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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-12070-96 to the Clay County Health Department for the period of May 1, 1996 through March 13, 1998, 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 five payroll costs and three non-personnel costs.
- Determined if specific grant objectives were achieved.
- Determined if matching/non-federal contribution requirements were met.
- 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 Clay County Health Department 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 13, 1998

**REPORT ON APPLYING AGREED-UPON PROCEDURES TO
CLAY COUNTY HEALTH DEPARTMENT
CLAY, WEST VIRGINIA**

GRANT No. WV-12070-96

GRANT PERIOD: MAY 1, 1996 THROUGH SEPTEMBER 30, 1998
(INTERIM REPORT THROUGH MARCH 13, 1998)

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. WV-12070-96, by the Clay County Health Department, (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 payroll and three non-personnel costs incurred and claimed for reimbursement under ARC Grant No. WV-12070-96. 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 \$240,000.

The grantee represented to ARC that \$60,000 would be contributed to the project by the grantee in cash, contributed services, or in-kind contributions.

The period of performance for this grant is May 1, 1996 through September 30, 1998. Our review covered the period May 1, 1996 through March 13, 1998. The Appalachian Regional Commission obligated \$240,000 for this grant. The grantee has received, to date, payments totaling \$164,933 (see **EXHIBIT A**).

We reviewed reports prepared by the grantee, evaluated project records, toured the Clay County High School Wellness Center, and held discussions with the staff during the period March 11-13, 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 Circular A-87*), the *Common Rule*, and the Appalachian Regional Commission Code.

BACKGROUND

The primary purpose of this grant is to provide funds for the Grantee's Youth Wellness Project, which is providing access to comprehensive primary care to approximately 1,250 adolescents in the county middle and high schools. The project has established a wellness center at the schools, and provided internships in medical careers and peer counseling.

The specific objectives of this project, financed by ARC and matching local contributions, were to:

- Establish a wellness center at the Clay County High School and Clay Middle School to provide medical services, counseling, health promotion activities, dental screening, and information and referral services, and
- Promote leadership development through internships in medical careers and peer counseling activities.

RESULTS OF APPLYING AGREED-UPON PROCEDURES

Under this grant, the two school-based wellness centers have improved access to health care and health education for Clay County residents. Important comprehensive primary/preventative care services are being provided to students at both the Clay County High School and Middle School. The project's services include complete physicals, counseling, referrals for dental and vision problems, immunizations, and TB testing. Health education and promotion after-school activities include: aerobics classes; programs for students and parents focused on nutrition education, physical activity and stress management. Leadership development programs provided for the Clay County youth have included the Natural Helpers Peer Counseling program, recruiting students for the Teen Institute of Leadership Development and finalizing plans for the Medical Careers project.

We tested five payroll and three non-personnel costs incurred by the Clay County Health Department under ARC Grant No. WV-12070-96 for the period May 1, 1996 through end of review period. 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 \$240,000. The grantee has received \$164,933, to date, in reimbursements and advances.

Our procedures disclosed the lack of adequate documentation of claimed costs. Grantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities.

The grantee has provided \$45,600 in contributed services, as the matching share. The project was originally planned to end April 30, 1998 but it has been extended through September 30, 1998. An additional \$14,400 of contributed services will be provided, resulting in total project costs of \$300,000.

As of the conclusion of fieldwork, no follow-on funding has been identified to continue the Wellness Center Project beyond the expiration of the ARC grant. The Primary Care Center normally funds wellness centers for West Virginia. The grantee is working on a request for funding from the Primary Care Center to continue the Clay County Wellness Project.

OBSERVATION AND RECOMMENDATION

LACK OF ADEQUATE DOCUMENTATION OF CLAIMED COSTS

Three of five requests for advances or reimbursements (SF 270) submitted to ARC did not reconcile with the grantees records. We noted \$7,122 of unsupported costs claimed, to date, as follows:

SF-270 Period	Grantee Records	Claimed on SF 270	Unsupported Cost
May – Aug 96	\$ 15,387.28	\$ 15,387.28	\$ 0.00
Sept – Dec 96	32,392.98	32,392.98	0.00
Jan – Apr 97	29,935.82	39,758.72	(9,822.90)
May – Aug 97	23,908.39	31,951.73	(8,043.34)
Sept – Dec 97	<u>56,186.60</u>	<u>45,442.40</u>	<u>10,744.20</u>
	<u>\$ 157,811.07</u>	<u>\$ 164,933.11</u>	<u>\$ (7,122.04)</u>

The requirements for grant administration, embodied in the Grants Management *Common Rule* § 20(2), state:

Accounting Records. Grantees and subgrantees must maintain records which adequately identify the source and application of funds provided for financially assisted activities. These records must contain information pertaining to grant or subgrant awards and authorizations, obligation, unobligated balances, assets, liabilities, outlays or expenditures, and income.

The Clay County Health Department administrator, responsible for submitting the above SF 270s, is no longer employed by the grantee. It appears that the Administrator intended to drawdown advances on two SF 270s without specifying them as such to ARC. No additional documentation could be located to support the costs claimed on the SF 270.

RECOMMENDATION

1. We recommend that the grantee reconcile its accounting records with the SF 270s to ensure that all costs are adequately supported. Requests for grant advances should be clearly identified as such on the SF 270s submitted under this grant.
2. We recommend that future SF 270s submitted under this grant be adjusted to reflect the \$7,122.04 in advance funding that has been received by the grantee to date.

Grantee's Response

The grantee has verbally stated that the adjustment in Recommendation 2 has been made. However, we have not been provided a copy of the subsequent SF 270.

Accountant's Conclusion

The observation and recommendations remain as previously stated.

**CLAY COUNTY HEALTH DEPARTMENT
CLAY, WEST VIRGINIA**

GRANT No. WV-12070-96

GRANT PERIOD: MAY 1, 1996 THROUGH SEPTEMBER 30, 1998

(INTERIM REPORT THROUGH MARCH 13, 1998)

SCHEDULE OF CASH PAYMENTS & PROJECT COSTS

(UNAUDITED)

<u>DATE</u>	<u>PAYMENT</u>	<u>AMOUNT</u>
October 16, 1996	Progress	\$ 15,387.28
February 5, 1997	Progress	32,392.98
May 19, 1997	Progress	39,758.72
October 24, 1997	Progress	31,951.73
January 20, 1998	Progress/Advance	<u>45,442.40</u>
ARC Funds Disbursed		164,933.11
Total Local Matching Share Contributed		<u>45,600.00</u>
Subtotal		210,533.11
ARC Funds Remaining		75,066.89
Local Matching Share to be Contributed		<u>14,400.00</u>
Grand Total Grant Funding		<u><u>\$ 300,000.00</u></u>