



JUNE 2, 1998

OIG REPORT NO. 98-38(H)

MEMORANDUM FOR: ROBERT B. LAKE, EXECUTIVE DIRECTOR, WEST ALABAMA
PLANNING AND DEVELOPMENT COUNCIL, NORTHPORT,
ALABAMA

SUBJECT: Memorandum Survey Report--Internal Strategic Planning, ARC
Grant No. AL-12313-96-I-302-0116

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, and (2) to determine if the grant objectives were met.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant as well as costs claimed as the matching share. The period of performance was March 1, 1996 through August 31, 1997. We reviewed the grantee's reports, examined records, and held discussions with grantee officials April 20-21, 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-87, A-102, and the ARC Code.

BACKGROUND

ARC Grant No. AL-12313-96-I-302-0116 was awarded to West Alabama Planning and Development Council for the development of internal strategic plans for each of the seven local development district organizations in Appalachian Alabama. The grant was for the actual, reasonable and eligible project costs, not to exceed \$211,000 (80 percent). The grant was subsequently amended to \$214,000 to provide for additional administrative costs. The grantee was to provide \$53,200 (20 percent) in cash, contributed services, or in-kind contributions.

Specific tasks to be accomplished were:

1. Conduct interviews in focus group settings with community stakeholders and regional council staff;
2. Conduct a multi-program retreat to review findings of the interview process and to develop action strategies for each program identified;

3. Prepare preliminary plans based upon the outcomes of the stakeholder interviews, staff interviews, and multi-program retreat;
4. Conduct a follow-up meeting, after review of the preliminary plans by the LDDs, to affirm the plans' findings and begin the process of adopting final design strategies; and
5. Conduct follow-up public meetings with stakeholders to review programs and identify additional elements for the planning process.

The grantee submitted final progress and financial reports to ARC and the grant account was closed in August 1997. Grant payments from ARC totaled \$196,948.46 and the grantee claimed total matching costs of \$70,019.

RESULTS

Financial Review

During our on-site visit, we reviewed a sample of expenditures claimed as grant and matching costs and found that supporting documentation for \$4,000 of in-kind matching costs was not available. Subsequent to our visit, we noted that documentation for an additional \$600 in in-kind match was not available. The grantee told us they used expenses related to a CDBG grant for their in-kind match but they did not maintain documentation of the specific costs that applied to the ARC grant. Their approved budget indicated \$4,000 from their CDBG grant would be used for personnel costs, fringe benefits, supplies and indirect costs. The additional match of \$600 was to be for personnel and indirect costs. OMB Circular A-110 indicates that matching costs must be "verifiable from the recipient's records."

ARC files clearly indicate the grantee planned to use a CDBG grant as their in-kind match. However, the grantee indicated during our on-site visit that the CDBG grant was for a sewer and water project and we question how it relates to the work to be accomplished by the ARC project. OMB Circular A-110 indicates that the grantee's matching contributions must be "necessary and reasonable for proper and efficient accomplishment of project or program objectives."


The grant agreement indicated the grantee was to provide a matching share of \$53,200. They claimed \$70,019 including the \$4,600 we are questioning. There appears to be sufficient match to satisfy the requirement of the grant agreement, however, the grantee should take care in the future to ensure that matching costs are documented and relate to the ARC project. It should be noted that we reviewed only the match provided by the grantee's portion of the grant. Documentation for matching costs provided by the six other LDDs was not available at the grantee's site during our review.

No deficiencies were noted regarding the documentation or allowability of grant costs totaling \$196,948.46.

Recommendation: We recommend that the grantee ensure that their matching contributions for future ARC projects are fully documented and verifiable and that the costs are necessary and reasonable for the accomplishment of the project.

Program Review

The grantee completed the tasks required by the grant agreement. They entered into an agreement with the Institute of Community and Area Development (ICAD) at the University of Georgia to do some of the grant work as planned. ICAD provided research, held focus group discussions in each of the seven LDD areas, conducted a decision conference retreat, worked with regional representatives to establish preliminary action strategies, facilitated the development of multi-regional strategies, and prepared reports covering each participating LDD. Work accomplished by the participating LDDs included data gathering, identifying and communicating with community stakeholders, participating in group sessions with the other LDDs and ICAD, and reviewing and commenting on ICAD's reports. ICAD's final report included an analysis of each LDD with strategy statements and recommendations based on the needs of each LDD.


Hubert N. Sparks
Inspector General



June 3, 1998

Mr. Robert B. Lake, Executive Director
West Alabama Planning and Development Council
4200 Highway 69 North, Suite 1
Northport, AL 35476

re: **OIG Report 98-38(H), AL-12313-96**


Dear Mr. Lake:

Enclosed is a copy of our report dealing with a grant for internal strategic planning. The report noted minor conditions that do not require a response to my office.

A copy of the report is being forwarded to the Federal Co-Chairman, Executive Director, and Alabama State Alternate.

The courtesies and cooperation extended to the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



*West
Alabama*

Planning & Development Council

4200 Highway 69 North • Suite 1
Northport, AL 35476
(205) 333-2990 • FAX: (205) 333-2713

Leland Avery, Chairman
Roy H. Dobbs, Vice Chairman

Robert B. Lake, Executive Director

November 12, 1997

Mr. Hubert N. Sparks, Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Washington, D.C. 20235

Subject: ARC Grant AL-12313-96, Internal Strategic Planning

Dear Mr. Sparks:

Enclosed is a copy of your internal control questionnaire completed by Mike McDaniel, our agency's comptroller. We have retained completed copies for our files also. If you have any questions, please call Mike at extension 202 or me at extension 215.

Sincerely,

Jean Rosene
Appalachian Programs Director

enc.

cc: Bonnie Durham, State ARC Program Manager

APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL

SURVEY QUESTIONNAIRE

GENERAL INFORMATION ABOUT THE AUDITEE

1. Auditee Name: West ALABAMA PLANNING & DEVELOPMENT COUNCIL
2. Address: 4200 Hwy 69 N. - Suite 1
NORTHPORT, AL. 35473
3. Telephone No.: 205-333-2990
4. Principal Executive (Name and Title): ROBERT B. LAKE - EXECUTIVE DIRECTOR
5. Primary Contact Person for Audit: MIKE MCDANIEL - COMPTROLLER / JEAN ROSENE
ARC DIRECTOR
6. Date Accounting Year Ends: SEPTEMBER 30
7. Independent CPA Firm: MORRISON & SMITH, CPA
8. Date of Last Independent Audit: LAST COMPLETED AUDIT - 9/30/96
AUDIT UNDERWAY - 9/30/97
9. Cognizant Government Audit Agency
Name: DEPARTMENT OF COMMERCE (DOES NOT APPROVE INDIRECT & FRINGE PLANS OR RATES)
Contact Person: LARRY GROSS
Telephone: 202-482-5221
10. Latest Negotiated Indirect Cost Rate Agreement Covers - ALABAMA COMMISSION APPROVES RATES ON AGING FOR THE US DEPT. OF HEALTH AND HUMAN SERVICES
Final Rates Through: APPROVED - 10/1/96 - 9/30/97
Provisional Rates Through: SUBMITTED - 10/1/97 - 9/30/98
11. Location of Accounting Records: WAPDC
12. Type of Organization: NON PROFIT GOVERNMENTAL
13. Number of Employees: 20

GENERAL INFORMATION ABOUT OPERATIONS

| | Yes | No | N/A | Comment |
|--|-----|----|-----|----------------------|
| 1. Are all funds maintained in a single or multiple general ledger system? | X | | | <u>MULTIPLE</u> |
| 2. Is the accounting system maintained on a cash or accrual basis? | X | | | <u>MODIFIED CASH</u> |
| 3. Can the accounting system provide the ability to compare expenditures with budgeted amounts for each cost category? | X | — | — | |
| 4. Can the accounting system provide the ability to compare expenditures with budgeted amounts for each direct cost objective? | X | — | — | |
| 5. Are there written procedures for | | | | |
| --accounting? | X | — | — | |
| --travel? | X | — | — | |
| --purchasing? | X | — | — | |
| 6. How often is the general ledger posted? | | | | <u>MONTHLY</u> |
| 7. How often do you reconcile bank accounts? | | | | <u>MONTHLY</u> |
| 8. Do you prepare a monthly financial statement/trial balance for each program? | X | — | — | |
| Can these reports be tied into the general ledger? | X | — | — | |
| 9. Are general journal entries approved by a responsible employee? | X | — | — | |
| 10. Are general journal entries adequately explained or supported by documentation? | X | — | — | |
| 11. How many bank accounts do you have? | | | | <u>13</u> |

| | Yes | No | N/A | Comment |
|---|----------|----------|----------|---------|
| 12. Are authorized check signers limited to employees who do not have access to | <u>X</u> | <u>—</u> | <u>—</u> | |
| --accounting records and entries? | <u>—</u> | <u>X</u> | <u>—</u> | |
| --cash receipts? | <u>—</u> | <u>X</u> | <u>—</u> | |
| --petty cash funds? | | | | |
| 13. Is the signing or countersigning of checks in advance prohibited? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 14. Is drawing checks payable to cash prohibited? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 15. Are checks prenumbered? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 16. Are blank checks properly controlled? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 17. Are voided checks mutilated and properly accounted for? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 18. Do cash reconciliation procedures include | | | | |
| --accounting for the sequence of checks? | <u>X</u> | <u>—</u> | <u>—</u> | |
| --inspecting endorsements? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 19. Where used, how are mechanical check signers safeguarded? | | | <u>X</u> | |
| 20. Does the accounting department | | | | |
| --check invoice extensions? | <u>X</u> | <u>—</u> | <u>—</u> | |
| --compare invoices with purchase orders as to unit prices and quantities? | <u>X</u> | <u>—</u> | <u>—</u> | |
| --match purchase orders and receiving reports? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 21. Do you use formal purchase orders? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 22. Are bank reconciliations prepared by an employee who does not handle cash receipts or prepare or sign checks? | <u>X</u> | <u>—</u> | <u>—</u> | |
| 23. Does supporting documentation accompany checks when submitted for signature? | <u>X</u> | <u>—</u> | <u>—</u> | |

| | Yes | No | N/A | Comment |
|--|----------------------|--------|--------|--|
| 24. Are vouchers reviewed and approved by an authorized representative prior to payment? | <u>X</u> | — | — | |
| 25. Are paid vouchers and supporting documentation canceled to prevent resubmission? | <u>X</u> | — | — | |
| 26. Are paid vouchers and supporting data filed by --vendor? --month? | <u>X</u> | — | — | |
| 27. How often are cash receipts deposited? | | | | <u>DAILY</u> |
| 28. Is action involving hiring, dismissal, or change in pay rate approved by personnel department or other persons independent of payroll functions? | <u>X</u> | — | — | |
| 29. How often are employees paid? | | | | <u>MONTHLY</u> |
| 30. Are time and attendance records used in the preparation of the payroll for all employees? | <u>X</u> | — | — | |
| 31. Are time and attendance forms required to be signed by --all employees? --a supervisor? | <u>X</u> <u>X</u> | — — | — — | |
| 32. Name the person(s) who --maintains time and attendance records --prepares paychecks --distributes paychecks | | | | <u>ACCOUNTING Clerk</u> <u>ACCOUNTING Clerk</u> <u>DEPUTY DIR. OF ADMINISTRATION</u> |
| 33. Are payrolls approved by an authorized person? | <u>X</u> | — | — | |
| 34. Are employees paid by cash or check? | | | | <u>check</u> |
| 35. How are unclaimed and undelivered checks safeguarded? | | | | <u>VOIDERS</u> |

| | Yes | No | N/A | Comment |
|---|------------------|------------------|------------------|--|
| 36. Are unclaimed checks canceled --immediately? --within 30 days? --within 60 days? --within 90 days? | — — — — | X X X X | — — — — | ONCE A YEAR BY AUDITOR |
| 37. Does the payroll system provide for earnings records that indicate total earnings, deductions, and net pay for each employee? | X | — | — | |
| 38. If the payroll is paid from a payroll imprest fund, is this fund reconciled regularly? | X | — | — | |
| 39. Do you have an established vacation and sick leave policy? | X | — | — | |
| 40. Are all employees in key financial positions required to take mandatory vacations? | — | X | — | NOT REQUIRED BUT ALWAYS TAKEN. |
| 41. Is compensatory leave granted? | — | X | — | |
| 42. Is overtime compensated? Is it recorded on the time sheets? | — — | X X | — — | |
| 43. Are all employees covered by a company-paid health insurance and/or hospitalization plan? | X | — | — | |
| 44. Are employees covered by a retirement plan? | X | — | — | |
| 45. Has the company made proper withholding and payment of applicable Federal, state, and local taxes? | X | — | — | |
| 46. Do you follow Federal Travel Regulations or equivalent? | X | — | — | |
| 47. Are travel authorizations approved in <u>advance</u> by an authorized representative? | X | — | — | VERBALLY IN ADVANCE (WRITTEN AUTHORIZATION AFTER RECEIPTS FOR TRAVEL ARE SUBMITTED) |

| | Yes | No | N/A | Comment |
|--|----------|----------|-----|---|
| 48. Are leases on file for all rented property? | <u>X</u> | — | — | |
| 49. Do you own or lease company cars or other vehicles? | <u>X</u> | — | — | LEASE |
| 50. Do you rent/own/lease office space? | | | | <u>OWN</u> |
| 51. Do the leases set forth the responsibilities of the lessor and lessee regarding maintenance, utilities, and other services to be provided? | <u>X</u> | — | — | |
| 52. Has rent been paid for any period of time on unoccupied space? | — | <u>X</u> | — | |
| 53. Are detailed equipment records --maintained? | <u>X</u> | — | — | |
| --controlled through general ledger accounts? | <u>X</u> | — | — | |
| --balanced periodically with general ledger accounts? | <u>X</u> | — | — | |
| 54. Is the physical existence of equipment periodically verified by comparison with detailed records? | <u>X</u> | — | — | |
| 55. Is Government property correctly identified? | <u>X</u> | — | — | |
| 56. Have you disposed of any Government property in the past 2 years? | <u>X</u> | — | — | ONLY EQUIPMENT PURCHASED WITH LOCAL CASH |
| 57. Is indirect cost allocated among programs/cost objectives? | <u>X</u> | — | — | |
| 58. Has a Federal agency approved the indirect cost allocation plan? | <u>X</u> | — | — | |
| 59. How often are indirect costs allocated? | | | | <u>MONTHLY</u> |
| 60. Are allowable and unallowable costs identified and segregated in the accounting records? | <u>X</u> | — | — | WE DON'T USUALLY HAVE UNALLOWABLE COSTS. HOWEVER THEY WOULD BE CHARGED TO LOCAL CASH IF WE DID. |

| | Yes | No | N/A | Comment |
|---|----------|----|----------|---------|
| 61. Do you have gasoline or other credit cards? | <u>X</u> | — | — | |
| 62. Do procedures provide for documenting in-house capabilities prior to subcontracting for services? | <u>X</u> | — | — | |
| 63. Are subcontracts written so the services to be rendered are clearly defined? | <u>X</u> | — | — | |
| 64. Do you currently have any subgrantees or subcontracts? | <u>X</u> | — | — | |
| 65. Do subcontracts include ARC requirements? | <u>X</u> | — | — | |
| 66. Are subcontractors examined periodically by certified or independent public accountants or by the audit staff of a public body? | <u>X</u> | — | — | |
| 67. Do contracts for services of consultants | | | | |
| --clearly state the work to be performed? | — | — | <u>X</u> | |
| --specify the reports required? | — | — | <u>X</u> | |
| --specify rates of pay? | — | — | <u>X</u> | |
| --provide for travel or other expenses? | — | — | <u>X</u> | |
| --require a record or proof of work performance and accomplishments? | — | — | <u>X</u> | |
| 68. Do you have procedures for evaluating work performed by consultants? | — | — | <u>X</u> | |
| 69. Do you retain all accounting records for at least 3 years following the completion of a contract? | <u>X</u> | — | — | |
| 70. Are all employees in positions of financial responsibility required to be bonded? | <u>X</u> | — | — | |
| 71. Are OMB cost principles and requirements (i.e., A-87, A-122, A-102) utilized? | <u>X</u> | — | — | |



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

June 3, 1998


Ms. Bonnie F. Durham
ARC Program Manager, Appalachian Region
at Northeast State Community College
P. O. Box 159
Rainsville, AL 35986

re: OIG Reports 98-38(H) and 98-39(H); ARC
 Grants AL-12313-96 and AL-12314-96

Dear Ms. Durham:

Enclosed are copies of our memorandum reports dealing with grants for export assistance and management training and internal strategic planning.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosures