PERFORMANCE AUDIT
OF THE

Ohio Mid-Eastern Governments Association

Grant: LDD Administrative Grant OH-707C-C44

OIG Report Number: 14-43

GRANT PERIOD: JANUARY 1 – DECEMBER 31, 2013
Appalachian Regional Commission
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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 Mid-Eastern Governments Association’s LDD Administrative Grant OH-707C-C44. The report is in response to Contract No. BPA 11-01-B.

Watkins Meegan LLC

Tysons, Virginia
September 19, 2014
Ohio Mid-Eastern Governments Association
LDD Administrative Grant
OH-707C-C44

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 Ohio Mid-Eastern Governments Association (OMEGA), established in 1968, helps organizations and communities in a geographic area encompassing 10 Appalachian counties to improve the economic, social and health standards of residents. OMEGA participates in planning functions at the state, regional and local level to provide regional focus on activities and improve coordination and cooperation among local governments. This involvement includes transportation planning activities with the Ohio Department of Transportation. Additionally, OMEGA provides technical assistance to local governments to help them apply for ARC grants. OMEGA also operates a Revolving Loan Fund that allows for local businesses to apply for funds that keep or create local jobs.

ARC awarded OMEGA the LDD Administrative Grant number OH-707C-C44, on February 6, 2013, in the amount of $108,500 for the period January 1 to June 30, 2013. On July 19, 2013, ARC approved an amendment for additional funding of $102,524 for the period July 1 to December 31, 2013, for a grand total of $211,024 for the performance period covering the full calendar year. Required matching funds from other non-federal sources totaled $211,024, for a total funding amount of $422,048. Grant expenses include payroll and related benefits, direct costs and indirect costs of administering the Grant.

Executive Summary

Grant funds were used to provide a regional focus to development activities and improve collaboration among local governments; provide technical assistance to local communities seeking funding for various projects; and cover general administration of OMEGA operations. ARC disbursed $211,024 for the period January 1 to December 31, 2013. Matching fund expenses reported by the Grantee were $248,488 for the same period.

Expenditures reviewed during the audit appeared to be materially valid, adequately supported and in direct relation to supporting the Grant and its objectives. In addition, through inquiry, observation and review of supporting documentation, we validated that the Grantee had accomplished the stated performance objectives of the Grant.

Objective

Watkins Meegan LLC was engaged to conduct a performance audit of the LDD Administrative Grant for the period January 1 to December 31, 2013. The purpose of our performance audit was to determine the following:

- Funds expended and claimed for reimbursement 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
- Goals and objectives of the Grant had been, or would be, achieved.
**Scope**

We completed a performance audit of the OMEGA LDD Administrative Grant OH-707C-C44, including fieldwork at the OMEGA offices in Cambridge, Ohio from August 4-6, 2014, as described under this section and under the audit methodology section. Our audit was based on the terms of the Grant agreement and on the application of procedures 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 Executive Director, Finance Officer and a Grants Specialist of the Grantee to obtain an understanding of the 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, the Grant Application and related documentation, information from ARC’s Grant management system, other Grant requirements, and the Grantee’s audited financial statements for the Fiscal Year Ended June 30, 2013.

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. We also reviewed documentation to support reported activities and programs. We evaluated the process for compliance with applicable Grant requirements and regulations.

**Results**

**Compliance with Grant Provisions**

Grant funds were used to coordinate programs and activities among local governments; provide technical assistance to local communities seeking funding for various projects; and cover general administration costs of OMEGA operations. OMEGA submitted to ARC its year-end report in January 2014. The reported ARC (federal) and matching (non-federal) expenditures were for a total of $459,512 during the Grant period.

We requested and examined supporting documentation, including payroll records, invoices and in-kind receipts, for a selection of the expenses incurred for the Grant, as well as a selection of matching fund bank deposits. Expenditures reviewed during the audit appeared to be valid, adequately supported and in direct relation to supporting the Grant and its objectives.
Results (Continued)

Compliance with Grant Provisions (Continued)

Through inquiry, review and observation, we sought to validate the outputs and outcomes expected from the Grant application, incorporated by reference into the Grant agreement. The application identified outputs and outcomes in the following areas:

- LDD work program performance:
  1. Planning outreach at state, local and regional levels
  2. Rural transportation planning
- Community and economic development assistance:
  1. ARC project development
  2. Local capacity building
  3. Revolving loan fund
- Technical assistance
  1. Project development assistance
  2. Census and demographic resource center
  3. Grant assistance and administration
  4. Geographic information systems (GIS)
  5. Informational seminars
- Agency administration

We reviewed OMEGA’s final report to ARC and discussed the reported projects, outputs and outcomes with OMEGA personnel. To confirm the reported information, we obtained supporting documentation in representative program areas, including district and transportation planning; GIS projects; project development; revolving loan applications; grant assistance; and seminars. We also reviewed binders maintained by the Grantee for the programs supported by the Grant to validate reported attendance/participation metrics, presentations or events provided under the programs and, where applicable, samples of grant and/or loan applications where OMEGA provided assistance to local communities.

Based on our procedures, in general, OMEGA achieved the goals and objectives of the Grant. We did note that while OMEGA expected to provide Revolving Loan Fund financial assistance to two new clients, only one loan was issued during the Grant period.