



REPORT ON REVIEW OF  
MISSISSIPPI DEPARTMENT OF ECONOMIC  
AND COMMUNITY DEVELOPMENT

Consolidated Technical Assistance Program

Grant No. MS-7763-95-C15  
October 1, 1995 - June 30, 1998

and

Grant No. MS-7763-97-C16  
July 1, 1996 - June 30, 1997

and

Grant No. MS-7763-97-C17  
July 1, 1997 - June 30, 1998

Report No. OIG 99-5(H)  
February 23, 1999

I. INTRODUCTION

A. PURPOSE

The purposes of our review were: (1) to determine the allowability of costs claimed under the Appalachian Regional Commission (ARC) grants; (2) to determine if the grant objectives were met; and (3) to determine the current status of the project.

B. SCOPE

Our survey included procedures to review costs incurred and claimed for reimbursement under the subject grants, as well as costs claimed as matching funds. During our visit of October 28, 1998 and November 2-6, 1998, we reviewed grantee's reports, examined records and held discussions with grantee officials in Tupelo and Jackson, Mississippi. The periods of performance for the three ARC grants we reviewed were as follows:

MS-7763-95-C15	Oct. 1, 1995 - June 30, 1998
MS-7763-97-C16	July 1, 1996 - June 30, 1997
MS-7763-97-C17	July 1, 1997 - June 30, 1998

As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreements, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code.

## C. BACKGROUND

ARC Grants No. MS-7763-95-C15, MS-7763-97-C16 and MS-7763-97-C17 were awarded to the Mississippi Department of Economic and Community Development (DECD) to provide funds for technical assistance, program planning and development, and monitoring and evaluation assistance for Mississippi's 21 Appalachian counties.

All three grants indicated that the following four activities would be completed:

- 1) Overall State ARC Program and Local Development District Assistance and Coordination. Continue to work with the four local development districts (LDDs), federal agencies, and other public and private groups to develop and coordinate implementation strategies which will best meet the economic and human resource needs of the districts.
- 2) Monitoring and Evaluation. Continue ongoing initiatives to monitor projects currently open as well as new approvals. Continue efforts to deobligate balances and recover funds from projects which are essentially complete.
- 3) Housing and Community Development. Continue assistance to local public non-profit housing corporations in applying for various federal housing programs. Grantee will work with sponsors in developing community development projects, such as water, sewer, solid waste or other community facilities, industrial site development, local access roads and local government assistance.
- 4) Human Resource and Business Development. This activity will include the following: continue efforts toward human resource needs addressing education excellence, workforce training, leadership development, child care and elder day care and health. General business development and projects supporting business development will continue as priority areas for investments, especially as they relate to tourism and economic development along the Tenn-Tom Waterway.

In addition, MS-7763-95-C15 included the following requirement:

- 5) Houston Comprehensive Plan. Carry out, through a subcontract with the City of Houston, a Comprehensive Plan for the City of Houston, Mississippi. The Plan will include: the establishment of goals and objectives, land use inventory and analysis, population projections, housing characteristics, economic and employment analysis, neighborhood analysis, community facilities and services, transportation analysis and plan, future land use plan, special analyses and capital improvement.

MS-7763-95-C15 was for \$190,000, or 50 percent of actual expenditures, and required a matching share of the same amount. At the time of our review, the grantee had claimed project expenditures of \$208,803.52, including grant costs totaling \$103,927.15 and matching costs of \$104,876.37. At that time they had received \$86,703.35 from ARC and \$103,296.65 remained in the ARC account.

MS-7763-97-C16 was for \$175,000 or 50 percent of actual expenditures, and required a matching share of the same amount. At the time of our review, the grantee had received grant payments totaling \$167,569.49 based on final project expenditures of \$335,608.24. ARC deobligated \$7,430.51 on December 23, 1997 and closed the account.

MS-7763-97-C17 was for \$175,000 or 50 percent of actual expenditures, and required a matching share of the same amount. At the time of our review, the grantee had claimed project expenditures of \$253,061.62, including grant costs of \$126,530.34 and matching costs of \$126,531.28. ARC had paid the grantee \$103,415.55 at that time and \$71,584.45 remained in the ARC grant account.

## II. RESULTS OF AUDIT

### A. QUESTIONED COSTS

We reviewed the grantee's accounting records for the three grants and selected samples of expenditures for each grant and the related matching costs. We noted the following issues on MS-7763-95-C15:

1. Expenses of the Office of the Governor. A fee of \$260 for an employee of the Office of the Governor to attend a development opportunities conference was split equally between the ARC grant and matching costs. OMB Circular A-87 indicates that salaries and expenses of the Office of the Governor of a state are unallowable. The grantee agreed to remove this cost from ARC and matching costs.
2. Shared Costs. Postage totaling \$300 was split equally between the ARC grant and matching costs. The ARC office shares office space in Tupelo with DECD's Northeast Field Office. Forty-two percent of the cost of office space, utilities, and other expenses are routinely charged to ARC projects (half to the grant and half to match) and fifty-eight percent to DECD based on the number of employees in each unit. However, a postage expense on our sample was charged totally to the ARC project and not shared with DECD's field office. The grantee indicated they have never split the cost of postage with DECD but agreed that the costs should be shared by the field office. They agreed to reduce grant and matching costs from \$150 to \$72 each.

B. UNNEEDED GRANT FUNDS

At the time of our review, ARC records indicated that two of the three grants had substantial obligated balances. The grantee indicated that the unspent balances were primarily the result of employees who left and were not replaced in time to utilize the available salary funds. The grantee indicated they are aware of the need to deobligate unneeded grant funds on a timely basis. Subsequent to our review, the following ARC funds were deobligated:

	<u>Grant Amount</u>	<u>Amount Deobligated</u>
MS-7763-95-C15	\$ 190,000	\$ 86,280.85
MS-7763-97-C17	\$ 175,000	\$ 48,469.66

**Recommendation:** We recommend that the grantee advise ARC to deobligate unspent/unneeded grant funds on a timely basis on future ARC grants.

C. SUB-GRANTS


Beginning with MS-7763097-C17, the grantee provided part of the ARC funds to sub-grantees for a variety of local needs. For example, Tishomingo County received \$350 to assist with a “State of the County” meeting and Mississippi State University received a \$19,998 grant for Small Town Research and Design. Although specific criteria for the sub-grants were not available at the time of our review, the grantee indicated they have begun work on this issue.

The project director indicated that they required each sub-grantee to provide a matching share, when possible, and that the match was to be used to satisfy part of the match requirement of the ARC grant. However, the actual matching share provided by the sub-grantees was not reported to the DECD accounting office so DECD funds were unnecessarily used to match the grant.

**Recommendation:** We recommend that the grantee establish formal criteria for sub-grants they award with ARC grant funds and that they report the matching share generated by sub-grantees to ARC and to DECD accounting officials.

D. PROJECT STATUS

The grantee provided the management and technical assistance services required by the grant agreements and work continues under a current ARC grant. The Houston Comprehensive Plan was also provided as specified in MS-7763-95-C15.

  
Hubert N. Sparks  
Inspector General



April 5, 1999

MEMORANDUM FOR The Federal Co-Chairman  
ARC Executive Director


SUBJECT: OIG Reports and Request for Information on Unresolved Reports

Enclosed is a copy of our periodic update on expired grants [OIG Report 99-15(H)]. As noted, positive ARC actions have resulted in a continued reduction of open grants and actions to reallocate available funding. The report notes some grants for which additional action appears appropriate.

Also enclosed are the eight reports identified below. In seven cases, no deficiencies needing attention were noted. Report 99-5(H), Mississippi Consolidated Technical Assistance, contains a repeat recommendation pertaining to the timely closing of grants and deobligation of unused funds.

- 99-1(H)—ARC Grant TN-12829-98, Tri-Cities Appalachian International Trading Network
- 99-2(H)—ARC Grant NC-12320-96, Appalachian International Business Center
- 99-4(H)—ARC Grants MS-12324-96/97, Leadership and Civic Infrastructure Initiative Project
- 99-5(H)—ARC Grants MS-7763-95/96/97, Consolidated Technical Assistance
- 99-11(H), ARC Grant SC-12415-96, Science and Math To Go
- 99-12(H), ARC Grant SC-12417-96, Internet Training Facilities
- 99-13(H), ARC Grant SC-12303-96, Adding Rural Counties to AppNet
- 99-14(H), ARC Grant SC-11834-96, Economic Development Information System

Information is requested on the status of recommendations contained in reports 98-24(H), Georgia Revolving Loan Fund, and 98-36(H), Sawmill Center for the Arts.

  
Hubert N. Sparks  
Inspector General

Enclosures

cc: Ms. Judy Rae



February 23, 1999

Ms. Nancy Knight, Director  
Appalachian Regional  
Commission Office  
P. O. Box 1606  
Tupelo, MS 38802

re:     OIG Report 99-5(H), ARC Grants MS-7763-95/97

Dear Ms. Knight:

Enclosed is a copy of our report dealing with technical assistance grants. The primary recommendation pertains to closing out projects/grants in a timely manner in order to allow available funds to be used for other priority projects. A response to this report is not requested.

A copy of the report is being provided to the Federal Co-Chairman, ARC Executive Director, and Mississippi State Alternate.

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,

  
Hubert S. Sparks  
Inspector General

Enclosure

cc:     Mr. James B. Heidel, Executive Director  
       MS Dept of Economic & Community Dev