXHIBIT A** of this report. This grant established an ARC obligation of \$214,106. The grantee requested and received \$214,106 in reimbursement.

Our procedures disclosed ARC funds were deposited in a non-interest bearing account. Federal grant regulations require that Federal funds be placed in interest-bearing accounts.

No non-federal share in cash, contributed services, or in-kind contributions was required under this contract. Total project costs were \$214,106.

OBSERVATION AND RECOMMENDATION

ARC ADVANCES DEPOSITED IN A NON-INTEREST BEARING ACCOUNT

ARC advances are deposited, through the Automated Clearing House (ACH) electronic vendor payments system, into a non-interest bearing business-checking account with the bank in Beckley, West Virginia. No other funds were maintained in this account. Federal regulations require that Federal funds, which have been advanced, be placed in interest-bearing accounts.

OMB Circular A-110, *Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and other Non-Profit Organizations*, subpart C, .22 Payment, sections (k) and (l) states:

Recipients shall maintain advances of federal funds in interest bearing accounts, unless (1), (2), or (3) apply.

(1) The recipient receives less than \$120,000 in federal awards each year.

(2) The best reasonably available interest bearing account would not expect to earn interest in excess of \$250 per year on federal cash balances.

(3) The depository would require an average or minimum balance so high that it would not be feasible within the expected federal and non-federal cash resources.

. . . (l) Interest earned on federal advances deposited in interest-bearing accounts shall be remitted annually to Department of Health and Human Services The recipient for administrative expense may retain interest amounts up to \$250 per year.

The grantee's accountant indicated that the ARC funds had initially been deposited in an interest-bearing account, but that the ARC project coordinator advised her not to use an interest-bearing account. We discussed this issue with the ARC project coordinator, who confirmed that she had advised the grantee to not use an interest bearing account. The project coordinator stated that she was not aware of the requirement to deposit Federal funds in interest-bearing accounts.

RECOMMENDATION

We recommend the Fayette County Chamber of Commerce establish an interest-bearing account for the deposit and maintenance of any future ARC or other federal grant advances.

ARC FUNDS DEPOSITED IN A NON-INTEREST BEARING ACCOUNT

GRANTEE'S RESPONSE

As the grantee's response was obtained at the time of fieldwork, no additional response was necessary, according to the grantee.

ACCOUNTANT'S CONCLUSION

The observation and recommendation remain as previously stated.

**FAYETTE COUNTY CHAMBER OF COMMERCE
OAK HILL, WEST VIRGINIA**

GRANT No. WV-12384-96

GRANT PERIOD: AUGUST 1, 1995 THROUGH DECEMBER 31, 1997

SCHEDULE OF CASH PAYMENTS & PROJECT COSTS

(UNAUDITED)

<u>DATE</u>	<u>PAYMENT</u>	<u>AMOUNT</u>
May 23, 1996	Advance	\$ 66,684.82
September 20, 1996	Progress	107,300.00
July 18, 1997	Progress	26,015.18
November 15, 1997	Advance	7,241.55
February 4, 1998	Final	<u>6,865.00</u>
Total Grant Funding		<u>\$ 214,106.55</u>



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

June 25, 1998


MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: OIG Reports

Enclosed are copies of the following reports:

- 98-13(H), Fayette County, WV Chamber of Commerce Tourism Projects, Corridor L
- 98-14(H), Virginia Department of Housing and Community Development Microenterprise Projects to Promote Economic Independence of Lower Income Individuals
- 98-26(H), Morehead State University, KY Day Care Project
- 98-30(H), Southwestern VA Advanced Manufacturing Technology Center Telecommunications Awareness Project
- 98-31(H), Fay Penn Economic Development Council Business Service Demonstration Project
- 98-32(H), Pennsylvania State University Evaluation of Demonstration Projects
- 98-34(H), Clay County, WV Board of Health Wellness Project
- 98-43(H), Delaware-Chenango-Madison-Otsego BOCES Career Academy

Minor conditions noted in these reviews were generally corrected prior to the issuance of the reports. Followup will be initiated to confirm reconciliation of data in a couple of instances.


Hubert N. Sparks
Inspector General

Enclosures