



November 9, 1999

MEMORANDUM FOR: FEDERAL CO-CHAIRMAN AND ARC EXECUTIVE DIRECTOR

FROM: HUBERT N. SPARKS INSPECTOR GENERAL

SUBJECT: OIG Reports 99-19(H), 99-24(H), 99-31(H), 99-32(H) and 99-41(H) Grant Nos. KY-11586-94, TN-12930-98, OH-12622-97, OH-12727-97 and NC-12345-97

The reviews covered projects dealing with rural health and wellness, entrepreneurial initiative, facilities planning, telecommunications equipment and leadership development training.

Open issues pertain to (1) the support for \$76,917 in matching contributions for the rural health and wellness project conducted by Prestonburg Kentucky Community College; (2) year end adjustments to indirect costs for the technology 2020 entrepreneurial initiative; (3) submission of reports, contractor selection process and expenditures prior to the grant period by The Wilds in connection with a facilities planning project; and (4) return of \$8,992 in unspent funds and supporting documentation for \$189,000 in matching contributions by Ohio University Southern Campus for a telecommunications project.

Enclosures

cc: Judy Rae

**Final Report  
On**

**GRANT AGREEMENT EXPENDITURES AUDIT  
Grant NC-12345-96/97  
North Carolina State University  
Raleigh, North Carolina**

**Submitted to the  
OFFICE OF INSPECTOR GENERAL  
OF THE  
APPALACHIAN REGIONAL COMMISSION**

**Prepared by**

**Leon Snead & Company, P.C.  
September 29, 1999**

99-41(4)

## **BACKGROUND AND OBJECTIVES**

The Appalachian Regional Commission (ARC) awarded grant NC-12345-96/97 to the North Carolina State University in Raleigh, North Carolina to conduct a project entitled, "The Emerging Issues Forum Fellowships: A Leadership Development Project for North Carolina's Rural Teachers". The grant, as amended, was for the period from April 1, 1996 through June 1, 1998 in the amount of \$227,424.

Leon Snead & Company, P.C. is under contract to the Office of Inspector General (OIG) of the ARC to provide audit services. We were tasked with conducting an audit of the expenditures reported to the ARC under grant NC-12345-96/97. The objective of our audit was to determine whether the reported expenditures were allowable, allocable, and reasonable.

## **SCOPE AND METHODOLOGY**

The provisions of the grant agreements, Office of Management and Budget Circular A-21 "Cost Principles for Educational Institutions", and the ARC Code were used as the basis for determining allowable costs and compliance requirements. We performed our audit in accordance with Government Auditing Standards, 1994 version, as amended, issued by the Comptroller General of the United States.

We visited the North Carolina State University, Office of Contracts and Grants, in Raleigh, North Carolina, during the period September 20 - 24, 1999. We reviewed documentary support for reported grant NC-12345-96/97 expenditures and performed selected audit tests as necessary to determine whether the expenditures charged to this grant were allowable, allocable, and reasonable.

We reviewed the grantee's final "Transactions For Account 5-37127" listing of charges attributable to grant NC-12345-96/97 totaling \$227,421. We judgmentally selected a sample of 107 of the 898 transactions comprising the listing for detail testing. The transactions tested totaled \$100,993, or about 44% of the total grant expenditures. The transactions sampled included those covering employee salaries, contracted services, travel, current services, student aid and indirect charges.

We also reviewed fringe benefit charges for reasonableness and compliance with the terms of the grant agreement.

## **AUDIT RESULTS**

We found that the expenditures charged to grant NC-12345-96/97 were allowable, allocable, and reasonable. All 107 of the grant expenditures transactions we tested were incurred within the authorized grant expenditure period, and the expenditure detail support indicated that these expenditures were proper grant NC-12345-96/97 charges.

## CONCLUSION

Based on the results of our audit, in our opinion, the expenditures of \$227,421 reported to the ARC for grant NC-12345-96/97 are allowable, allocable and reasonable and should be accepted by the ARC.

## DISTRIBUTION

This report is intended for the information and use of the OIG and management of the ARC and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

*Leon Snead & Company, P.C.*  
LEON SNEAD & COMPANY, P.C.  
September 29, 1999



November 5, 1999

Ms. Sharon Boyd  
Office of Contracts and Grants  
North Carolina State University  
Box 7214  
Raleigh, North Carolina 27695-7514

Re: OIG Report 99-41 (H)  
Grant No. NC-12345-96/97

Dear Ms. Boyd:


Enclosed is a copy of our report dealing with a grant for a leadership development project. The work was performed by auditors with Leon Snead and Company, P.C., under contract with my office.

As noted, the report contained no findings or recommendations and is considered closed.

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

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure