

**Golden Triangle Planning
and Development District
LDD Administrative Grants**

OIG Report Number: 15-22

Grants: MS-704 C C-41 and MS-704 C C-42

**Review Period: January 1, 2013 –
December 31, 2014**

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Suite 700
Washington, DC 20009-1068

Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of CohnReznick LLP (assignee from Watkins Meegan LLC pending novation), a Performance Review of the Golden Triangle Planning and Development District LDD Administrative Grants MS-704 C C-41 and MS-704 C C-42. The report is in response to Contract No. BPA 11-01-B.

Watkins Meegan LLC (Watkins Meegan) combined with CohnReznick LLP (CohnReznick) in November 2014. As a result, a request to novate GSA contract #GS-00F-0031M from Watkins Meegan to CohnReznick was submitted to the U.S. federal government and is currently under consideration. The combination and pending novation have been appropriately communicated to the Appalachian Regional Commission Office of Inspector General in relation to continued performance of this engagement by CohnReznick pending formal approval of the novation by the U.S. federal government.

CohnReznick LLP

Tysons, Virginia
May 8, 2015

GOLDEN TRIANGLE PLANNING AND DEVELOPMENT DISTRICT

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Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair who is appointed by the President. Local participation is provided through multi-county local development districts (“LDDs”). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing and transportation. These projects help create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

The Golden Triangle Planning and Development District (GTPDD) is a private, non-profit organization formed to improve and enlarge economic development and civic improvement in the Appalachian district’s area. GTPDD administers a wide variety of state and federal programs while promoting local and regional planning for the orderly growth and development of seven counties (Choctaw, Clay, Lowndes, Noxubee, Oktibbeha, Webster, and Winston), of which, six are considered “Distressed” counties, and one, Lowndes, is considered “At Risk.” GTPDD also provides assistance to local governments and eligible non-profit agencies in those areas requiring technical expertise not otherwise readily available to them.

On January 31, 2013, ARC approved the Golden Triangle Planning and Development District LDD Administrative Grant, number MS-704 C C-41 (“Grant C-41”), in the amount of \$57,528, to GTPDD for a period of January 1, 2013 to June 30, 2013. Matching funds were to be provided by the Grantee in the amount of \$19,176, for a total funding amount of \$76,704. ARC approved an amendment to the Grant on July 22, 2013 extending the period of performance through December 31, 2013 and provided for additional funding of \$51,917, for a total sum not to exceed \$109,445. The Grantee is required to provide additional matching funds of \$19,176 for a total matching amount of \$38,352, bringing the total grant funding amount to \$147,797.

On March 20, 2014, ARC approved the Golden Triangle Planning and Development District LDD Administrative Grant, number MS-704 C C-42 (“Grant C-42”), in the amount of \$108,409, to GTPDD for a period of January 1, 2014 to December 31, 2014. Matching funds were to be provided by the Grantee in the amount of \$36,136 for a total funding amount of \$144,545.

The original sources of funding and amounts noted in the ARC Grant approval memo are shown in Tables 1 and 2 below:

Table 1: Analysis of Budgeted Project Funding Sources (Grant C-41)

Funding Source	Amount	Percentage
Appalachian Regional Commission (ARC)	\$109,445	74%
Local – GTPDD	\$ 28,827	20%
In-Kind – GTPDD	\$ 9,525	6%
Total	\$147,797	100%

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Table 2: Analysis of Budgeted Project Funding Sources (Grant C-42)

Funding Source	Amount	Percentage
Appalachian Regional Commission (ARC)	\$108,409	75%
Local – GTPDD	\$ 26,611	18%
In-Kind – GTPDD	\$ 9,525	7%
Total	\$144,545	100%

Executive Summary

ARC Grant funds were used to cover employee salary and benefits, travel costs, program materials and other indirect and administrative costs for the Grantee. ARC had disbursed the entire obligated amount of \$109,445 for Grant C-41 and the entire obligated amount of \$108,409 for Grant C-42. Matching funds contributed by the Grantee totaled \$36,481 and \$36,136 for Grants C-41 and C-42, respectively.

Personnel costs and other expenses reviewed during our inspection generally appeared valid and in direct relation to supporting the Grants and their objectives. We identified a small error in computing charges for one In-Kind contribution and made recommendations related to the documentation of review and approval of travel expenses and review of payroll. We also noted that Grant C-41 matching funds fell below the matching requirements based on the amended funding for 2013.

While the objectives of the Grants were not clearly defined in measurable terms (outputs and outcomes), in general, the activities performed by the Grantee were consistent within the high-level objectives of the Grants. However, a finding was noted regarding the Grantee not developing an “ARC Investment Tracking System” as described in the applications.

Objective

CohnReznick LLP (assignee from Watkins Meegan LLC pending novation) was engaged to conduct a performance review of the Golden Triangle Planning and Development District LDD Administrative Grants for the period January 1, 2013 to December 31, 2014. The purpose of our performance review was to determine the following:

- Funds expended and received from ARC and matching funds reported to ARC were valid program expenses and in accordance with the ARC Grant requirements;
- Internal controls were in place to ensure compliance with the Grant requirements; and
- Outputs and Outcomes of the Grant had been, or would be, achieved.

Scope

We completed a performance review of the Grants, including fieldwork at the Grantee office in Starkville, Mississippi on February 27, 2015, as described under this section and under the review methodology section. Our review was based on the terms of the Grant agreements and on the application of procedures in the modified ARC Audit Program.

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Review Methodology

Our procedures were based on the guidelines provided by the ARC Office of the Inspector General and included suggested procedures over the Grantee's accounting and internal control systems affecting the grants. We met with GTPDD's Project Analyst and other members of the Grantee's administrative staff to obtain an understanding of the overall structure and processes around Grant administration and monitoring.

Our review of background material included the Grant applications, and agreements between the Grantee and ARC. In addition, we reviewed related documentation and information from ARC's grant management system and GTPDD's audited financial statement for the fiscal year ended September 30, 2013.

We reviewed controls in place for recording, accumulating and reporting costs under the Grants. We also performed a high-level reconciliation of the activity on the Grants between the General Ledger support provided by the Grantee and funds received from ARC.

For a sample of expenses across both Grants, we reviewed invoices and accompanying support to determine whether the associated costs were recorded correctly, allowable to the Grants, and recorded in the appropriate reporting period.

We verified employee salaries for all employees charging time to ARC and recalculated the employee's salary for accuracy for each pay period sampled. Of the pay periods sampled during the Grants' periods of performance, we reviewed the associated payroll support for proper and timely approval of each employee timesheet for the pay period, and recalculated indirect costs, and fringe benefits charged.

Lastly, we made inquiries with the Grantee and reviewed supporting documentation to determine if the goals and objectives of the Grants were achieved.

Results

Compliance with Grant Provisions

The final reports for Grants C-41 and C-42 were filed by the Grantee in January 2014 and 2015, respectively. ARC funded \$109,445 for the C-41 Grant with the Grantee providing \$36,481 in matching funds, for total funding of \$145,926. ARC funded \$108,409 for Grant C-42 with \$36,136 of matching funds provided by the Grantee, with total funding of \$144,545.

Grant funds were used to cover a portion of the salary, fringe benefit and indirect costs for Grantee employees. Indirect costs were allocated to the Grants based on a predetermined rate and multiplied against the sum of salary and fringe benefit costs for each Grant year. Fringe benefit costs were also allocated to the Grants based on a predetermined rate and multiplied against the sum of salary and leave allocation costs for each Grant year. All related costs sampled appeared to be valid, adequately supported and in relation to supporting the Grants and their objectives. However, from our selected sample, we found that employee timesheets were approved but prior to the respective month-end.

Grant funds were also used to cover travel expenses, program materials, training events and other administrative costs associated with the Grants' project activities. We examined supporting documentation for a sample of these expenses incurred against the Grants and noted that all appeared to be valid, adequately supported and in relation to supporting the Grants and their objectives with the exception of one instance where the Grantee incorrectly overcharged an In-Kind contribution. We also noted that although mileage charged was properly calculated, there was no documentation of review and approval.

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Results (Continued)

Compliance with Grant Provisions (Continued)

Specific outputs and outcomes were not quantified in the Grant applications, but three high level goals and objectives were identified, including: Planning, Economic Development and Technical Assistance. Based on discussions with the Project Analyst, and GTPDD staff and review of selected supporting details, we determined that activities were performed to support the overall goals and objectives. Examples of activities performed include, but are not limited to: conducting meetings with various County-Advisory boards to discuss possible projects, presenting to the Comprehensive Economic Development Strategy Committee (serving the seven counties within the GTPDD), assisting with the preparation of applications for ARC and other funding sources for possible projects, and serving as project administrator for various funding sources on numerous projects. However, in the Grant applications for both years, the Grantee committed to the development of an "ARC Investment Tracking System," but no progress was made on the system.

At the conclusion of our review, we discussed the following items with the Grantee:

Finding 1: In-Kind Contribution

We noted an In-Kind contribution charged to ARC was overstated by \$525 due to double counting of attendees at a GTPDD Board Meeting. The expense was reviewed, but the error was not detected.

Recommendation: The overstatement appeared to be the result of human error which was not identified in the review process. Review of expenses should include recalculation of amounts charged. ARC should determine if return of funds is required.

Management Response: Recommendation will be implemented by GTPDD.

Finding 2: Employee Mileage Logs

GTPDD vehicle mileage logs were documented and recorded; however, the mileage charges sampled did not contain evidence of independent review and approval. Per our inquiry of GTPDD, a member of the accounting staff reviews and approves all mileage logs. This review should be documented on the logs.

Recommendation: We recommend that the Grantee document the review and approval of all mileage logs.

Management Response: Recommendation will be implemented by GTPDD.

Finding 3: Monitoring and Reporting on Grant Goals and Objectives

The Grantee indicated in both the 2013 and 2014 Grant applications that they were going to develop a computerized ARC Investment Tracking System based upon "out-put/out-come" measures relative to the Strategic Plan. Upon inquiry, the Grantee indicated they did not develop the ARC Investment Tracking System nor did they have any plans to do so in the future. Failure by the Grantee to achieve all goals and objectives could impact ARCs decision to fund the grant.

Recommendation: Changes to Grant objectives should be communicated and discussed with ARC in advance to assess the impact, if any, on funding. If the Investment Tracking System is not feasible, the Grantee should not include this goal in future applications.

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Finding 3: Monitoring and Reporting on Grant Goals and Objectives (Continued)

Management Response: Recommendation will be implemented by GTPDD.

Finding 4: Personnel/Labor Costs

We observed that all timesheets tested were approved, but approval occurred prior to the end of the covered pay period – generally one to three days in advance, to allow for payment on the last day of the pay cycle. Approving time in advance of actual performance could result in time being allocated incorrectly to ARC or other projects.

Recommendation: We recommend that the Grantee approve timesheets only after the covered pay period has ended.

Management Response: Recommendation will be considered by GTPDD.

Observation 1: ARC/Grantee Matching Funding

Upon review of the final financial status report and General Ledger for year ended December 31, 2013, we determined that the Grantee funded less than the \$38,352 required by the Grant agreement. ARC funded the full amount based on the agreement. The table below summarizes budgeted and actual amounts funded. We deem the variance amount immaterial.

Table 3: Analysis of ARC Funding/Grantee Match (Grant C-41)

<u>Analysis of Budgeted vs. Actual ARC and Grantee Funding</u>			
	Budgeted	Actual	Variance
ARC (Federal)	\$109,445.00	\$109,445.00	\$ -
Grantee (Matching)	\$ 38,352.00	\$ 36,481.00	\$(1,871.00)
Totals	\$147,797.00	\$145,926.00	\$(1,871.00)