PERFORMANCE AUDIT
OF THE

Tri-County Council for Western Maryland

Grant: MD-0703A-C42

OIG Report Number: 13-05

GRANT PERIOD: JANUARY 2011 – DECEMBER 2011
Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Tri-County Council for Western Maryland LDD Administrative Grant MD-0703A-C42. The report is in response to Contract No. BPA 11-01-B.

Vienna, Virginia
January 29, 2013
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 (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 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 Tri-County Council for Western Maryland administers a variety of state and federally funded programs designed to improve communities in the Tri-County district. Among those programs are the grants awarded by the ARC specifically focused on fostering growth and economic development within the Appalachian counties in Maryland.

ARC approved the Tri-County Council for Western Maryland LDD Administrative Grant, project number MD-0703A-C42, in the amount of $148,000 (the Grant) to the Tri-County Council for Western Maryland (Tri-County Council, or the Grantee). The ARC funds were to be used for the period from January 2011 through December 2011 to support the employment of five staff at varying levels of dedicated time to help administer Maryland’s Tri-County ARC program, plus related travel, equipment, supplies, and other indirect costs. The Tri-County Council program is specifically designed to enhance the quality of economic development activities in the region, strengthen relationships among the various units of local government, and enhance public awareness. Responsibilities of the staff also include coordinating the goals, objectives and programs of Tri-County Council with other agencies in Western Maryland.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit on the Tri-County Council for Western Maryland LDD Administrative Grant for the period from January 1, 2011 to December 31, 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 five staff members who assisted with the administration and support of the Tri-County Maryland ARC program, and to pay administrative program expenses. Staffing included an executive director, assistant director, finance manager and two other personnel. The staff supported the program in various areas including supporting grant applications, management and oversight processes, attending regional meetings, and working with community agencies to improve visibility and support development in the region.
Overall, the performance objectives of the Grant were met. Full staffing was achieved during the Grant period and payroll and related costs claimed and reimbursed were generally equal to the projection.

**Scope**

We performed a program review of the Tri-County Council for Western Maryland LDD Administrative Grant MD-0703A-C42 at Tri-County Council for Western Maryland office from November 27, 2012 through November 30, 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 the Office of Inspector General (OIG) at ARC and included suggested procedures over the Grantee’s accounting and internal control systems affecting the Grant. We met with the executive director, assistant director and finance officer of the Tri-County Council to discuss its 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, the ARC Grant approval, the Grant application and the Tri-County Council’s audited financial statements.

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 executive director and assistant director to understand how their daily activities and responsibilities supported the administration of Maryland’s ARC program. We also gained an understanding of the responsibilities of other staff funded by the Grant.

Finally, we examined a sample of timesheets and payroll history reports for the staff whose employment was supported by the ARC funds received and related records maintained by the agency. We also inquired of key staff and reviewed supporting documentation (invoices, vouchers, etc.) regarding the supplies, equipment, travel and indirect 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. We reviewed the methods for allocating indirect costs and assessed the reasonableness of the allocations. We evaluated payments and other activities for compliance with applicable Grant requirements and federal regulations.
Results

Compliance with Grant Provisions

The ARC (federal) share and matching (non-federal) share of actual expenditures incurred, reported and supported were $148,000 and $148,000, respectively, during the period under review. Actual expenditures were equal to the Grant award of $148,000 with an equal amount of matching funds. The Grantee was able to fully staff the positions budgeted in the Grant application. We examined supporting documentation for the costs incurred, and determined that the funds had been expended in compliance with the Grant agreement. We had no findings to report as a result of our procedures.