
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD**

**Southwest Virginia Cultural Heritage Commission
Southwest Virginia Economic Development Initiative
Lebanon, Virginia**

**Final Report Number: 14-20
Project Number: VA-16944
May 2014**

**Prepared by
Leon Snead & Company, P.C.**



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May 12, 2014

Appalachian Regional Commission
Office of the Inspector General
1666 Connecticut Avenue, N.W.
Washington, D.C. 20009

Leon Snead & Company, P.C. has completed an audit of grant number VA-16944 awarded by the Appalachian Regional Commission (ARC) to the Southwest Virginia Cultural Heritage Commission (the Commission). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved grant budgets; (3) internal grant guidelines and best practices, including program (internal) controls, were appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and the goals and objectives of the grants were met.

The Commission did not have an effective financial management system and related internal controls in place to manage and administer the ARC grant reviewed. As a result, we questioned \$225,319 in costs claimed for reimbursement and questioned \$145,786 in costs used as matching costs because the amounts claimed were either: incurred prior to the grant start date; not adequately supported; or unallowable costs. We also found that the Commission had an adequate process in place for obtaining and recording data related to the goals and objectives of the grant. The records and reports indicated that the tasks required by the grant agreement were being accomplished. However, the overall results of the project and use of ARC's funding were not determinable because the project was still in progress.

The issues noted during the audit and our recommended corrective actions are discussed in detail in the Findings and Recommendations section of the report. A draft report was provided to the Commission on March 31, 2014, for comments. The Commission provided a response to the report on May 1, 2014, addressing our recommendations. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the Commission and ARC staff during the audit.

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number VA-16944 awarded by the Appalachian Regional Commission (ARC) to the Southwest Virginia Cultural Heritage Commission (the Commission). The audit was conducted at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

The Virginia General Assembly established the Commission in 2008. The 2011 General Assembly created the Southwest Virginia Cultural Heritage Foundation to operate as successor to the Commission. The Foundation encompasses a 19-county and three-city area of southwestern Virginia. The purpose of the Foundation is to encourage economic development of Southwest Virginia through the expansion of cultural and natural heritage ventures promoting entrepreneurial and employment opportunities across the region. The 23-member board of trustees represents state, local and regional governments; state and local tourism, educational, cultural and music organizations; and the Virginia General Assembly. An executive director selected by the board manages the day-to-day operations and programs.

ARC grant VA-16944 was initially awarded to cover the period June 20, 2011 through December 1, 2013; however, the grant agreement was amended to extend the grant performance period to June 1, 2014 and to revise the project's budget. The grant provided \$500,000 in ARC funds and required \$850,000 in non-ARC matching funds for the implementation of a regional branding and business recruitment campaign by promoting the quality of life and business climate of Southwest Virginia. The funds were to be used to: (1) implement a regional/national marketing initiative; (2) develop and market group tours; (3) develop and mail printed marketing materials; (4) develop a mobile application for smart phones; and (5) create a new website and search engine optimization. The grant activities had not been completed at the time of the audit. The total project cost reported under the grant through September 30, 2013 was \$1,240,937.

Objectives, Scope, and Methodology

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant requirements; (2) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the matching requirements and the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed the Commission staff to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed the Commission's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We also reviewed the most recent audit report (for the fiscal agent - Round the Mountain) to determine whether there were any issues that impacted the ARC grant.

Of the \$451,552 in expenditures charged to the grant and claimed for reimbursement through September 30, 2013, we selected a sample of \$358,261 in expenditures charged to the grant for testing to determine whether the charges were properly supported and allowable. In addition, we selected a sample of \$311,450 in expenditures for testing that were charged to the grant and used as matching costs.

The primary criteria used in performing the audit were the provisions of the ARC grant agreement, applicable Office of Management and Budget (OMB) Circulars, and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of February 24 through March 5, 2014, including on-site work at the Commission's office in Abington, Virginia. The audit results were discussed with the Commission representatives at the conclusion of the on-site visit.

Summary of Audit Results

The Commission did not have an effective financial management system and related internal controls in place to manage and administer the ARC grant reviewed. As a result, we questioned \$225,319 in costs claimed for reimbursement and questioned \$145,786 in costs used as matching costs because the amounts claimed were either: incurred prior to the grant start date; not adequately supported; or unallowable costs. We also found that the Commission had an adequate process in place for obtaining and recording data related to the goals and objectives of the grant. The records and reports indicated that the tasks required by the grant agreement were being accomplished. However, the overall results of the project and use of ARC's funding were not determinable because the project was still in progress.

The issues noted during the audit and our recommended corrective actions are discussed in detail in the Findings and Recommendations section of the report.

Findings and Recommendations

A. Costs Incurred Prior to Grant Period

We questioned \$33,287 in expenditures charged to the grant and \$137,286 in expenditures used as matching costs because the expenditures were incurred prior to the June 20, 2011 grant start date, as identified in the table below. The ARC Grant Administration Manual states that ARC will not reimburse for expenditures occurring before or after the grant period.

Costs Incurred Prior to Grant Period			
Invoice/ Item	Dates	Amount Charged to Grant	Amount Used as Matching Costs
#6559,6684,110215CV, 6839, 7026, 7148, 7374, 72944 & Holston	1/31/2011-6/15/2011		\$ 38,211.61
8709-D Printed Materials	2/15/2011-6/16/2011		12,105.67
8709-G Ad Buys	10/15/2010-6/15/2011		55,131.16
#7265 - Charles Ryan	April/ May 2011		10,538.96
#7394 - Charles Ryan	May/June 2011		6,916.45
#7535 - Charles Ryan	6/1/2011		6,268.58
#7375 - Charles Ryan	6/7/2011		400.00
#7432 - Charles Ryan	May 2011		5,215.45
#7495 - Charles Ryan	May 2011		2,497.75
Total			\$137,285.63
BB& T - go Daddy	12/16/2010	\$ 585.18	
BB& T - go Daddy	1/10/2011	344.12	
BB& T - go Daddy	2/6/2011	239.88	
BB& T - go Daddy	3/25/2011	425.16	
#7149 - Charles Ryan	April 2011	9,000.00	
#7373 - Charles Ryan	May 2011	9,000.00	
#7433 - Charles Ryan	May/June 2011	9,000.00	
#7538 - Charles Ryan Google	6/1/2011-6/30/2011	4,692.57	
Total		\$33,286.91	

The issue of charging costs incurred prior to the grant period was discussed with the Commission representatives at the conclusion of the on-site visit. They did not express any disagreement with the finding or indicate what action would be taken to address the issue.

Recommendations

The Commission should:

1. Refund to ARC the \$33,287 claimed for costs incurred before the grant start date.
2. Obtain adequate supporting documentation to replace the \$137,286 in prior year costs used as matching and submit it to ARC for consideration. If documentation cannot be obtained, refund to ARC the \$137,286 reported as matching costs.
3. Submit a revised SF-270 report to ARC to adjust for any refunds that are made.

Grantee Response

The Commission stated in its response that it concurs with the finding and agree to remove the \$33,286.91 in ARC costs, along with the \$137,285.63 in matching costs.

Reviewer's Comments

The three recommendations should remain open until the grantee provides evidence to ARC that the \$33,286.91 in claimed ARC funds and the \$137,285.63 in matching costs have been adjusted out of the reported project costs.

B. Supporting Documentation

We questioned \$71,425 in expenditures charged to the grant and \$8,500 in expenditures used as matching costs because of insufficient supporting documentation. The ARC grant agreement requires that "...The documentation in support of each action in the accounting records shall be filed in such a manner that it can be readily located...." Further, the applicable federal cost principles states that professional services costs are allowable based on the adequacy of the contractual agreement for the service (e.g., description of the service, estimate of time required, rate of compensation, and termination provisions). In addition, in order for retainer fees to be allowable they must be supported by evidence of bona fide services.

We determined that monthly retainer fees were charged to the grant or used as matching costs during the period July 2011 through July 2012. The retainer fees were payments to a contract-marketing firm - Charles Ryan Associates, LLC (CRA). In addition, we were not provided adequate documentation to support the charges to the grant for travel expenses, event management expenses, ticket sponsor expenses and project fees, as identified in the table below.

Costs Claimed with Insufficient Supporting Documentation					
Invoice/ Item	GL Date	Vendor	Category	Amount Charged to Grant	Amount Used as Matching Costs
#7569 - Charles Ryan	08/01/2011	Charles Ryan	Retainer	\$10,000	
#7627 - Charles Ryan	08/11/2011	Charles Ryan	Travel	1,719	
#7710 - Charles Ryan	09/01/2011	Charles Ryan	Travel	206	
#7710 - Charles Ryan	09/01/2011	Charles Ryan	Retainer	5,000	
#7945/7975 - C. Ryan	10/05/2011	Charles Ryan	Retainer	5,000	
#8008 - Charles Ryan	11/01/2011	Charles Ryan	Retainer	5,000	
#8141 - Charles Ryan	12/02/2011	Charles Ryan	Retainer	5,000	
#8369 - Charles Ryan	01/09/2012	Charles Ryan	Retainer	5,000	
#8441 - Charles Ryan	02/01/2012	Charles Ryan	Retainer	5,000	
#8616 - Charles Ryan	03/01/2012	Charles Ryan	Retainer	5,000	
#8737 - Charles Ryan	04/01/2012	Charles Ryan	Retainer	5,000	
#8870 - Charles Ryan	05/01/2012	Charles Ryan	Retainer	5,000	
#8999 - Charles Ryan	06/01/2012	Charles Ryan	Retainer	5,000	
#9113 - Charles Ryan	08/31/2012	Charles Ryan	Retainer	5,000	
JoAnne Hairston	11/14/2011	JoAnne Hairston	Event Mgmt.	2,500	
# 258	05/12/2012	Symphony of the Mountains	Ticket Sponsor	2,000	
Total				\$71,425	
#7495 - Charles Ryan	07/06/2011	Charles Ryan	Retainer		\$5,000
#7495 - Charles Ryan	07/06/2011	Charles Ryan	Project Fee		3,500
Total					\$8,500

For example, the CRA invoices for retainer fees contained no information other than "Retainer Service Fee." An email attached to the last vendor invoice received in July 2012, questioned the month covered by the invoice, but there was no documentation in the file to indicate a response was received. In addition, the staff was unable to locate an executed copy of the contract in their records; however, they contacted the vendor, who was able to provide

a copy of the signed contract executed on December 10, 2010. The Commission did not renew the marketing contract, which expired July 1, 2012. We were told that the functions are now performed in-house.

The contract compensation agreement stated that CRA would receive a monthly retainer of \$5,000 to cover all costs associated with strategic development, account service, creative development and production, travel, and coordination. In addition, CRA would charge a three percent markup on paid media purchases. The agreement also stated that all monthly invoices would include a detailed summary of work performed. During our audit, the Commission personnel contacted CRA to request the detailed summary of work performed. CRA replied "...that is a tall order indeed specifically since it was not requested while the account was active and the invoices were paid...." After the on-site visit, CRA provided a summary printout of all personnel hours charged to the project, but no other information supporting the invoices.

We noted in the files that the Commission had previously questioned whether the ARC grant would pay for "Ad Agency" retainer fees, and in an email dated August 30, 2012, the Program Administration and Assistance Office of the Virginia Department of Housing and Community Development replied "Definitely not."

The issue of insufficient supporting documentation was discussed with the Commission representatives at the conclusion of the on-site visit. They did not express any disagreement with the finding or indicate what action would be taken to address the issue.

Recommendations

The Commission should:

1. Obtain appropriate documentation, in accordance with the contract, to support the \$71,425 in questioned expenditures charged to the grant and the \$8,500 in expenditures used as matching costs and submit it to ARC for consideration. If documentation cannot be obtained, refund to ARC the \$71,425 charged to the grant and the \$8,500 used as matching costs.
2. Submit a revised SF-270 report to ARC to adjust for any refunds that are made.

Grantee Response

The Commission stated in its response that it disagrees with this finding. It stated that while the Contract did state that the Retainer Fees invoiced would include a detailed summary of work performed - after the contract was executed, its Marketing Director was having weekly (or more, daily) status meetings, and was aware of the work being performed.

Reviewer's Comments

The two recommendations should remain open and ARC will determine whether the actions identified in the grantee's response are adequate to resolve the recommendations or whether additional information or actions are needed.

C. Unallowable Costs

We questioned the allowability of \$24,757 in expenditures charged to the grant for musician fees, Santa appearance fees, promotional items, and sculptures, as identified in the table below.

Questioned Costs			
Items	Dates	Vendor	Amount Questioned
Wolf Sculptures	09/16/11	Advance Abington	\$ 2,500
Custom labeled bottled water- 42 cases	07/03/12	Waters-Dorsey	454
Musician Fees - Sunday brunch, holidays, events	2011 - 2014	Various	21,503
Santa Appearance Fees	12/04/12	Fulton	300
Total			\$24,757

The applicable federal cost principles (OMB Circular A-122) disallow items such as displays, demonstrations, and exhibits; promotional items and memorabilia; and costs of advertising and public relations designed solely to promote the non-profit organization unless specifically required by the Federal award. The cost principles also state that costs of entertainment, including amusement, diversion, and social activities and any costs directly associated with such costs (such as tickets to shows or sports events, meals, lodging, rentals, transportation, and gratuities) are unallowable.

The Commission personnel had previously questioned whether the ARC grant would pay for “Sunday Brunch Performers/Entertainers”, and in an email dated August 30, 2012, the Program Administration and Assistance Office of the Virginia Department of Housing and Community Development replied “Most likely not.” During the audit, the Commission personnel followed up with an email to the ARC Project Coordinator, who indicated that such costs would not likely be considered as eligible expenses.

The issue relating to the claiming of unallowable costs was discussed with the Commission representatives at the conclusion of the on-site visit. They did not express any disagreement with the finding or indicate what action would be taken to address the issue.

Recommendations

The Commission should:

1. Refund to ARC the \$24,757 identified as unallowable costs.
2. Submit a revised SF-270 report to ARC to adjust for any refunds that are made

Grantee Response

The Commission stated in its response that it partially concurs with the finding - \$3,254 for Wolf Sculptures Water and Santa Appearance Fees, and agreed to remove these costs. The Commission disagrees with the remaining \$21,503, and stated that the musician fees were

used to compensate musicians every Sunday morning for their travel to come and perform traditional bluegrass, native to the area.

Reviewer's Comments

The two recommendations should remain open and ARC will determine whether the actions identified in the grantee's response are adequate to resolve the recommendations or whether additional information or actions are needed.

D. Procurement Practices

The Commission used improper procurement procedures to contract for professional services to upgrade its website. In May 2013, the Commission executed a change order, to what appears to be an unrelated 2008 contract for audio visual media services, in order to avoid competitive competition. However, the procurement records maintained by the Commission did not include a copy of the executed 2008 contract, the 2013 change order, or documentation to justify the non-competitive procurement. By relying on a non-competitive award and keeping inadequate records, the Commission could not demonstrate that it made the best decision in awarding a contract on pricing and terms most advantageous to the project. As a result, we have questioned the \$95,850 paid to the vendor (Two Rivers) and charged to the grant from May 2013 through December 2013, as identified in the table below.

Questioned Costs - Two Rivers Non-Competitive Procurement		
Invoice	Date	Amount Charged to Grant
#4689	05/22/2013	\$ 8,050
#4691	07/10/2013	21,900
#4693	08/08/2013	16,600
#4698	09/24/2013	36,150
#4709	12/20/2013	13,150
Total		\$95,850

The applicable federal regulations (OMB Circular A-110) and the ARC grant agreement stipulate that the grantee shall assure that all contracting shall be at prices and on terms most advantageous to the grantee and to the project, and that all interested parties shall have a full and fair chance at doing business with the grantee. The grant agreement also states that the grantee shall arrange for all contracting through competitive bidding.

The contract files did not have records detailing the rationale for the method of procurement, selection of contract type, contractor selection, the basis for the contract price, or even a copy of the executed contracts. Two Rivers provided the executed change order dated May 14, 2013 and billing records to the grantee during our audit. The Commission was unable to locate an executed copy of the October 3, 2008 contract referenced in the change order, but provided two contracts with Two Rivers dated September 22, 2008 that were for script writing and audio-visual multimedia productions.

At the exit conference, the Commission's executive director stated that they had attempted to bid out the website upgrade, but the bids had all been over \$250,000 and outside the grant budget. He explained that Two Rivers was able to complete the work for much less, because they had already performed related tasks for another facility (Heartwood). The executive director also explained that the documentation was lost when a former employee left the agency.

Recommendations

The Commission should:

1. Obtain documentation to demonstrate that the applicable federal procurement requirements were met and submit it to ARC for consideration, or refund to ARC the \$95,850 charged to the grant.
2. Submit a revised SF-270 report to ARC to adjust for any refunds that are made.

Grantee Response

The Commission stated in its response that it strongly disagrees with the finding and did submit an RFP for the website. Two firms responded and their estimates were far and away above the budgeted amount. The Commission then asked Two Rivers (who already had worked with them and had an archive of photos and videos on hand) and they were able to work within the budget.

Reviewer's Comments

The two recommendations should remain open and ARC will determine whether the actions identified in the grantee's response are adequate to resolve the recommendations or whether additional information or actions are needed.

E. Financial Management and Grant Administration

The Commission needs to improve its financial management system and related internal controls to manage the ARC grant more effectively and comply with federal requirements. We identified the following issues concerning the adequacy of the Commission's overall financial management system.

- Although the Commission's fiscal agent, Round the Mountains (RTM), had a written document covering some areas of financial management such as control over disbursements and payroll, neither the Commission nor RTM had written procedures for drawing funds and issuing payments; ensuring that required reports are prepared and submitted; determining the reasonableness, allocability, and allowability of costs in accordance with applicable federal cost principles and the terms and conditions of the grant; or outlining procurement procedures all of which are required by OMB Circular A-110.
- The accounting records were not always supported by source documentation. In addition, the Commission could not demonstrate that proper procurement procedures were being followed. They did not maintain records in sufficient detail to indicate the contract selection process. The records were not maintained in an orderly manner and supporting documentation was missing. The Commission staff had to contact the contractor to obtain important supporting documentation, including copies of the contract and invoice supporting information for both of the procurement transactions we reviewed. The federal cost principles applicable to the Commission require that all costs must be adequately documented in the grantee's files to support the amounts claimed for reimbursement. The ARC grant agreement also requires that "...The documentation in support of each action in the accounting records shall be filed in such a manner that it can be readily located..." In addition, OMB Circular A-110 requires that "...a system for contract administration shall be maintained to ensure contractor conformance with the terms, conditions and specifications of the contract and to ensure adequate and timely follow up of all purchases..."
- The amended grant agreement allocated \$134,262 for Search Engine/Website maintenance and development; however, the Commission had already expended \$165,112 in this category as of February 28, 2014. The Commission staff stated that this budget category should have been combined with the \$25,000 budgeted to develop a mobile application for smart phones; however, the Commission had not developed a mobile application or incurred costs for this budget category. OMB Circular A-110 requires a grantee to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions.
- The Commission did not always submit the required progress reports timely. One progress report was submitted to cover an annual period and the Commission was delinquent in reporting at the time of our audit. The grant agreement requires progress reports to be submitted for each 120-day period within 30 days of the period's end.

- The audit report for the Commission’s fiscal agent (RTM) for the fiscal year ended June 30, 2013, reported two significant deficiencies in internal control. Funds were reallocated between the ARC grant and the state matching grant. The auditors reported “...adequate documentation was not maintained to facilitate the audit of the detail transactions of the grants. In total, all transactions for the two grants combined were verified; however we were not able to audit the proper classification of the funds between federal and state revenue....” The RTM management responded that they were able to locate the correct documentation after the audit was completed and had implemented policies to ensure proper documentation will be filed with the grant files in the future. During our audit, we found that many invoices were marked indicating the expenditures were originally posted to other projects, and were later reallocated to ARC. Our review of the reallocation documentation determined that there were no costs double charged.

The other deficiency related to the erroneous deposit of a check and the recording of accounting transactions for a related organization on the books of RTM. RTM management responded that they had implemented further review steps to ensure all checks will be properly accounted for, and payable to the correct organization.

Recommendations

The Commission should:

1. Develop written policy and procedures for the grant management system to include procedures for:
 - drawing funds and issuing payments;
 - ensuring that financial reports are prepared and submitted; and
 - determining the reasonableness, allocability, and allowability of costs in accordance with applicable federal cost principles and the terms and conditions of the grant.
2. Establish controls to ensure compliance with the procurement standards in OMB Circular A-110.
3. Establish controls to ensure proper documentation and retention of procurement files.
4. Ensure that supporting documentation for accounting transactions are maintained and filed in such a manner that they can be readily located.
5. Report the deviation from the budget for the Search Engine/Website to ARC for approval.
6. Promptly submit the delinquent progress report.

Grantee Response

The Commission stated in its response that it concurs with the finding and will adopt the procurement standards in OMB Circular A-110.

Reviewer's Comments

Recommendations two and three should remain open until the grantee provides evidence to ARC that the procurement standards in OMB Circular A-110 have been adopted. Recommendations one, four, five and six remain open because the Commission's response did not address recommendations.

**Appendix I
Grantee Response**

Leon Snead Company

From: Trina Johns Mixson [tmixson@leonsnead.com]
Sent: Thursday, May 01, 2014 1:00 PM
To: leonsnead.companypc@erols.com
Subject: FW: ARC - Draft Report VA-16944
Attachments: ARC - Draft Report - Southwest VA Cultural Heritage Comm VA.docx

From: Karen Magee [mailto:karen@mageebookkeeping.com]
Sent: Thursday, May 01, 2014 9:14 AM
To: Trina Mixon
Subject: FW: ARC - Draft Report VA-16944

Trina –
This email bounced back to me..... who do I need to send it to?
Thanks!
Karen

PS – we also haven't received the draft report for the other ARC VA-17382 grant you came to audit – how do we get a copy of that?

--
Karen Magee
Magee Bookkeeping Services, Inc.
karen@mageebookkeeping.com
<http://www.mageebookkeeping.com>
276-337-3260 (phone)
866-818-0410 (fax)

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From: Karen Magee [mailto:karen@mageebookkeeping.com]
Sent: Thursday, May 01, 2014 9:12 AM
To: leonsnead.companypc@erols.com
Cc: "Todd Christensen"; 'Collins, Kalen (DHCD)'
Subject: FW: ARC - Draft Report VA-16944

This is in response to Draft Report from Leon Snead Company in regards to ARC Grant #VA16944.

Finding A – Costs Incurred Prior to Grant Period –
We concur with this finding, and agree to remove the \$33,286.91 in ARC costs, along with \$137,285.63 in Matching Costs.

Finding B – Supporting Documentation –
We disagree with this finding for the following reasons: While the Contract did state that the Retainer Fees invoiced would include a detailed summary of work performed – after the contract was executed, our Marketing Director was

having weekly (or more often, daily) status meetings, and was aware of the work being performed. Please see Attachment #1 for the detail work of hours provided from Charles Ryan.

Finding C – Unallowable Costs –

We partially concur with this finding - \$3,254 for Wolf Sculptures Water and Santa Appearance Fees, and agree to remove these costs. The remaining \$21,503, however, we disagree with. These musician fees were used to compensate musicians every Sunday morning for their travel to come and perform traditional bluegrass, native to this area (all performers are also from SWVA).

Finding D – Procurement Practices –

We strongly disagree with this finding, and did, in fact, submit an RFP for the website. Two firms responded, and their estimates were far and away above our budget. We asked Two Rivers (who already had worked with us, and had an archive of photos and video on hand), and they were able to work within our budget.

Finding E – Financial Management and Grant Administration

We concur with this finding, and will adopt the procurement standards in OMB Circular A-110.

All referenced files can be found via this link : <https://www.dropbox.com/sh/k41xx5m9dkv3cbn/4HddK4si7q> (too large to copy to this email).

Thank you!
Karen

--
Karen Magee
Magee Bookkeeping Services, Inc.
karen@mageebookkeeping.com
<http://www.mageebookkeeping.com>
276-337-3260 (phone)
866-818-0410 (fax)



From: Christensen, Todd (DHCD) [<mailto:Todd.Christensen@dhcd.virginia.gov>]
Sent: Tuesday, April 01, 2014 9:31 AM
To: 'Karen Magee'
Subject: FW: ARC - Draft Report VA-16944

Sent with Good (www.good.com)

-----Original Message-----

From: leonsnead.companypc@crols.com [leonsnead.companypc@crols.com]
Sent: Monday, March 31, 2014 04:28 PM Eastern Standard Time
To: todd.christensen@heartwoodvirginia.org
Subject: ARC - Draft Report VA-16944

Mr. Christensen:

Attached is a copy of the draft report for the audit recently completed of grant number VA-16944 at the commission for your review and comment. We are requesting a response to the report to include the action taken or planned to correct the findings in the report. Please indicate in your response if the commission concurs or not concur with the recommendations and state what action has been taken to implement them. Please provide your response by April 25, 2014. If you have any questions please contact me by phone or email. Thanks very much for your assistance.

Leon Snead
Leon Snead & Company, P.C.
301-738-8190