

PERFORMANCE AUDIT
OF THE

**WSOS Community Action
Commission, Inc.**

**Utility Asset GIS for Eastern
Ohio Grant**

Grant: OH-17152

OIG Report Number: 13-31

GRANT PERIOD:

NOVEMBER 1, 2011 – JULY 31, 2013

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the WSOS Community Action Commission Utility Asset GIS for Eastern Ohio Grant (OH-17152). The report is in response to Contract No. BPA 11-01-B.



Tysons, Virginia
August 27, 2013

WSOS Community Action Commission, Inc.

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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 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 WSOS Community Action Commission, Inc. (WSOS) is a private, nonprofit corporation organized in 1965 to provide financial and other assistance to communities, community organizations, voluntary associations, and other entities that undertake similar activities for the benefit of residents. These services are provided by cooperating with and assisting governmental and private agencies in initiating, coordinating, planning, and developing programs for the alleviation of conditions of poverty and to expand economic opportunities. WSOS operates over 160 different programs including Head Start, Housing and Weatherization Program, and the Rural Community Assistance Program (RCAP). The RCAP has expertise in providing advanced geographic information systems (GIS) technical assistance to the small, rural communities of Appalachian Ohio.

ARC awarded WSOS the Utility Asset GIS for Eastern Ohio Grant, project number OH-17152 (the Grant), on September 26, 2011. The period of performance was November 1, 2011 through October 31, 2012. An amendment to the grant approved on August 24, 2012 extended the period of performance through July 31, 2013. The Grant provided \$250,000 of ARC funding along with \$11,500 of additional federal funding from the U.S. Department of Agriculture and required \$274,194 of state and local (non-federal) matching funds for total funding of \$535,694.

The project supported by the Grant provides the technical expertise, labor and equipment to assist small local governments and utilities in creating an up-to-date inventory and maps of their utility assets, to scan and digitally preserve paper as-built drawings, collect Global Positioning System (GPS) coordinates that will enable operators to readily find assets in the field, and to prepare Geographic Information System (GIS) datasets that will be ready for use in a GIS computer program. This data will be used by utility managers, economic developers, emergency management, law enforcement and others to improve their emergency response capabilities and operational efficiency. The project will also enable communities to participate in a cooperative GIS service for ongoing access and maintenance of their GIS data.

Objective

Watkins Meegan LLC was engaged to conduct a performance audit of the WSOS Utility Asset GIS for Eastern Ohio Grant. Our procedures covered the period November 1, 2011 to February 28, 2013. The purpose of our performance audit was to determine that:

- Funds expended and claimed for reimbursement from 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
- Goals and objectives of the Grant had been or would be achieved within the performance period.

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Executive Summary

Grant funds were used to provide the technical expertise, labor and equipment to conduct Global Positioning System (GPS) data collection of all above ground utility assets and digitize below ground assets to create GIS coverage for use by utility managers, economic developers, emergency management, law enforcement and others across 18 Appalachian Ohio municipal communities. The funds were used primarily for personnel and equipment costs and also included fringe, travel, supplies, some contractual costs and direct-cost overhead.

As of April 8, 2013, ARC reimbursed \$241,865 of expenses for the period from November 1, 2011 to February 28, 2013. Matching funds provided from other federal and non-federal sources totaled \$280,072 through the same period, for total expenditures of \$521,937. Our review of program expenses identified \$15,632 in questioned expenses that were reclassified to the GIS program from another fund. In general, based on our review of expenses, interviews with personnel and review of selected documentation supporting grant activities, it appears that the performance objectives of the Grant will be met by the time the period of performance is complete.

Scope

We performed a performance audit of the WSOS Utility Asset GIS for Eastern Ohio Grant OH-17152-302-11 at the WSOS offices in Fremont, Ohio from May 13-15, 2013, as described under this section and under the audit methodology section. Our audit was based on the terms of the Grant agreement on the application of procedures compiled in the modified ARC Audit Program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on the Audit Program 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 Grant. We met with the Community Development Director and other members of the WSOS RCAP program to discuss the Department's overall structure and processes around grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the program.

Our review of background material included ARC's Grant Agreement and related documentation, information from ARC's grant management system, other Grant requirements and the WSOS Audited Financial Statements for the fiscal years ended September 30, 2011 and 2012.

We reviewed controls in place for recording, accumulating and reporting costs under the Grant and observed and made inquiries regarding whether the goals and objectives of the project funded with ARC monies had been met or would be met by the end of the agreed period of performance for the Grant. This included meeting with various members of the WSOS RCAP program and other staff to understand how their daily activities and responsibilities supported the Grant. We reviewed representative supporting documentation related to Grant activities for consistency with applicable performance measures.

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Finally, we examined a sample of timesheets, payroll detail and related records for the staff whose employment was supported by the ARC funds. We also inquired of key staff and reviewed supporting documentation (invoices, vouchers, cost allocation reports, etc.) regarding the travel, supplies, other direct costs and indirect expenses that were paid for by ARC funds to determine whether they were allowable costs and that the expenses supported ARC staff and project coordination. We evaluated payments and other activities for compliance with applicable Grant requirements and federal regulations.

Results

Compliance with Grant Provisions

The ARC share of actual Grant expenditures reported through February 28, 2013 was \$241,865 and the matching (USDA and non-federal) share was \$280,072. The total actual expenditures reported for the period were \$521,937, equal to approximately 97 percent of the total budget and leaving \$13,757 in combined ARC and matching funds for the remaining five months of the performance period through July, 2013. We examined supporting documentation for a sample of the costs incurred and determined that, with the exception of the item noted below, the funds appear to have been expended in compliance with the Grant agreement.

Based on our discussions with WSOS personnel and review of documentation supporting the interim reports, it appears the program objectives were generally achieved, or will be achieved by the completion of the performance period of the Grant. The Grant supported the work of 14 WSOS RCAP personnel performing Grant activities, including GPS data collection, scanning of existing as-built drawings, set up and deployment of GIS software in participating communities, and providing end-user training. The Grant also provided funds to purchase GPS equipment and IT hardware necessary to complete the GIS project.

At the conclusion of the audit, we noted and discussed the following items with management:

Observation – Re-Classed Expenses

Sample testing of expense transactions charged to the Grant identified journal entries totaling \$15,632 where expenses had been reclassified from another fund to the ARC GIS Grant. The supporting documentation for the journal entries stated that the costs were being transferred from an overspent program (OWDA 12) to the Grant. Analysis of the supporting documentation attached to these entries did not provide reasonable justification for the reclassifications leading to the conclusion that these expenses are unsupported.

Recommendation:

WSOS Management should provide its ARC point of contact analysis and support to validate the reclassification entries charged to the ARC Grant general ledger, including the relationship between the OWDA funds and the ARC Grant. Absent valid justification for the reclassification entries, Management should reimburse ARC for any unsupported expenses previously paid with ARC Grant funds.

Management Response:

Management believes that the reclassification of personnel and travel expenses noted is fully justified based on the work performed and the locations in which it took place. Management provided additional supporting information to justify the reclassification. However, the ARC point of contact for the Grant will need to make a final determination on the appropriateness of the transactions.

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