



July 21, 1999


MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: OIG Reports 99-25(H) and 99-26(H), WV-7762 and WV-12352

Enclosed are reports dealing with West Virginia Consolidated Technical Assistance grants and a grant for a water-line extension at the Southwest Regional Jail, Logan, West Virginia.

The West Virginia Technical Assistance report notes several conditions, including the need to support the match; but the primary issue, in our opinion, relates to the use of funds as noted in the background section on page 1 and item 3 on page 6. The limited use of available funds (24- and 31-percent, respectively, for 1996 and 1997 grants), which was attributable in part to limited matching funds, should be discussed with state officials. One recommendation for consideration would be a reduced technical assistance request, with additional funds allocated to other projects, since the majority of West Virginia underspending appears to involve the technical assistance grants.

The report on the water-line extension project notes that \$67,425 of funds were unused and recommends that ARC ensure these funds are recovered after the final project reports are submitted to HUD.

  
Hubert N. Sparks  
Inspector General

Enclosures

**MEMORANDUM REPORT ON REVIEW OF  
LOGAN COUNTY COMMISSION  
LOGAN, WEST VIRGINIA**

**Southwest Regional Jail/Industrial Park Water Project**

**ARC Grant Number: WV-12352-96-I-214-0126**

**May 10, 1996 Through May 10, 1998**

**CAUTION:** *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

**Report Number: 99-26 (H)**

**Date: July 8, 1999**

MEMORANDUM REPORT ON REVIEW OF  
LOGAN COUNTY COMMISSION  
LOGAN, WEST VIRGINIA

Southwest Regional Jail/Industrial Park Water Project

ARC Grant Number: WV-12352-96-I-214-0126

May 10, 1996 Through May 10, 1998

Prepared By:

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TO: Appalachian Regional Commission (ARC)  
Office of Inspector General (OIG)

FROM: Tichenor & Associates  
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report No. 99-26 (H)

SUBJECT: Memorandum Review Report on Logan County Commission, Southwest  
Regional Jail/Industrial Park Water Project, Logan, West Virginia, ARC  
Grant Number WV-12352-96-I-214-0126.

**PURPOSE:** The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Logan County Commission, for the Southwest Regional Jail/Industrial Park Water Project were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

**BACKGROUND:** ARC awarded Grant Number WV-12352-96-I-214-0126 to Logan County Commission for the period May 10, 1996 through May 10, 1998. Total grant funding was for an amount not to exceed \$1,600,000 or 78.1 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant to be matched with \$450,000, or 21.9 percent in cash, contributed services, and in-kind contributions, as approved by ARC. ARC funding was made available through the United States Department of Housing and Urban Development (HUD) and the West Virginia Development Office. The purpose of this grant was to provide a potable water supply to the Southwestern Regional Jail as well as an industrial park that will be located at the project site. The project includes the construction of one 250,000 gallon water storage tank, one booster pump station, 29,900 feet of 10 inch and 8 inch diameter water lines, 5 fire hydrants, and other related items. The project will provide employment of approximately

eighty (80) persons at the proposed Southwestern Regional Jail Complex. Also, indirectly related to the new jail complex will be the creation of approximately 150 service industry jobs. An estimated 15-20 construction jobs will be created by this project.

SCOPE: We performed a program review of the grant 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 in accordance with the ARC, OIG Review Program. Specifically, we determined if the 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 the Logan County Commission had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Logan County Commission personnel. Our results and recommendations are based on those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at the Region II Planning and Development Office, in Huntington, West Virginia on June 1 and June 2, 1999, and the Logan County Public Service District, in Logan, West Virginia on June 3, 1999.

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

The Logan County Commission incurred total program costs of \$1,975,626, of which they claimed direct reimbursable costs from May 10, 1996 through May 10, 1998 of \$1,532,575, and in-kind costs of \$443,051. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported. However, we determined that \$67,425 of approved grant funds were being held by HUD and not drawn down during the grant period. This issue is discussed below.

##### **1. ARC Funds Not Drawn Down**

The Logan County Commission was awarded \$1,600,000 of ARC funding to be used within the grant period of May 10, 1996 through May 10, 1998. This funding was made available through the United States Department of Housing and Urban Development. However, as of our fieldwork date, June 3, 1999, only \$1,532,575 had been drawndown by The Logan County Commission from HUD. As a result, \$67,425 of ARC funds were not drawndown and remain with HUD.

OMB Circular A-102, Subpart D – After-The-Grant Requirements, paragraph 52, collection of amounts due states:

- (a) Any funds paid to a grantee in excess of the amount to which the grantee is finally determined to be entitled under the terms of the award

constitute a debt to the Federal Government. If not paid within a reasonable period after demand, the Federal agency may reduce the debt by:

- (1) Making an administrative offset against other requests for reimbursements.
- (2) Withholding advance payments otherwise due to the grantee,  
or
- (3) Other action permitted by law.

## **B. Internal Controls**

We reviewed the internal controls in place for recording, accumulating and reporting costs under the grant as well as the internal controls surrounding the implementation of the program. We determined that the systems of internal control were adequate for reporting and disclosure of pertinent financial data. Also, the controls in place appear adequate to ensure that questioned costs are not an issue for future grants.

## **C. Program Results**

Our review of The Logan County Commission Southwest Regional Jail/Industrial Park Water Project indicated all specific tasks identified in the grant, and summarized above, had been achieved.

### RECOMMENDATION:

We recommend that the ARC ensure that the \$67,425 of funding for this project not spent is returned to ARC from HUD.

### DISCUSSION:

We discussed these issues with The Logan County Public Service District's management during the exit conference held on June 3, 1999. Management concurred that the total grant funding of \$67,425 had not been expended.

### OTHER:

We provided a copy of the draft report to the West Virginia Development Office management on June 17, 1999. Management responded to our findings and recommendations as follows:

The grantee stated that a Final Performance Report (FPR) would be submitted to the West Virginia Development Office in the near future from the Region II Planning and Development Office which will provide a complete status of all fund expenditures and balances. Upon receipt

and approval of the FPR, an interim closeout will be issued to the Logan County Commission. At that point in time, a Financial Status Report and Grantee Performance Report will be issued to HUD and ARC. These documents will notify HUD and ARC to recapture the unexpended funds in the amount of \$67,425.

ADDITIONAL COMMENTS:

We make no further recommendations at this time.

*Tichenor & Associates*

TICHENOR & ASSOCIATES  
Louisville, Kentucky  
June 3, 1999



**APPALACHIAN  
REGIONAL  
COMMISSION**

*A Proud Past,  
A New Vision*

*Office of the Inspector General*

July 21, 1999

Mr. Rick Roberts  
Managing Engineer  
Logan County Public Service District  
White-Browning Building  
201½ Stratton Street, Suite 507  
Logan, WV 25601

re:   OIG Report 99-26(H), ARC Grant WV-12352-96

Dear Mr. Roberts:


Enclosed is a copy of our report dealing with a grant for a water project related to the Southwest Regional Jail. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract to my office.

No response is requested, and ARC will followup to ensure that the unexpended funds are recaptured.

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

The courtesies and cooperation afforded the auditors were appreciated.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure