



March 16, 2006

Memorandum for:    The Federal Co-Chair  
                                  ARC Executive Director

Subject:                OIG Reports 06-10, 06-11, 06-12, and 06-13  
                                  Review of North Central Pennsylvania  
                                  Regional Planning & Development Commission Grants  
                                  Ridgway, Pennsylvania

Attached are the subject reports dealing with the Heritage Park Project, North Central Entrepreneurial Network Initiative, and Wireless Wide Area Network Project grants to the North Central Pennsylvania Regional Planning & Development Commission. The reports all have one recommendation in common dealing with internal controls over mandatory vacations. This report will be kept open until the recommendations have been implemented.

Clifford H. Jennings  
Inspector General

Attachments

cc:    Director for Program Operations  
       Director for Finance and Administration  
       Mary Moran

**MEMORANDUM REPORT ON REVIEW OF  
NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING &  
DEVELOPMENT COMMISSION  
(NCPRPDC)  
RIDGWAY, PENNSYLVANIA**

**NORTH CENTRAL PENNSYLVANIA NATURE TOURISM PLAN –  
HERITAGE PARK PROJECT GRANT**

**ARC Grant Number: PA-13868-0-1**

**Grant Period: Fiscal Year Ending June 30, 2002**

**CAUTION:** *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b) (4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

**Report Number: 06-10**

**Date: March 15, 2006**

**MEMORANDUM REPORT ON REVIEW OF  
NORTH CENTRAL PENNSYLVANIA REGIONAL PLANNING &  
DEVELOPMENT COMMISSION  
(NCPRPDC)  
RIDGWAY, PENNSYLVANIA**

**NORTH CENTRAL PENNSYLVANIA NATURE TOURISM PLAN –  
HERITAGE PARK PROJECT GRANT**

**ARC Grant Number: PA-13868-0-1**

**Grant Period: Fiscal Year Ending June 30, 2002**

**Prepared By:**

**Tichenor & Associates, LLP  
Certified Public Accountants  
304 Middletown Park Place, Suite C  
Louisville, Kentucky 40243**

# TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C  
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: [WTICHENOR@TICHENORASSOCIATES.COM](mailto:WTICHENOR@TICHENORASSOCIATES.COM)

TO: Appalachian Regional Commission (ARC)  
Office of Inspector General (OIG)

FROM: Tichenor & Associates, LLP  
Louisville, Kentucky

REPORT FOR: Federal Co-Chair Anne B. Pope  
ARC Executive Director Thomas M. Hunter  
OIG Report Number: 06-10

SUBJECT: Memorandum Report on Review of North Central Pennsylvania  
Regional Planning & Development Commission (NCPRPDC),  
Nature Tourism Plan – Heritage Park Project Grant for Local  
Development District, ARC Grant Number: PA-13868-0-1.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to NCPRPDC for its Nature Tourism Plan – Heritage Park Project Grant were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; and (b) the accounting, reporting, and internal control systems provided for disclosure of pertinent financial and operating information.

BACKGROUND: ARC awarded Grant Number PA-13868-0-1 to NCPRPDC for the fiscal year ending June 30, 2002. Total grant funding was for an amount not to exceed \$40,000 or 35 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$75,000 or 65 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made payments to NCPRPDC in fiscal year 2002 as follows:

For The Fiscal Year Ended June 2002: \$40,000

The main objective of NCPRPDC is to help local entities in a six-county Appalachian region plan and develop projects to boost economic activity and the quality of life for the citizens of the region. In addition, NCPRPDC researches sources of funding available to local entities, and assists in the application and reporting process for the applicable funding.

The grant objective is to develop a five-year plan to guide the development of elk viewing and related nature tourism opportunities; improve visitor services and support infrastructure; and promote elk watching and other nature tourism activities.

SCOPE: We performed a program review of the grant as described in the Purpose above. Our review was based on the terms of the grant agreement and on the application of certain agreed-upon procedures previously discussed with the ARC, OIG. Specifically, we determined if the tasks described above were being performed, if the accountability over ARC funds is sufficient as required by applicable Office of Management and Budget (OMB) Circulars, and if NCPRPDC was in compliance with the requirements of the grant agreement. Our results and recommendations are based upon those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

REVIEW RESULTS:

The following results are based on our review performed at NCPRPDC in Ridgway, PA:

**A. Incurred Costs**

NCPRPDC's financial records report total program costs of \$107,050 for the fiscal year ending June 30, 2002. Of these costs, \$40,000 (37%) was attributed to ARC expenditures, with the remaining \$67,050 (63%) attributed to matching and in-kind expenditures.

While the ratio of actual expenditures is off by 2% from the grant agreement of 65/35, the cause of the difference was due to the recognition of a portion of matching funds for the Heritage Park Project being obligated to another program. As a result, this portion had to be subtracted from the original match amount. Remaining matching funds available for this grant were still within 90% of the total project cost and within the requirements set forth in the grant agreement. The difference was discussed with a ARC Senior Program Manager and documented approval was provided by NCPRPDC.

**B. Internal Controls**

During the course of the review, we reviewed NCPRPDC's system of internal controls. One area of weakness was identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

FINDING 1. No Mandatory Vacation Requirement for Employees In Key Financial Positions

Proper internal control procedures require that all employees in key financial positions be required to take annual vacations.

The detection of misappropriation of funds is made more difficult by not requiring that employees in key financial positions take annual vacations.

Presently, employees in key financial positions are not required to take annual vacations.

We recommend that all employees in key financial positions be required to take annual vacations.

In response to our draft report, NCPRPDC management stated that they will be updating their Personnel Policies and Employee Handbook to require that employees in key financial positions take mandatory annual vacations. (See attached grantee response.)

We believe that implementation of the above recommendation will strengthen NCPRPDC's systems of internal controls.

### **C. Compliance**

As part of obtaining reasonable assurance about whether NCPRPDC grant financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our review, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of the ARC and NCPRPDC, and is not intended to be and should not be used by anyone other than these specified parties.

*Tichenor & Associates, LLP*

Tichenor & Associates, LLP

Louisville, Kentucky

January 20, 2006

## **Grantee Response**

# North Central Pennsylvania Regional Planning and Development Commission

A Pennsylvania Local Development District "LDD"

651 Montmorenci Road Ridgway, PA 15853

Phone (814) 773-3162 Fax (814) 772-7045 e-mail - [ncprpdc@ncentral.com](mailto:ncprpdc@ncentral.com) [www.ncentral.com/~ncprpdc](http://www.ncentral.com/~ncprpdc)

---

February 28, 2006

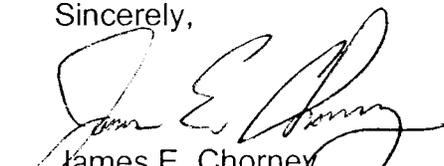
William R. Tichenor, CPA  
Managing Partner  
Tichenor & Associates, LLP  
304 Middletown Park Place, Suite C  
Louisville, KY 40243

Dear Mr. Tichenor:

Enclosed is North Central Pennsylvania Regional Planning and Development Commission's response to the proposed findings in the Draft audit report for the Appalachian Regional Commission.

Please let me know if you have any questions regarding this information.

Sincerely,



James E. Chorney  
Director of Finance

# North Central Pennsylvania Regional Planning and Development Commission

A Pennsylvania Local Development District "LDD"

651 Montmorenci Road Ridgway, PA 15853

Phone (814) 773-3162 Fax (814) 772-7045 e-mail - [ncprpd@ncentral.com](mailto:ncprpd@ncentral.com) [www.ncentral.com/~ncprpd](http://www.ncentral.com/~ncprpd)

---

North Central Pennsylvania Regional Planning and Development Commission's response to the Appalachian Regional Commission Draft Audit Report prepared by Tichenor & Associates.

## B. Internal Controls

Finding 1. Grantee's Response: North Central Pennsylvania Regional Planning and Development Commission will be updating the Personnel Policies and Employee Handbook to include a section that employees in key financial positions be required to take mandatory annual vacations.

Contracts: PA-13868-0-1, 21-769-0001, PA-12904G, PA-14570, PA-8312, PA-0708B