

PERFORMANCE AUDIT
OF THE

**Ohio Consolidated Technical
Assistance Grant**

Grant: OH-7781-C31-302-10

OIG Report Number: Cons TA 12-22

GRANT PERIOD: OCTOBER 2010 –
SEPTEMBER 2011

WATKINS | MEEGAN

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Ohio Consolidated Technical Assistance Grant OH-7781-C31-302-10. The report is in response to Contract No. BPA 11-01-A.



Vienna, Virginia
September 30, 2012

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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 government. 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 (LDD's). 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 thousands of 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 Ohio Department of Development administers a variety of state and federally funded programs designed to improve communities throughout the state of Ohio. Among those programs are the grants awarded by the ARC specifically focused on fostering growth and development within the 32 Appalachian counties in Ohio.

On September 30, 2010, ARC announced the approval of the Ohio Consolidated Technical Assistance Grant, project number OH-7781-C31-302-10, in the amount of \$151,022 to the Ohio Governor's Office of Appalachia (GOA or Grantee). The ARC funds were to be used for the period from October 2010 to September 2011 to support the employment of three staff to help administer Ohio's ARC program, plus related travel, equipment, supplies, and other costs. Responsibilities of the staff also include administration, managing and monitoring of projects, coordination with Local Development Districts, coordination with basic agencies and programs, improving GOA technologies, and representing the interests of Appalachian region in state government.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit on the Ohio Consolidated Technical Assistance Grant for the period from October 1, 2010 to September 30, 2011. 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 achieved.

Executive Summary

Grant funds were used to fund the payroll and benefits of three staff who assisted with the administration and support of the Ohio ARC program and to pay administrative program expenses. Staffing included a Program Director and other personnel who worked in various areas, such as supporting grant applications, management and oversight processes, attending regional meetings, and working with LDDs to improve visibility and support development in the region.

Overall, the performance objectives of the grant were met. However, because of organizational change and personnel turnover, full staffing was not achieved during the grant period and payroll and related costs claimed and reimbursed were less than projected.

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A possible overpayment error has not been resolved timely. We recommend that additional review procedures be implemented over final close-out and billing of program expenses.

Scope

We performed a program review of the Ohio Consolidated Technical Assistance Grant OH-7781-C31-302-10 at the Ohio Department of Development office from August 27-29, 2012, as described under this section and under the audit methodology section. Our review was based on the terms of the grant agreement and on the application of procedures compiled in the modified ARC "Sample 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 "Sample Audit Program" prepared by ARC OIG and included suggested procedures over the grantee's accounting and internal control systems affecting the grant. We met with the Assistant Chief, Community Services Division, and other members of the Ohio Department of Development to discuss the Ohio Department of Office Development 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 project.

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 State of Ohio Single Audit Report for the Fiscal Year Ended July 30, 2011.

Our procedures included a review of controls in place for recording, accumulating, and reporting costs under the grant. We discussed with Management and certain staff whether the goals and objectives of the project funded with ARC monies had been met. This included meeting with the GOA Grants/Operations Manager to understand how her daily activities and responsibilities supported the administration of Ohio's ARC program. We also gained an understanding of the responsibilities of other staff funded by the grant.

Finally, we examined the payroll history reports for the staff whose employment was supported by the ARC funds received and related records maintained by the Human Resources Department. We also inquired of key staff regarding the supplies, materials, travel and other expenses that were paid for by ARC funds to determine if they were allowable costs, i.e., the expenses supported ARC staff and project coordination only. We evaluated those payments and other activities for compliance with applicable grant requirements and Federal Regulations.

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Results

Compliance with Grant Provisions

The ARC (Federal) share and matching (non-Federal) share of actual expenditures incurred, reported, and supported were \$86,187 and \$86,190, respectively, during the period under review. Actual expenditures were less than the grant award of \$151,022 with an equal amount of matching funds. Due to organizational changes and staff transition during the grant period, the grantee was unable to fully staff the positions budgeted in the grant application. We examined supporting documentation for the costs incurred, and determined that in general the funds had been expended in compliance with the grant agreement. There is an open issue regarding final close-out of grant funding as described below.

Potential Overpayment

The grantee is required to maintain accurate financial records to support expenditures and funds received related to the grant.

Based on our review of the expenditures in the accounting records, it appears there was an overpayment to GOA. We determined expenditures to be \$86,187. In January 2011, the Ohio GOA requested reimbursement for \$15,544 of incurred expenses and an advance of \$80,000, totaling \$95,544. Final accounting submitted to ARC reported total expenses of \$86,187, resulting in an overpayment of \$9,356. GOA refunded this amount to ARC on December 7, 2011. GOA and ARC records indicate that the \$9,356 may have been subsequently repaid to GOA in error.

Recommendation: GOA should work with ARC to ensure accounting for the \$9,356 overpayment is properly accounted for and returned to ARC as applicable. Grant revenue should be reconciled to grant expenses in the general ledger.

Management Response: Management generally agreed with our observation.

Additional Observations

During the fieldwork at the Ohio Department of Development, we had the opportunity to discuss the processes with individuals involved in the administering and monitoring of the ARC grants and noted several areas in which the Ohio Department of Development has implemented controls and/or changed existing process to improve the overall achievement of the organization's objectives.

In 2011, the Director of GOA position was vacant and several interim Directors served from January through November 2011. Prior to 2011, the Governor's Office of Appalachia (GOA) was in a separate office from the Community Services Division. In order to improve stability and continuity of the programs, the grants administration for GOA was moved under the Community Services Division within the Ohio Department of Development. Additional changes to further strengthen the organizational structure are planned over the next few months. Once this has been completed, the Ohio Department of Development should consider defining the roles and responsibilities of the different departments and the key personnel within those departments to ensure gaps are not created from the organizational changes.