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Report To The Honorable Carroll Hubbard
House Of Representatives
OF THE UNITED STATES

Financial Operations and Activities At Three
State-Chartered Agencies In Western Kentucky

GAO reviewed the financial operations of three State agencies in western Kentucky--the Purchase Area Development District, Jackson Purchase Local Officials Organization, and West Kentucky Allied Services. These agencies plan or operate economic and welfare programs for the area. GAO's audit covered primarily fiscal year 1981 transactions. During that year, these agencies spent \$3.6 million, of which \$2.4 million was Federal money.

GAO found the most serious financial management problems at West Kentucky Allied Services, where financial records were inaccurate or missing and agency management lacked control over financial operations. GAO cannot be certain Allied Services made a proper accounting of its receipts and expenditures. At the Purchase Area Development District and the Local Officials Organization, GAO found potential problems in the areas of cost control and financial information needed for public disclosure statements. Generally, however, these two agencies had internal controls in place and expenditures were accurately accounted for and supported.

Officials in all three agencies agreed to improve their financial operations.



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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

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The Honorable Carroll Hubbard
House of Representatives

Dear Mr. Hubbard:

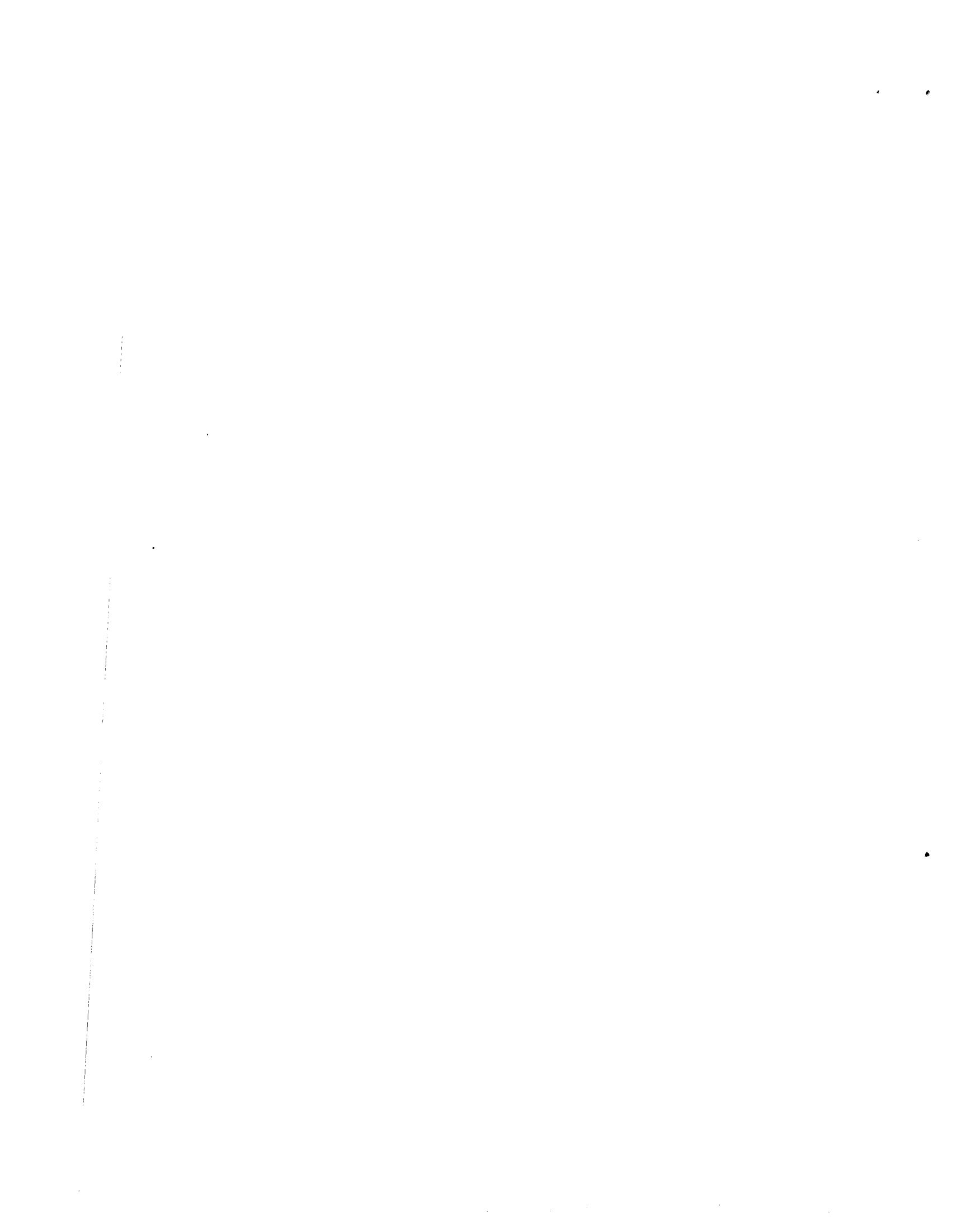
This report is in response to your February 16, 1982, letter and our subsequent discussions with you in which you requested that we review financial transactions and other activities of three organizations in western Kentucky--the Purchase Area Development District, Jackson Purchase Local Officials Organization, and West Kentucky Allied Services of Mayfield, Kentucky. The report addresses concerns you expressed about financial operations at the three agencies and other specific questions you raised about their activities.

Unless you publicly announce its contents earlier, we plan no further distribution of this report for 30 days. At that time, we will send copies to interested parties and make copies available to others on request.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Charles A. Bowsher".

Comptroller General
of the United States



COMPTROLLER GENERAL'S REPORT TO
THE HONORABLE CARROLL HUBBARD
HOUSE OF REPRESENTATIVES

FINANCIAL OPERATIONS AND
ACTIVITIES AT THREE STATE-
CHARTERED AGENCIES IN
WESTERN KENTUCKY

D I G E S T

At the request of Congressman Carroll Hubbard, GAO reviewed financial activities at three local western Kentucky agencies receiving Federal funding: the Purchase Area Development District, the Jackson Purchase Local Officials Organization, and West Kentucky Allied Services. In general, Congressman Hubbard was concerned whether selected financial activities at each of the three agencies were adequately controlled and overseen. (See pp. 1 to 2.)

While GAO found potential problems in the areas of cost control and the financial statements needed for public disclosure statements in the Purchase Area Development District and the Jackson Purchase Local Officials Organization, the most serious financial management problems occurred at West Kentucky Allied Services. That agency had no written accounting procedures, accounting records were inaccurate or lost, and agency management lacked control over financial operations. As a result, GAO could not be certain that receipts and expenditures were fully and properly accounted for. After GAO pointed out the serious nature of the agency's problems, and a State agency indicated that program funds might be withheld, West Kentucky Allied Services began corrective action.

BACKGROUND

The three organizations reviewed were all State-chartered agencies receiving Federal funds primarily from the Departments of Labor, Health and Human Services, Energy, and Commerce. These funds were used to plan and operate a variety of programs in western Kentucky. For example, the Purchase Area Development District is a planning agency which promotes and develops the area's economy and general welfare. The Jackson Purchase Local Officials Organization organizes and operates vocational training and other general welfare programs for the area. West Kentucky Allied Services conducts programs for low-income citizens.

GAO's audit covered primarily fiscal year 1981. During that year, the three agencies spent a total of \$3.6 million, of which \$2.4 million (65 percent) was Federal funds, \$0.9 million (25 percent) State funds, and \$0.4 million (10 percent) local government funds. (See p. 3.)

PURCHASE AREA DEVELOPMENT DISTRICT

In fiscal year 1981, the Purchase Development District received over \$425,500 in Federal funds for its planning and operations (see app. V). GAO found no evidence that this agency improperly accounted for its receipts and expenditures during this time, or that funds were not expended for their intended purposes. (See p. 8.) Internal controls were in place to safeguard and account for the Federal funds received (see p. 9), and board members GAO interviewed were knowledgeable of agency activities. (See p. 14.)

Salaries and benefits also were reasonable. However, travel expenses were higher than the average for other Kentucky development districts, and there was no evidence of any attempt to reduce these costs. Prior approval was not required, and travel purposes were not always documented. In response to GAO's concerns, district management agreed to begin documenting travel purposes. (See p. 11.)

JACKSON PURCHASE LOCAL OFFICIALS ORGANIZATION

The Local Officials Organization received nearly \$800,000 in Federal funds for its activities during fiscal year 1981. (See app. V.) In reviewing this agency's receipt and expenditure of Federal funds, GAO found they were accurately accounted for and supported, but improvements are needed. Primarily, the elements required for public disclosure statements need to be developed. For example, various financial statements of the agency's overall operations--such as a consolidated balance sheet--are needed, and an independent public accountant should be engaged to attest to the accuracy and completeness of the agency's financial position. The Local Officials Organization's executive officer agreed, and such improvements were begun or promised during GAO's review. (See pp. 21 to 25.)

GAO also reviewed this agency's management of equipment obtained through the Federal excess property program and found no evidence of problems in its operation or in the oversight provided by the agency's governing board. (See pp. 27 to 29.)

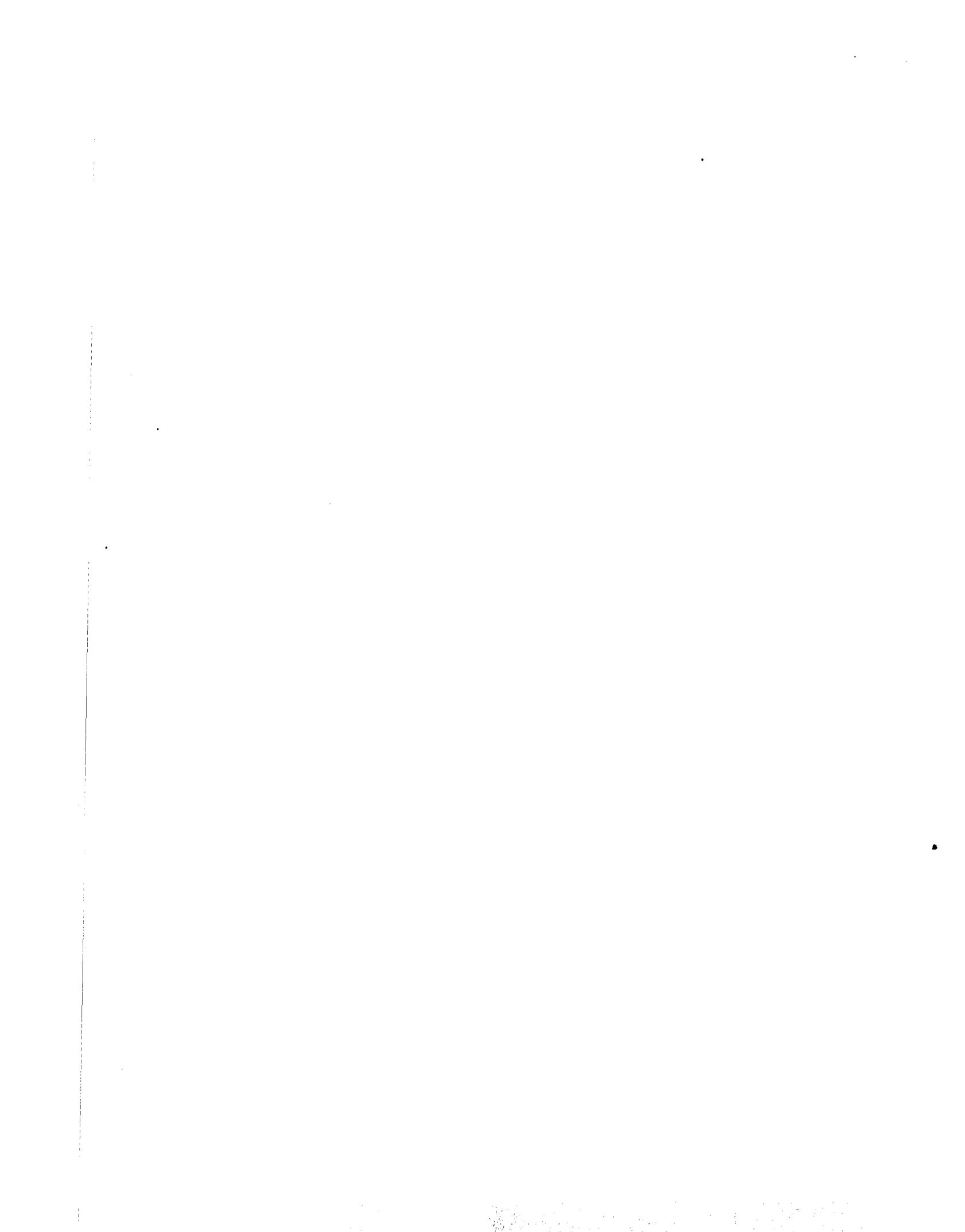
WEST KENTUCKY ALLIED SERVICES

Of the three agencies reviewed, Allied Services received the most Federal funding in fiscal year 1981--about \$1.1 million. (See app. V.) GAO also found the most serious financial management problems at this agency. It had no written accounting procedures, and available accounting records were not accurate. More than one-fourth of fiscal year 1981 financial transactions could not be traced through the agency accounts, and important records had been lost. (See pp. 34 to 39.)

Further, agency managers lacked control over financial operations because of their limited knowledge of, and involvement in, the accounting process. Instead of financial functions being divided among several employees to provide checks and balances, one person controlled all financial operations. (See p. 35.)

Although GAO found no evidence of impropriety, risk is increased under such circumstances. After GAO pointed out the seriousness of these problems in December 1982, and a State agency indicated that program funds might be withheld, corrective action was begun. (See pp. 37 to 40.)

Official agency comments were not obtained on this report, but GAO discussed its observations and findings with officials at the three agencies to assure the accuracy and completeness of its facts.



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ABBREVIATIONS

ADD	Area development district
CETA	Comprehensive Employment and Training Act
CHR	Cabinet for Human Resources, Kentucky
CPA	certified public accountant
CSA	Community Services Administration
CSBG	community services block grant
DOE	Department of Energy
EDA	Economic Development Administration
GAO	General Accounting Office
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
JDC	Jackson Purchase Job Development Corporation

JFA Joint Funding Administration, Kentucky
JPLOO Jackson Purchase Local Officials Organization
PADD Purchase Area Development District
PTC Purchase Training Center
WKAS West Kentucky Allied Services

CHAPTER 1

INTRODUCTION

In a February 16, 1982, letter, Congressman Carroll Hubbard requested that we review selected aspects of the operations of the Purchase Area Development District (PADD) in Mayfield, Kentucky. Later, this request was expanded to include an examination of the Jackson Purchase Local Officials Organization (JPLOO)¹ and West Kentucky Allied Services (WKAS), both located in Mayfield, Kentucky. In general, we reviewed the adequacy of the agencies' control over financial receipts and expenditures. We also reviewed the adequacy of internal controls during that time period. However, our review also addressed individual concerns expressed by the Congressman about each agency's activities. Specific areas examined were:

- PADD expenditures related to travel; accumulated leave, salaries, and employee benefits; expenses reported as miscellaneous; consumable supplies; contractual services; and other direct costs.
- Locations to which PADD board and staff members traveled during fiscal year 1981.
- The completeness of the PADD fiscal year 1981 audited financial report.
- PADD and JPLOO interrelationships, especially building and vehicle transactions and rental arrangements.
- Purchase and sale of the PADD building and transfer of automobiles to JPLOO.
- Locally elected officials' knowledge of PADD and JPLOO operations.
- JPLOO and PADD acquisition and disposition of Federal excess property for the Purchase area, specifically within Graves and Calloway Counties.
- Travel money paid by PADD to JPLOO.
- Financial activities of JPLOO during fiscal year 1981 and fiscal year 1982 through May 1982 which were related to three Federal grants.

¹JPLOO includes its two related organizations, the Jackson Purchase Job Development Corporation (JDC) and the Purchase Training Center (PTC).

- Use of rental money received by JPLOO from PADD.
- WKAS' utilization of a salaried physician.
- WKAS' bookkeeping practices and financial activities.
- PADD's and WKAS' administrative and "medical screening" costs for the In-Home Services and title III aging programs.

BACKGROUND

The three organizations we reviewed are Commonwealth of Kentucky-chartered nonprofit corporations. They are located in Kentucky's Jackson Purchase area which covers the eight western-most counties of the Commonwealth. The agencies are all located in or near Mayfield, the geographic center of Kentucky's Jackson Purchase area. Generally, they receive and use Federal, State, and local funds to plan, acquire, improve, and provide necessary social services and training to area residents.

PADD is a planning agency whose purpose is to promote and develop the Purchase area economy, health, education, and general welfare. JPLOO is the area's council of governments organization; its purpose is to organize, finance, promote, and operate programs beneficial for the area. WKAS was initially organized to operate a State-funded program providing health and nutrition services to elderly persons in their homes. Later, as a community action agency² it received Federal funds to conduct programs for low-income citizens. Our reviews of these agencies are discussed in separate chapters in this report: PADD in chapter 2, JPLOO in chapter 3, and WKAS in chapter 4.

A board of directors governs each agency's operation. Locally elected officials of the Purchase area counties and cities--all county judge/executives³ and some city mayors--serve on all three boards in accordance with the agencies' bylaws. Such officials make up all of the JPLOO board, about one-half of the PADD board, and one-third of the WKAS board. These officials appoint the other PADD board members. They and other elected WKAS board members appoint one-third of the WKAS

²Created by the Office of Economic Opportunity in 1964 and overseen by the Community Services Administration until 1981, community action agencies conducted programs for low-income citizens.

³The title of "judge/executive" is bestowed upon the highest elected administrative official in each Kentucky county.

board members from the private sector. The other elected board members, who make up the remaining one-third of the WKAS board membership, are elected by area low-income citizens. Board of director responsibilities and board makeup of each agency are discussed in succeeding chapters. The three agencies' board memberships are shown in appendix I. Their organization charts are shown in appendixes II, III, and IV.

During the period⁴ we reviewed, the three agencies spent a total of \$3,622,937, of which \$2,359,033 (65 percent) was Federal, \$893,664 (25 percent) State, and \$370,240 (10 percent) local government funds. The three agencies' funding during the period we reviewed is shown in appendix V.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our objectives in conducting this review were to examine the adequacy of controls over receipts, expenditures, and internal controls at the three agencies as requested by Congressman Hubbard (see app. XVII). In addition, we examined a number of the agencies' specific activities, which are shown on page 1.

Our work at PADD, JPLOO, and WKAS covered fiscal year 1981 financial activities. However, after we began our work at JPLOO, we were requested to extend our review work through May 1982. In order to test the adequacy of JPLOO's financial control, we reviewed three representative grants in effect at the agency during the 20-month period. The funds received under these three grants accounted for about 50 percent of the funds received by JPLOO under the six grants in effect during the 20-month period.

Our review was conducted in accordance with generally accepted government audit standards and was performed at the agencies' locations between March and December 1982. As requested, however, we did not obtain official comments on this report. Matters covered in the report were discussed with Federal, State, and local officials, and we have included their views where appropriate. In addition to our financial examinations, we inquired into several matters dealing with the economy and efficiency of agency operations. We did not review program results.

In doing our work, we reviewed the agencies' available accounting records, financial expenditure reports, and audit reports. We inquired into the reasons for expenditures and

⁴Periods covered were July 1, 1980, through June 30, 1981, at PADD and WKAS, and October 1, 1980, through May 31, 1982, at JPLOO.

reviewed and analyzed other records as we deemed necessary to understand the agencies' internal operations. Expenditures incurred during the period covered by our review were traced to invoices, vouchers, contracts, or other supporting documents. Funding sources were traced through bank deposits and other receipt records.

Our examination of each agency's internal controls focused on (1) organizational authority and responsibility, (2) safeguards over assets and control of receipts and expenditures, and (3) the traceability and accountability of transactions through accounting records and reports.

We obtained pertinent information and documents from and discussed the agencies' operations with officials and employees of the

- Purchase Area Development District, Mayfield, Kentucky;
- Jackson Purchase Local Officials Organization, Mayfield;
- Jackson Purchase Job Development Corporation, Mayfield;
- Purchase Training Center, Mayfield;
- West Kentucky Allied Services, Mayfield;
- Kentucky Employment Services, Mayfield;
- Kentucky Secretary of the Cabinet, Frankfort, Kentucky;
- Kentucky Department of Local Government, Frankfort;
- Kentucky Cabinet for Human Resources, Frankfort;
- Kentucky Department of Social Services, Frankfort;
- Kentucky Department of Manpower Services, Frankfort;
- U.S. Department of Health and Human Services, Atlanta, Georgia, and Frankfort;
- U.S. Department of Commerce, Economic Development Administration, Atlanta and Washington, D.C.;
- U.S. Department of Labor, Employment and Training Administration, Atlanta;
- U.S. Department of Energy, Atlanta; and
- General Services Administration, Atlanta.

Our interviews covered 21 of the 40 PADD board members and 15 of the 16 JPLOO board members. Of the board members interviewed, 10 were also on WKAS' board. We also met with representatives of the three certified public accounting (CPA) firms which performed financial audits at or worked with the agencies over the past several years, the former owner of the building occupied by PADD, and former PADD staff. These and other contacts included persons we were specifically asked to interview.

CHAPTER 2

PURCHASE AREA DEVELOPMENT DISTRICT

We found no evidence that PADD's fiscal year 1981 receipts and expenditures were improperly recorded or accounted for. Internal controls provided safeguards and allowed for funding accountability. Likewise, accounting firm audits and other third-party reviews conducted at PADD in recent years revealed no major deficiencies in agency operations.

However, PADD travel expenses were higher than the average for other Kentucky area development districts. There was no evidence of attempts to reduce travel costs. Written travel authorizations were not required beforehand and travel purposes were not always documented. PADD and State officials believed the higher expenses were caused by agency representatives traveling longer distances than representatives of other Kentucky development districts for meetings in the State capital area. PADD officials agreed, however, to consistently document travel purposes in the future.

During 1979, PADD purchased the building it was occupying, sold it to JPLOO, and then leased it back. Pertinent information about the transactions was well documented and approved in board minutes. Cognizant Kentucky and Federal agency officials were aware of the transactions and posed no objections, and we also found no improprieties. The rental rate PADD pays JPLOO for office space is in line with that of similar rental space in the Mayfield area as well as that paid by other Kentucky area development districts.

Our interviews with PADD board members also revealed no serious problems with the organization. Most of the board members that we talked to were pleased with PADD's operations and appeared to be aware of PADD activities.

PURPOSE, MEMBERSHIP, AND OPERATIONS OF PADD

PADD was formed in 1969 as a nonprofit corporation. It is 1 of 15 area development districts (ADDs) created by the Commonwealth of Kentucky under the Federal Public Works and Economic Development Act of 1965. Initial funding for planning and administration came from the U.S. Department of Commerce, Economic Development Administration. During fiscal year 1981, PADD received about \$1.7 million; about 53 percent of this amount came from various Federal sources, including the Departments of Health and Human Services, Commerce, and Labor. The remainder came from State and local government sources.

PADD's purpose is to promote and develop the economy, health, education, and general welfare in the eight western-most counties of the State. PADD's State charter authorizes it to seek and acquire Federal and State aid to achieve its purposes. PADD, like other ADD organizations, also assists local county and city governments to plan for orderly growth and development. However, the State prohibits ADDs from managing or otherwise operating programs they helped plan. Accordingly, although PADD helped plan programs which JPLOO and WKAS conducted, it was not responsible for operating those programs.

PADD is governed by a board of directors. Committees comprised of board members and appointed citizens direct selected aspects of agency operations. Decisions are made by majority vote of the board members. A paid staff implements board decisions and provides planning and technical assistance to the board and committees.

PADD bylaws adopted November 15, 1976, require its board to have no less than 31 directors, with at least 51 percent being elected officials. As of October 1982, PADD had 40 board members consisting of 21 (52.5 percent) locally elected officials (8 county judge/executives, 11 mayors, 1 State representative, and 1 State senator). The other 19 members included 6 educators, 4 businessmen, 3 attorneys, 1 city manager, and 5 other citizens representing labor and low-income and minority citizens. Board members holding elected offices, except the State officials, appoint the other board members. Members serve without compensation but are reimbursed for agency-related travel expenses outside the Purchase area. Board membership, as of October 1982, is shown in appendix I.

Board meetings are scheduled monthly, with a quorum comprising a simple majority. The board elects its officers--president, vice president, secretary, and treasurer--for 1-year terms. Officers are limited to two consecutive terms in a specific office.

The board's executive committee is comprised of elected officers, chairpersons of committees and task forces, and persons from those counties in the district which are not otherwise represented on the committee. Agency bylaws authorize the committee to act for and on behalf of the board in the interim between board meetings, except on issues where a full board meeting is required by the bylaws. The committee, however, met infrequently and in fact has not met since November 1979.

The personnel and finance committee directs PADD's fiscal operations. It is comprised of the board's officers and a board

member appointed by the board chairman. The committee is responsible for assisting the executive director to screen job applicants, employ staff, and oversee PADD's budget and financial affairs. Decisions are made by majority vote. Individuals on this committee since 1975 are shown in appendix VI.

PADD's salaried staff implements board policies, directives, and day-to-day operations. PADD staff--21 members at the end of fiscal year 1981--includes an executive director, assistant director, financial officer, several planners, and secretarial support personnel. The number of staff during fiscal year 1981 was about average for Kentucky area development districts as shown in appendix VII. PADD staff coordinates with Federal, State, local, and private industry officials on behalf of--and provides planning and technical assistance to--local government organizations.

PADD's annual report for fiscal year 1981 showed that PADD provided planning, administrative, data collection and dissemination, and project development assistance to local governments. The board of directors and committees reported reviewing about 190 area applications for Federal funding during 1981. An organization chart of PADD is shown in appendix II.

RECEIPTS AND EXPENDITURES

We found no evidence that PADD's fiscal year 1981 expenditures were improperly accounted for or supported in the agency's financial records. In addition, we found that the dollar amounts for receipts and expenditures reported in PADD's audited financial statement were correct and that disclosure of those transactions was thorough and complete.

Receipts

Almost all of PADD's fiscal year 1981 funds were received from Federal sources and the Commonwealth of Kentucky. Cash deposit records at PADD totaled \$1,609,979 for fiscal year 1981--\$854,968 (53 percent) from Federal sources, \$723,541 (45 percent) from Kentucky sources, and \$31,470 (2 percent) from local sources. The Federal funds received were primarily from the Economic Development Administration (EDA) for planning, technical assistance, and monitoring services and from the Department of Health and Human Services (HHS) for aging programs passed through PADD to WKAS.

Federal and State moneys were deposited in a general fund checking account. Local funds--generated from a 22-cent per capita annual assessment paid by participating county and city

governments--were deposited in a separate checking account to be used for local matching funds required under some Federal and State grants. Appendix VIII shows the annual dues each participating government paid to PADD for fiscal year 1981.

Our review of the fiscal year 1981 general fund cash account showed that all receipts were accurately reported in the financial statements.¹ We verified cash receipts to the cash receipts journal and to bank deposits and statements. The financial statements showed revenues received on a grant-by-grant basis and completely and accurately disclosed all funding sources and amounts.

Expenditures

PADD reported \$1,688,435 in expenditures during 1981; \$1,089,744 (65 percent) of that amount passed through to WKAS to finance its In-Home Services and nutrition programs for the aged. The remaining funds were used to finance PADD's operations.

There was some concern about the adequacy of PADD's accounting for and reporting of the \$1,688,435 expended in fiscal year 1981. Accordingly, we examined each expense account in detail. Specifics about that examination start on page 10, and further details are shown in appendixes IX through XVI.

Generally, expenses were properly authorized and/or approved and were supported with adequate and appropriate documentation. For example, time records and earning statements supported payrolls; purchase orders and vendor invoices and statements supported purchases. All expenses were recorded properly in the accounting records and were completely and accurately reported in the fiscal year 1981 financial statements. The statements showed expenses applicable to each grant and were presented to, and approved by, the board of directors.

INTERNAL CONTROLS

Our examination focused on those key elements designed to ensure integrity in financial operations, primarily (1) the plan of organization and separation of duties among those responsible for financial activities, (2) the system for authorizing and accounting for transactions, (3) administrative staff competency and supervision, (4) internal crosschecks to detect and correct errors, and (5) security of physical assets.

¹The account and statements differed by \$11.

Our detailed review of fiscal year 1981 receipts and expenditures showed that PADD's accounting policies, procedures, and related internal controls were adequate and were followed. Duties were appropriately segregated and transactions were properly authorized and/or approved, documented, recorded, and reported. Check writing and signing functions were also appropriately segregated. Whenever a facsimile (stamped) signature was used, an authorized official initialed that signature.² Competent, experienced staff performed the accounting functions, and were properly supervised. Automobiles and equipment were reasonably safeguarded. To avoid unauthorized use, automobile trip and mileage logs were maintained and reviewed, telephone bills were reviewed and unfamiliar numbers questioned, and postage meter usage was controlled.

The finance officer maintained the accounting journals and ledgers. These duties could have been delegated to other clerical staff, which would have given the finance officer more time to regularly review all financial activities. It also would have helped to assure that routine bookkeeping work continued when the finance officer was absent. PADD officials, because of funding cutbacks, had laid off a person who was being trained to do this work. According to the executive director, such duties could be assigned to other clerical staff.

EXPENSE ACCOUNT DETAILS

Our detailed examination of selected expense accounts, including salaries and travel, disclosed no irregularities. The results of our examination are discussed below and in greater detail in appendix X.

Salaries (\$302,563)

Salaries were paid to full and part-time employees, and each employee had a detailed job description. Salary expense included basic compensation; withholdings for Federal, State, and local taxes; and health, dental, and retirement benefits. Vacation, sick, and holiday leave was recorded in a separate account. Employee salaries, accumulated leave, and benefits are shown in appendix XI.

Salary expenses for employees on PADD's payroll during fiscal year 1981 ranged from \$8,687 for a secretary to \$40,908

²The board president, board treasurer, and executive director are authorized to sign and/or initial facsimile signatures on PADD checks. Two signatures are required, one of which may be a facsimile.

for an executive director. Salaries were below the average of those paid at other ADDs and ranked seventh among 15 ADDs (see app. XII). The PADD executive director's salary was about average compared to other ADDs and ranked seventh among 14 ADDs on which such information was readily available.

Information about accumulated leave and employee insurance and other benefits is shown in appendix XI.

Travel expenses (\$59,352)

Our examination of all travel occurring during fiscal year 1981 showed that it was performed and paid for in accordance with PADD's policies and procedures. Travel expenditures were properly approved and recorded in the accounting records.

Travel was conducted primarily to attend planning meetings, acquire information about grants pending or made, participate in National and State conferences, meet with government officials at the national and State level, and meet with Purchase area government and private business officials and area citizens. During fiscal year 1981, PADD board and staff members made a total of 196 trips: 172 (88 percent) within the State and 24 (12 percent) outside the State, as shown in appendix XIII. Appendixes XIV and XV show their trips and the purposes of those trips. Purposes of trips were not always indicated on individual travel vouchers but were explained to us by PADD management. However, they were unable to explain the purposes of trips taken by some former employees. PADD management told us the agency has probably been lax in not requiring that purposes of trips be written on individual travel expense vouchers and they will assure that purposes are documented hereafter.

PADD's policy was to reimburse board members for travel expenses to appropriate meetings only if they had attended at least two-thirds of board meetings each year. Our review showed this policy was followed.

Of 196 trips made in fiscal year 1981, 29 trips involved three or more board and/or staff members going to the same place at the same time. These trips accounted for 36 percent of total fiscal year 1981 travel expenses.

PADD officials were not required to provide advance written authorization of travel. Travel authorizations were implied when agency management approved travel expenditures. Such after-the-fact approval did not, however, provide PADD management with the opportunity to reduce travel costs by considering whether each trip was necessary.

To provide some perspective on PADD's travel costs, we compared them to travel costs incurred by other area development districts. PADD fiscal year 1981 travel expenses ranked third among the 15 ADDs and were higher than the average travel expenses reported by other ADDs (see app. XVI). PADD and State officials attributed the higher expense to the fact that PADD officials traveled farther to attend meetings in the Frankfort area than did other ADD officials.

Other expenses (\$129,470)

Details about office expenses (\$108,132), printing and publication expense (\$10,726), other direct costs (\$3,989), miscellaneous expenses (\$4,623), and contractual services (\$2,000) are shown in appendix X. We found nothing unusual about these expenses.

Advances to subgrantees (\$1,118,479)

PADD advanced \$1,084,925 to West Kentucky Allied Services for In-Home Services and nutrition programs. Results of our review at WKAS are covered in chapter 4. Information about the remaining \$33,554 is shown in appendix X.

OTHER INFORMATION REQUESTED

We reviewed the circumstances surrounding PADD's purchase of its building, its subsequent resale to JPLOO, and the propriety of building rental costs paid to JPLOO and found no irregularities. We also interviewed local officials and members of the PADD board and found that they were well informed of the agency's internal operations and were an integral part of the decisionmaking process at PADD.

PADD paid JPLOO for leased automobiles

During fiscal year 1981, PADD paid JPLOO \$17,685 for travel expense reimbursement, all of which covered the cost of leasing JPLOO-owned automobiles. The automobiles are used for PADD staff and board member trips in and around the Purchase area, as well as for travel to statewide conferences and meetings. PADD leased the vehicles from JPLOO for a standard usage rate of 20 cents per mile, which is based on Federal Government standard rates. This practice was started in July 1978 when PADD sold its five automobiles³ to JPLOO for a total of \$12,718. The vehicles, which PADD had purchased with its local funds, were sold to JPLOO, which bought them with its local funds. According to JPLOO's executive officer, local funds are used to pay for

³These automobiles were 1975 and 1977 full-sized Plymouths and Fords.

vehicle maintenance, licensing, insurance, gasoline, and eventual replacement. Four of the vehicles have been replaced with three newer vehicles.

Automobile leasing costs are charged to Federal and State grants as car rental expenses. EDA encourages agencies to charge grants on a mileage basis so that each grant more clearly bears its portion of transportation costs. Therefore, Federal and State agencies have not objected to PADD's automobile leasing practice.

PADD purchased and resold its building to JPLOO

PADD leased its office space between September 1974 and August 1979 under a lease and option agreement with a Mayfield realtor. The agreement was dated August 19, 1974, and amended January 7, 1976. It granted PADD the option to purchase its office space for certain stipulated amounts on any September 1st from 1975 through 1979.

PADD exercised its option to purchase the leased office space on September 1, 1979. The purchase price was \$136,100, which was paid with \$50,000 in local funds and an \$86,100 bank mortgage. At the time of the purchase, PADD was paying the Mayfield realtor \$24,283 annual rent (an average of \$3.11 a square foot). That rate included heat, water, electricity, and sewer charges.

Three months after purchasing the building, PADD sold the building to JPLOO for the same \$136,100 and agreed to lease the space it occupied from JPLOO. JPLOO financed the purchase by assuming PADD's 7 percent bank mortgage and a \$50,000 loan from PADD's local fund account. The sale, purchase, and leasing arrangements were reported in approved PADD board meeting minutes.

PADD's annual rental cost is \$39,000 (\$5 a square foot). In addition, PADD pays for all utilities, cleaning, and minor maintenance. JPLOO maintains office space in the building and reimburses PADD about \$5,350 annually for rent, thereby reducing PADD's net rental costs.

We also examined the reasonableness of PADD's office rental costs. We found the new rate of \$5 a square foot to be competitive and acceptable for the Mayfield, Kentucky, area. PADD's old rental rate was negotiated in 1974, before the inflation and increased energy costs experienced in the late 1970's. In

addition, the local realtor from whom PADD purchased the building, as well as a General Services Administration realty specialist, stated that the \$5 annual rental rate per square foot, plus utility expenses, was an acceptable rental cost in the Mayfield area. Also, both a State official in the Department of Local Government and an Economic Development Administration regional official in Atlanta, Georgia, representing the agency's two primary funding sources, were aware of PADD's sale of its office space and subsequent rental arrangement with JPLOO. Those agencies' representatives expressed no objections. In this connection, as a result of a question raised by the Commerce Department's Inspector General Office, EDA determined--after consultation with the Office of Management and Budget (OMB)--that ADDs' use of third parties to hold property is not improper.

JPLOO used the rental money it received from PADD during fiscal year 1981 to make payments on the JPLOO bank mortgage, pay operating expenses, and provide funds to initiate or continue programs that JPLOO sponsored in the Purchase area. JPLOO paid PADD interest of \$9,024 through June 1982 on the \$50,000 loan, but had made no loan principal payments.

PADD officials viewed the sale of their building to JPLOO and the subsequent rental agreement with that organization as a sound management decision. PADD's executive director told us that JPLOO, as a local council of governments, kept money and property for the benefit of the Purchase area. Should JPLOO be dissolved, its assets are to be divided among the constituent local governments.

EDA's regional chief of planning in Atlanta, Georgia, told us that most area development districts in the Southeast Federal region established nonprofit corporations or used existing nonprofit corporations to hold property for the benefit of local governments. In so doing, the ADDs are able to charge rental costs for use of this property as allowable costs against Government grants.

Local officials' and board members'
opinions concerning PADD

In soliciting opinions about the agency, we interviewed 21 of the 40 PADD board members--including 15 local judge/executives and mayors who held dual memberships on the PADD and JPLOO board. Those interviewed included all those local officials we were asked to talk to, including eight new board members who joined the PADD governing body in January 1982.

All of the board members interviewed said that they were aware of PADD operations, and most praised the organization, its objectives and accomplishments in the local communities, or the professionalism of its salaried staff. Two board members expressed negative opinions about the organization and its structure. They perceived that PADD operations were not responsive to their local community needs. However, they also stated that they were nonetheless generally pleased with the performance and qualifications of PADD's staff and that they had no specific examples of abuse or waste of Federal funds.

Board minutes we analyzed showed that board members or persons they authorized to represent them attended, on the average, 62 percent of PADD board meetings held from July 1979 to November 1982. At board meetings, board members receive a packet containing agenda items for the meeting and minutes of the previous board meeting. The packet also contains PADD committee and task force reports, as well as program implementation reports from service organizations such as JPLOO and WKAS. Board members annually review and vote acceptance of CPA-prepared financial statements.

THIRD-PARTY REVIEWS OF PADD OPERATIONS

Several third-party reviews have been made of PADD's operations in the past several years. No major deficiencies were reported.

Independent public accountant reviews

In 1978, a former PADD employee's allegations prompted the Commonwealth of Kentucky to engage a public accounting firm to conduct a special audit of selected PADD operations. The employee's allegations included (1) liquor purchases made with PADD travel funds, (2) a PADD credit card used to purchase gasoline for personal use, and (3) petty cash used to purchase personal items.

The period audited was July 1977 through September 1978 and involved detailed reviews of

- PADD's general and local funds petty cash disbursements;
- selected PADD employees' travel voucher documentation;
- a PADD-reimbursed trip to Denver, Colorado, by a named official;

--PADD-maintained records, comparing gasoline purchase for a 2-month period with automobile logs; and

--expenditures for a training session held in August 1977 at Lake Barkley State Park.

The results of the special audit, reported to the Commissioner of the Department of Local Government, stated that it was the judgment of the independent auditors that there was "no material misuse of funds" and "no sound verifiable basis for the accusations" made by the former employee. The commissioner and a director within the Department of Local Government, in their comments about the audit, stated that the investigation did not reveal any issues which would require further investigation, and to the best of the department's knowledge, the allegations regarding misuse of funds were not substantiated.

Annual audits of PADD by certified public accountants, during the period 1979 through 1982, reported that no material deficiencies existed in the agency's internal control. However, the reports did note that internal controls over disbursements, purchases, and payroll could be improved. PADD implemented each of the public accountants' suggested improvements.

State oversight

Kentucky's Department of Local Government has audit and oversight responsibilities over Federal and State planning funds awarded to PADD. It reviews quarterly and annual PADD financial reports against criteria the State Joint Funding Administration (JFA) specifies for all ADDS.

We discussed PADD and other Kentucky ADD operations with department representatives and the Kentucky Secretary of the Cabinet.⁴ They all considered PADD one of the best managed ADDs in Kentucky because of its quality staff and its adherence to Federal and State guidelines.

Federal oversight

The Economic Development Administration is a principal source of Federal funds used to finance PADD operations. EDA relies upon the State to monitor PADD and the other ADDs and has approved the State JFA guidelines used for this purpose.

⁴Department of Local Government is attached for administrative purposes to the Secretary of the Cabinet, Office of the Governor.

Although EDA has not audited PADD's activities since the early 1970's, the EDA regional chief of planning, familiar with PADD operations for many years, considers the agency one of the best managed development districts in the Federal Southeast region. He stated that annual CPA audits of PADD have disclosed no major deficiencies and that PADD officials have willingly implemented audit recommendations.

CHAPTER 3

JACKSON PURCHASE LOCAL OFFICIALS ORGANIZATION

Financial records were accurate, but improvements were needed at the Jackson Purchase Local Officials Organization and its two related organizations, the Jackson Purchase Job Development Corporation and the Purchase Training Center. Receipts and expenditures of Federal funds at JPLOO, JDC, and PTC were accurately accounted for and supported for the 20-month period we reviewed, but these agencies had neither written accounting nor internal control procedures. Further, the three agencies had not prepared periodic financial statements showing assets, liabilities, fund balances, receipts, and expenditures. Their boards also had not regularly engaged an independent public accountant to attest to the accuracy and completeness of their financial positions.

Improvements in the agencies' recordkeeping practices and in their accounting controls were begun or promised during our review. An accounting firm began constructing balance sheets, and the executive officer agreed that periodically published reports on the agencies' financial status would be appropriate.

JPLOO board members were generally aware of agency operations. Four members with first-hand knowledge of the excess property program had mixed opinions about its success. However, according to EDA, the program was very successful and was carried out according to Federal guidelines.

JPLOO ORGANIZATION

JPLOO was organized in 1975 to serve as a council of governments in the Jackson Purchase Area and to provide emergency medical and ambulance services in the area after local funeral homes discontinued this service.¹ Since then, JPLOO has operated public service, social, health, and welfare programs in the Jackson Purchase Area.

JPLOO expands or reduces its activities depending upon community needs. When programs or organizations it creates become self-sufficient, JPLOO policy has been to arrange for those programs or organizations to be operated independently.

¹JPLOO operated these services until September 1980 when Federal funding ceased and local political entities had to provide their own services.

For example, JPLOO operated the elderly nutrition program until WKAS could be organized to take over the program.

Board memberships, committees,
and operations of JPLOO

The JPLOO bylaws limit its governing board of directors to a voting membership of 16. In accordance with the bylaws, the 16 members include the presiding judge/executive in each of the eight Purchase area counties and the mayor of the largest city in each county. Board meetings are scheduled at least four times annually with a quorum comprising nine board members. Three officers--president, vice president, and secretary/treasurer--are selected for 1-year terms at the JPLOO June meeting. Other Purchase area mayors may participate in board activities but cannot vote. All 16 JPLOO voting board members are also on the PADD board and 10 are on the WKAS board, as shown in appendix I.

JPLOO articles of incorporation specifically provide for an executive committee consisting of one-half the full board, but the bylaws neither mention this committee nor identify its responsibilities. Furthermore, there was no record that this committee ever met, which the JPLOO executive officer confirmed.

JPLOO's fiscal operations and its organizational activities are guided and monitored by its personnel, budget, and finance committee. This committee has met periodically since 1977 and includes the officers of the JPLOO board of directors and two board members whom the board president appoints. Four other committees have met since 1977: flood control, nominating, personnel selection, and training center site committees.

JPLOO's only staff member, an executive officer, serves for a token \$1 annual salary. He has been regularly employed as PADD's social programs planning director at an annual salary of \$18,085. He was also the executive officer of a related organization, the Jackson Purchase Job Development Corporation, for an additional \$1 annual salary. The function of the executive officer is to provide oversight of any administrative duties that the respective boards of directors delegate to staff.

The number of staff at the Purchase Training Center, which was created by and is accountable to JPLOO, ranged from two in 1979 to seven in 1982. The staff included the training center director, three classroom instructors, a counselor, a secretary, and a bookkeeper. Staff salaries totaled \$133,052 for the 20-month period. Organization charts for JPLOO and its related organizations are shown in appendix III.

Related organizations
created by JPLOO

JPLOO organized the Purchase Training Center in November 1979 to offer advanced courses in diesel hydraulics. JPLOO also formed the Jackson Purchase Job Development Corporation, incorporating it on September 22, 1980. JDC's purpose was to promote economic development, receive grants, and acquire property for area programs. Subsequently, PTC operations were moved from a rented Mayfield garage to a 5-acre site for which JPLOO had transferred title to JDC. Those 5 acres, just north of Mayfield, were part of 23 acres JPLOO had purchased with \$30,004 of its local funds. For future developmental needs, JPLOO retained the remaining 18 acres, and JDC acquired an adjoining 35 acres for \$44,833 using a State area development fund grant. That \$126,087 State grant also paid for acquiring and building classroom and shop buildings for the training center.

The center's training program was conducted with a U.S. Department of Labor Comprehensive Employment and Training Act (CETA) grant. The training center's enrollment during the 20 months was limited to participants meeting CETA eligibility criteria. From December 1980 through September 1982, the training center records showed it had graduated 65 CETA participants and that 54 (83 percent) had been placed in jobs. Such a placement rate exceeded the 80 percent rate required for the program by the Kentucky Department for Manpower Services. According to the PTC director, all of the participants who did not find jobs declined to relocate to areas where jobs were available.

During the 20-month period we reviewed, JPLOO received \$796,866 from six Federal grants to operate its training programs at PTC. Almost half of that amount, \$319,228, went directly to CETA program participants for training-related allowances. The remainder went for staff salaries, equipment, rent, and classroom, shop, and office supplies.

The training center management, anticipating a decrease in or end to CETA funding, made preparations during fiscal year 1982 to provide diesel hydraulics training for industry employees upon request. In October 1982, the training center was to begin charging tuition for its training courses and would accept donations and contributions from industry. The center was to still be available to meet CETA program requirements. Also in October 1982, the JDC holding company was dissolved because PTC was chartered as a Kentucky nonprofit corporation. As a result, JDC was no longer needed as a holding company. Accordingly, its property and liabilities reverted to JPLOO

ownership, and the training center began paying its rent to JPLOO.

FINANCIAL RECORDS, WHILE ACCURATE,
NEED IMPROVEMENTS

We tested the adequacy of JPLOO and its two related agencies' financial records over a 20-month period. We found that they did not maintain a complete set of accounting records; journals were kept but a general ledger was not established; and financial statements were not prepared. We made a detailed review of transactions relating to three of the six grants in effect during the 20-month period. The three grants, representative of JPLOO activities, accounted for about 50 percent of the six grants' funds which JPLOO received during the 20-month period, and 74 percent of the five grants in effect during fiscal year 1981. Federal grants JPLOO received from October 1980 through May 1982 are shown on the following page.

<u>Grant description (note a)</u>	<u>Grant period</u>	<u>Grant amount</u>	<u>Amount received during 20 months</u>
CETA Title II-B (notes b and c)	Nov. 1980- Sept. 1981	\$ 361,302	\$361,131
PTC discretionary grant (notes b and d)	Nov. 1979- June 1981	75,000	30,535
CETA Title VI, public service employment (notes b and e)	Oct. 1980- Sept. 1981	15,171	8,997
CETA Title II-B (note c)	Oct. 1981- Sept. 1982	517,972	315,534
Private Industry Council (note f)	Dec. 1980- May 1981	14,412	14,374
CETA Title II-D, public service employment (note e)	Oct. 1980- Sept. 1981	<u>147,980</u>	<u>66,295</u>
Total		\$1,131,837	\$796,866

a/All grants were from the U.S. Department of Labor.

b/We reviewed these three grants in detail.

c/Grant provided classroom training at PTC for program participants.

d/Grant provided funds for initial program development operation.

e/Grant provided training services funds for program participants.

f/Grant provided funds for training program development.

Receipts

Revenues for JPLOO, JDC, and PTC² activities came from Federal and State programs and grants, as well as from real estate, vehicle, and training equipment rentals. During the 20 months, those agencies received \$796,866 for six grants from the U.S. Department of Labor (DOL)³ and \$118,774 from rental revenue. The rental revenue was appropriately deposited in the bank account for local funds. All CETA funds were properly recorded in the cash receipts journal and were deposited in the proper bank accounts.

As noted earlier, JPLOO and JDC had acquired 58 acres of land for the Purchase Training Center site. Although PTC facilities occupy only about 3 acres, land had been purchased in anticipation of the training center adding heavy equipment operations to its curriculum. When this did not occur, JPLOO and JDC rented about 55 acres of this land to a local farmer. For rent, JDC received one-third of the \$2,587 in crop proceeds, including JPLOO's portion. This amount was incorrectly deposited only in JDC's local fund account, instead of both JPLOO's and JDC's local fund accounts, according to their respective shares. Because JPLOO had established and has since absorbed the JDC organization, we did not further pursue why JDC had not shared the rental income with JPLOO.

Expenditures

Our review showed all expenditures made against the three grants were supported with appropriate documentation. The expenditures were accurately recorded in accounting journals and were included in end-of-grant financial reports submitted to the sponsoring Federal agency.

Most JPLOO expenses during the 20-month period pertained to the training center. Most payments during the 20 months were for staff salaries (15 percent) and CETA participant training allowances (36 percent). State records showed that individuals enrolled in training met CETA eligibility criteria. Our tests of CETA training allowances showed payments agreed with time and

²PTC operated as a subsidiary of JPLOO and as such received no grant funds directly. All grant funds were received by JPLOO and provided to PTC as needed for operations.

³JPLOO received an additional \$79,719 in DOL funds during this period for prior years' programs.

attendance data. Payees and endorsements shown on checks were the same. On two different occasions, we observed CETA payroll check distributions and time clock procedures and verified that payroll checks were distributed to the right persons. No irregularities were noted.

Accounting procedures and internal controls

JPLOO, JDC, and PTC had neither written accounting nor internal control procedures. A bookkeeper maintained their accounting journals. Her work was overseen by a private accounting firm whose services were first obtained in 1980. Notwithstanding the absence of written procedures, our review of financial transactions showed that no significant inaccuracies occurred in classifying and recording receipts and expenditures in the journals. The agencies' officials agreed, however, to the need for written accounting and internal control procedures. They started documenting such procedures when our review work at the agencies was completed in August 1982. The procedures will apply to the Purchase Training Center operations; JPLOO bookkeeping functions were contracted to PADD in October 1982.

According to the accounting firm which oversees the work of the JPLOO bookkeeper, the agency did not segregate accounting duties because of the small size of the organization. Basically, the bookkeeper exercised control over financial transactions under the general supervision of the training center director, the JPLOO executive officer, and the accounting firm. The agency exercised some control over issuing checks--payroll and general expense checks were to be signed by two board officers. However, the executive officer was authorized to initial one absent board officer's facsimile signature to signify approval.

During our review, JPLOO engaged the above accounting firm to advise on agency accounting procedures and to provide record-keeping assistance to the bookkeeper. During the review, JPLOO also engaged that firm to compile balance sheets for JPLOO as of May 31, 1982; for JPLOO, JDC, and PTC as of September 30, 1982; and for JPLOO and PTC as of October 1, 1982. The JPLOO executive officer stated that a consolidated balance sheet was needed to show the financial status of JPLOO, JDC, and PTC immediately before and after JDC was dissolved. He also said it would be appropriate for JPLOO and its related agencies to periodically provide the agencies' board and the local newspapers information about JPLOO's financial status.

INFORMATION ABOUT
CERTAIN EXPENSES

We also examined possible duplicate travel payments, rent expenses, and the purchase and sale of equipment parts used at the training center and found nothing improper.

Travel expenses

We compared travel reimbursement records of PADD, JPLOO, JDC, and PTC, and determined that no one had received duplicate travel payments from these agencies. We specifically reviewed travel expenses attributed to JPLOO, JDC, and PTC staff and board members. We found nothing unusual or irregular in those expenses. Specifically, we noted no duplication of travel reimbursements from JPLOO and PADD.

Equipment parts

As part of their training, PTC trainees repaired equipment which they and other private citizens owned. Our review showed that the owners reimbursed PTC in full for all parts purchased with PTC funds. A purchase order system was not used, but the training center director put one into effect during our review to improve controls in this area.

Rent expenses

PTC's rental of land, buildings, and equipment from JDC and later JPLOO enabled the recovery of some costs from the Federal Government which otherwise would not have been recovered. JPLOO officials believe this arrangement, in addition to covering some costs, provides appropriate accounting records for rental expenses attributable to training center programs. This situation is similar to that at PADD, which we discussed earlier, whereby the use of third parties to hold property is not improper.

FEDERAL AND STATE OVERSIGHT
OF CETA PROGRAMS

No Federal audits have been made of the JPLOO-sponsored CETA programs. The Department of Labor relies on the State to monitor these programs. State CETA representatives told us that JPLOO grant program and expenditure reports were reviewed periodically to determine whether funds were spent for program purposes. The reviews were made at the CETA State office. CETA representatives said they knew of no significant problems at JPLOO.

BOARD KNOWLEDGE ABOUT JPLOO OPERATIONS

Our interviews with 15 JPLOO board members showed they were generally aware of the agency's purpose, operations, and community involvement. Eight of these elected officials took public office in early 1982; three told us that PADD staff informed them about JPLOO shortly after the 1981 general elections. Board members' knowledge and comments about JPLOO's participation in the excess property program are shown on page 29.

Only one board member stated that he had been unaware of the purchase and subsequent resale of the PADD building in late 1979. Information about the PADD building transactions was documented in PADD board meeting minutes before and after the sale, and it was reported in CPA-prepared PADD financial statements for fiscal years 1980, 1981, and 1982. As discussed on pages 21, 24, and 25, JPLOO did not prepare financial statements of its operations, but grant program reports were periodically prepared, signed by a board officer, and provided to State and Federal grant agents.

PADD AND JPLOO INTERRELATIONSHIPS

We reviewed (1) the interrelationships of PADD and JPLOO, including whether travel moneys PADD paid to JPLOO were for trips taken by JPLOO officials, and (2) the propriety of PADD's sale of its building to JPLOO.

PADD and JPLOO are separate and distinct State nonprofit corporations with somewhat different goals and objectives--PADD serving the planning and development needs of the Purchase area and JPLOO functioning as a regional council of governments. In addition, JPLOO acts as a service provider and implementing agency for government programs, whereas PADD does not conduct service programs.

PADD and JPLOO are tied together by the composition of their board of directors; they also share the services of one staff member. JPLOO's board is comprised of the judge/executive in each of the eight Purchase area counties and the mayor of the largest city in each of the eight counties. These same officials (by virtue of their offices) are also members of the PADD board of directors (see app. I). The JPLOO executive officer is also PADD's social planning director.

Nothing came to our attention which indicated any impropriety in the interrelationship between the PADD and JPLOO boards of directors. As discussed in chapter 2, travel expense money PADD paid to JPLOO was for rentals of JPLOO vehicles, and

there was nothing improper in PADD's sale of its building to JPLOO.

JPLOO'S PARTICIPATION IN THE
FEDERAL EXCESS PROPERTY PROGRAM

We reviewed the Federal excess property program in the Purchase area because of Congressman Hubbard's concerns about the property's acquisition, use, and disposition. The Federal excess property⁴ was acquired for Purchase area local governments and nonprofit organizations during 1976 and 1977. A 1977 Federal audit of the program reported that the program was operated properly and that the property was accounted for before the Federal Government relinquished title to it. Property acquired during this period had an original Federal acquisition cost of \$2.3 million.

JPLOO operated the excess property
program administered by PADD

The Federal Property and Administrative Services Act of 1949, as amended, authorizes certain Federal grantees to receive Federal excess property. In 1975, EDA determined PADD eligible to participate in the EDA excess property program because PADD had an EDA planning grant. In line with its policy of not operating programs, PADD turned program operations over to JPLOO.

Neither PADD nor JPLOO received Federal funds to administer and operate the excess property program. JPLOO assessed each participating local government \$300 to cover program operating expenses. Until October 1977, local governments and other program participants were also required to pay JPLOO 2 percent of an item's Federal acquisition cost, plus any transportation costs JPLOO incurred in shipping the property to the Purchase area. The 2-percent levy was made to defray program overhead expenses, including JPLOO staff salaries and trips staff members made to screen equipment located at military installations in the Southeast. Effective October 1977, program participants were required to pay the Federal Government 25 percent of the Government's original acquisition cost.

⁴Federal excess property is Government-owned property no longer required for the needs of a particular Federal agency and available for loan to public agencies. Excess property includes various types of equipment and vehicles in a condition that can range from unusable to excellent.

In operating the program, JPLOO staff attempted to match the needs of program participants with available excess property. Participants drew numbers to determine the order of selection, according to JPLOO procedures. In order, each participant had the opportunity to select the property it wanted. When a participant selected an item, it could not select another until each participant had made a selection or passed its turn. JPLOO either used or eventually disposed of property not selected.

Federal audit of Purchase area's excess property program

JPLOO and PADD received favorable comments from EDA for their efficiency and success in administering and implementing the excess property program. A May 1977 EDA audit of the program reported that JPLOO and PADD developed and maintained excellent records on the status and location of all property acquired. The records included slides and photographs of the items acquired.

According to the EDA regional chief of planning, this was one of the most successful excess property programs in the Nation. A JPLOO official stated that the agency acquired more excess property for the eight Purchase area counties than the other 112 Kentucky counties combined. Because of the program's success, PADD prepared and presented an excess property seminar to other development districts on how to participate in an excess property program.

PADD and JPLOO are no longer involved in the excess property program. Participation ended in October 1977 when program participants were required to pay 25 percent of the Federal Government's original acquisition cost. Some of the locally elected officials told us that their governments could not afford this charge for equipment, especially considering that some of it might not be in usable condition.

Use and disposition of excess property by local governments

Because FDA had audited the Purchase area excess property program and reported no irregularities, we did not trace the use and disposition of all excess items. In addition, after that audit, the Federal Government gave title for each piece of equipment to participating local governments and organizations.

To determine the use of some equipment, we traced eight high-cost pieces of equipment obtained by Graves County. In

addition, Congressman Hubbard asked that we also trace high-cost pieces of equipment obtained by Calloway County government and a State university. We traced 30 high-cost items in Calloway County. The 38 pieces of equipment⁵ were originally valued at \$911,790. Graves and Calloway Counties traded or auctioned 14 items, no longer needed or usable, after title was transferred. The other items remained in their possession.

Local officials' opinions of
the excess property program

We interviewed 15 of 16⁶ current JPLOO board members--seven mayors and eight judge/executives--to determine their knowledge about the excess property program and to solicit their comments on the program's benefits to the Purchase area. Only four were board members when the program was operating and had some knowledge of the program.

The four considered the program's cost reasonable for the type of equipment available. Pleased with the program's results, two of the four officials thought it definitely benefited the Purchase area. Specifically, those two board members believed that (1) the property was distributed in a fair manner, (2) their respective city or county received its fair share of the property, (3) no favoritism was shown to any city, county, or board member, and/or (4) PADD and JPLOO provided effective assistance to the participants. The other two officials were negative about the program's success and benefits. They believed their areas did not get a fair allocation of equipment.

⁵The excess items included trucks, bulldozers, cranes, and laboratory equipment.

⁶The board member not interviewed was undergoing medical treatment.

CHAPTER 4

WEST KENTUCKY ALLIED SERVICES

We found the most serious problems at WKAS. This agency received and expended Federal, State, and local funds during fiscal year 1981 without a financial management system in place.¹ As a result, neither we nor the WKAS governing board can be sure that all financial transactions were accurately recorded in WKAS' accounting records, or that expenditures were properly allocated to agency programs.

Any cost allocations and financial controls that might have existed within WKAS were known only by the finance director and were reportedly documented in records the agency lost. Further, neither the finance director, other agency staff, nor the agency's accounting firm could adequately explain the accounting process. The independent accountants recommended as early as 1978 that written procedures be prepared and implemented, but neither WKAS management nor its governing board took any action.

Until 1982, Federal and State oversight of WKAS' financial operations relied upon audits performed by private accounting firms to disclose financial deficiencies. Because the fiscal year 1981 audit disclosed no deficiencies, Federal and State agencies were not informed of WKAS' problems. Those oversight agencies became more involved during 1982 through their own program monitoring processes and subsequently requested that WKAS management correct identified deficiencies.

In December 1982--after we impressed upon the agency the seriousness of its financial operations problems and a State agency threatened to withhold program funds--WKAS began preparing written procedures to document its accounting practices. When first examined by the State in January 1983, the WKAS-prepared procedures proved unacceptable because entries still could not be clearly traced through the records. In February and March 1983, the State approved WKAS' accounting procedures and cost allocation plan.

WKAS WAS ORGANIZED TO SERVE THE POOR AND ELDERLY

JPLOO established WKAS' board structure in 1976, and WKAS was chartered as a State nonprofit organization to organize,

¹WKAS' fiscal year 1981 extended from July 1, 1980, to June 30, 1981, the period which its year-end financial statement covers. Various programs at WKAS sometimes overlap the agency's fiscal year.

promote, and operate (1) public services, (2) social, health, and welfare programs, and (3) other necessary and desirable activities to better serve and advocate for the poor and elderly in the Jackson Purchase Area. Activities were financed with Federal and State funds and with local in-kind contributions.²

Initially, WKAS operated Kentucky's Project Independence,³ a State-funded program providing in-home health and nutrition services to elderly persons. In 1980, WKAS became the Purchase area's community action agency.

WKAS bylaws provide for a governing board composed of 30 members: 10 public officials, at least 10 representatives of the poor, and no more than 10 members of the private sector. The 10 public officials are the eight Purchase area county judge/executives; an additional McCracken County public official; and, on a rotating basis, a public official from either Calloway, Graves, or Marshall County. Area low-income voters elect representatives of the poor for 2-year terms. The public officials and representatives of the poor on the board jointly appoint the private sector members. In October 1982, the WKAS board membership had six vacancies, as shown in appendix I.

WKAS board meetings are to be held bimonthly. Board members serve without compensation but are reimbursed for roundtrip travel expenses to meetings at 20 cents a mile. A quorum comprises one-half of the board membership. The board elects its officers--president, vice president, secretary, and treasurer--for 1-year terms. Officers are limited to two consecutive terms in the same office. In addition, WKAS bylaws identify four standing committees: (1) personnel and finance, (2) executive, (3) human rights, and (4) planning and evaluation. The board president appoints committee members.

²Local in-kind contributions included furniture, clothing, utilities, transportation, labor, and office space donated by various organizations and individuals.

³Project Independence was called the In-Home Services Program in 1981 and renamed the Home Care Program in 1982. The purpose of the In-Home Services Program has been to help elderly people maintain their independence, dignity, and positions of importance in their own surroundings and to avoid repeated hospitalizations and premature institutionalization.

As of June 30, 1981, WKAS programs were being administered by 150 employees who operated 18 Federal and State funded programs. Annual staff salaries ranged from \$1,757 for a part-time homemaker to \$42,000 for a physician. The agency's executive director was paid \$25,000. A WKAS organization chart is shown in appendix IV.

WKAS' FINANCIAL MANAGEMENT
IS INADEQUATE

WKAS' accounting procedures and its internal controls were inadequate to properly and accurately account for, control, and report the results of its financial operations. Further, management control over financial operations was lacking, and the governing board and its personnel and finance committee did not exercise adequate oversight over WKAS' financial affairs. WKAS management officials generally had known about these problems since 1978, but no action had been taken to correct them until our review was underway in 1982. Under the conditions described above, we cannot be certain that WKAS had made a full and proper accounting of its receipts and expenditures.

Detailed examination of
receipts and expenditures

WKAS funding sources and funds applicable to fiscal year 1981 operations are shown on the following page.

<u>Funding source</u>	<u>Purposes</u>	<u>Amount</u>
Department of Health and Human Services	Social and meal services	\$ 476,256
Department of Energy	Emergency energy and weatherization assistance to low-income persons	290,417
Department of Labor	CETA participant allowances	151,687
Community Services Administration	Outreach services to low-income and elderly persons	126,933
U.S. Department of Agriculture	Nutrition program for the elderly	57,398
Tennessee Valley Authority	Day care project	25,436
Department of Education	Summer feeding program	16,719
Kentucky Cabinet for Human Resources	In-home services for the elderly, and Federal programs matching funds	561,781
Governor's grant	Startup funding carried over	2,349
Program income	Nutrition and homemaker program client fees	96,291
Local cash and in-kind contributions	Local matching funds and contributions to Federal programs	<u>88,128</u>
Total		\$1,893,395

The amounts WKAS recorded as receipts agreed with amounts shown on the respective agencies' funding documents. The receipts were deposited in appropriate bank accounts, and each deposit shown on the bank statement was recorded in the general ledger cash accounts. The year-end cash account balance agreed with the cash balance shown on WKAS' fiscal year 1981 audited financial statement.

Expenditures reported for fiscal year 1981 totaled \$1,893,395. Although, as discussed below, we determined that expenses were not always properly classified or accurately recorded in the accounts, our examination of all expenses showed that each expense transaction was documented with records such as purchase orders, invoices, receipts, vouchers, or statements. Generally, the goods and services obtained were consistent with WKAS' programs.

Accounting procedures

WKAS did not have written accounting procedures. It had only a list of account numbers and titles and a few flow charts outlining its bookkeeping process. In our opinion, it should have had at a minimum (1) a chart of accounts describing the nature of each asset, liability, fund, revenue, and expense account, (2) procedures explaining how to classify, record, and summarize transactions and how to periodically close the accounts to prepare financial statements, (3) instructions for preparing financial statements, and (4) instructions for re-opening the accounts to record the succeeding period's transactions.

Our preliminary review of the accounts disclosed that some transactions were improperly classified and/or recorded in the accounts. To determine the extent of the problem, we attempted to trace a random sample⁴ of fiscal year 1981 transactions from the voucher journals into the general ledger accounts: 88 percent of the expenditure transactions could not be readily traced through the accounting records. We were able to lower that percentage to 29 percent only after we made an exhaustive and time-consuming review of the journals and ledgers. The 29 percent represented \$134,716 (64 percent) of the \$208,947 in transactions included in our sample.

Given the degree of inaccuracy in the journals and/or general ledger, it was not possible to determine the accuracy of expenditures reported in the fiscal year 1981 financial statements. The basic reasons we were unable to trace the transactions through the accounting records were that

--vouchers did not always identify account numbers, and as a result, we could not locate those expenditures in the general ledger and

⁴Our sample represented 145 randomly selected financial transactions from a universe of 1,510 transactions for fiscal year 1981. The universe did not include individual payroll disbursements, which were reviewed separately.

--some expenditures were posted to accounts other than those indicated on vouchers.

Furthermore, only the finance director understood the overall accounting process. Other agency staff had limited knowledge of that process. The audit trail was therefore lost through the agency accounting records. This problem continued into fiscal year 1982. Also, the general ledger accounts for fiscal year 1983, which began in July 1982, had not been established as of December 1982.

In addition, we observed that several expenditures had fiscal year 1980 account numbers identified on the duplicate check. However, the vouchers journal identified the correct account number. We believe that WKAS did not enter the proper account number in the journal until after the fiscal year 1981 books were opened.

Internal controls

In addition to not having an adequate accounting system, which is fundamentally important for good internal control, WKAS' financial functions were not segregated among employees to guard against fraudulent actions and to facilitate detection and correction of errors. The finance director was in sole control of all financial operations. It was possible for the finance director to prepare and approve vouchers for payment, classify and record transactions in the books of account, and prepare financial reports and statements from the records. Further, the bookkeepers' duties were not structured to provide checks and balances over the finance director's work. In addition, the finance director's immediate supervisor--the executive director--had little knowledge of, or involvement in, the accounting process.

In addition, we noted that facsimile signatures were frequently used on agency checks without identifying who affixed each signature.⁵ At times, only facsimile signatures were used. The executive director signed a majority of WKAS' checks, even though he was authorized to do so only in an emergency. Although no evidence indicating impropriety came to our attention in reviewing fiscal year 1981 transactions, the risk of such activity is increased under the circumstances.

⁵The board chairman, board treasurer, and executive director are authorized to sign WKAS checks on which two signatures are required.

As stated earlier, we found that WKAS' accounting records contained many errors. For example, a Paducah, Kentucky, hospital may have been overcharged \$6,175. The hospital had agreed to reimburse WKAS up to \$60,000 for conducting a health screening program over a 2-year period. WKAS charged the hospital the full amount but incurred only \$53,825 in expenses.⁶ The hospital administrator told us that he was unconcerned about the overcharge because WKAS' services were a bargain at \$60,000. The WKAS executive director, likewise, showed no concern over the apparent error; he told us that the extra money could be used for services affected by budget cuts.

Accuracy of cost distributions
and allocations unknown

WKAS' financial reports for fiscal year 1981 showed that the dollar amount of each Federal grant and the amount expended under each grant were exactly equal. WKAS, however, did not maintain and/or retain the records needed to verify the accuracy of the expenditures charged to each grant.

Records, such as subsidiary general ledger accounts, were not maintained to accumulate expenses for each of the various grant programs. As a result, at any point during the year, WKAS could not tell whether it had overexpended a grant or how much money it had left to expend on a particular grant. Rather, at the end of the fiscal year, the finance director distributed the expenses recorded in the general ledger accounts to the various programs. The finance director told us that the distribution was recorded on worksheets. We knew from our review of the general ledger that the amounts shown in the expense accounts were inaccurate, but we were unable to ascertain whether corrected amounts were somehow determined and distributed or to determine how the expenses were distributed. We could not make these determinations because the finance director's worksheets could not be found. In addition, although final fiscal year 1982 financial reports had been submitted to various funding agencies, the worksheets showing the finance director's expense distributions to the programs had not been prepared.

We also were unable to determine whether expenses charged to a shared expense account⁷ had been properly allocated to

⁶We do not know whether this amount is over- or understated because of the accounting problems reported on page 34.

⁷A shared expense account was to be used to record expenses related to more than one program. At the end of the fiscal year, amounts recorded in such accounts were to be allocated to the various programs.

various programs. We did find that some expenses directly attributable to certain programs had been improperly recorded in the shared account. But we were not able to determine (1) whether the correct amounts had somehow been discerned and distributed or (2) the basis used to allocate the shared expenses to the agency's programs. Again, the finance director told us the year-end allocations had been recorded on worksheets which could not be located. The finance director also was unable to fully explain the allocation process used in fiscal year 1981.

Board and management oversight

The governing board's personnel and finance committee has primary responsibility for WKAS' general and fiscal operations. Pertinent bylaws provide for this committee to (1) meet at least quarterly and report to the full board afterward and (2) assess and review agency fiscal needs, conditions, procedures, and problems.

As of November 1982, the personnel and finance committee had met only once in the past 2-1/2 years--March 3, 1981. Although its accounting firm had alerted board members to WKAS' problems as long ago as 1978, we found no evidence indicating that the committee had acted to correct the problems. Furthermore, as previously stated, the executive director had little knowledge of, or involvement in, the accounting process.

The WKAS executive director and board president agreed in December 1982 that the agency's accounting records and operations needed immediate improvements. They said that corrective action would begin immediately. They told us that the improvements would be accomplished through (1) developing and adhering to an accounting standards manual, (2) documenting and utilizing a cost allocation plan, and (3) more effectively delegating agency accounting duties. These changes would assure that more than one staff member understands and has control of the system.

OTHER REVIEWS AND OVERSIGHT AT WKAS

Prior to and during our review of WKAS financial operations, auditors and program monitors identified problems similar to those we observed at the agency. They included the CPA firm which WKAS engaged to audit its records in 1978 and 1979, the HHS Head Start Program representative who visited WKAS in March 1982, and the Commonwealth of Kentucky's Cabinet for Human Resources which reviewed WKAS operations in late 1982.

CPA audits at WKAS

The accounting firm, which had prepared WKAS' fiscal year 1978 and 1979 financial reports, recommended in both reports that WKAS develop a standard accounting manual. We found no evidence the manual was prepared when we concluded our review in November 1982. In fiscal year 1979, WKAS management commented in its financial report that a manual would be written and adopted after staffing and job description changes were completed. These changes were made, but the manual was not written.

The accounting firm currently engaged by WKAS did not comment on the need for accounting improvements in the agency's fiscal year 1980 and 1981 financial reports. The fiscal year 1982 report for the period ending June 30, 1982, had not been completed as of January 1983. The firm's representative told us that the need for improvement was not noted in the audited financial reports because a WKAS official said the manual was being developed. Also, the firm had been unable to locate its copy of the workpapers prepared by the finance director covering the allocations of fiscal year 1981 expenses to the various grants.

Federal and State oversight of WKAS

Federal agencies with oversight responsibilities at WKAS during fiscal year 1981 included the U.S. Department of Health and Human Services, U.S. Department of Energy (DOE), and the Community Services Administration (CSA). HHS and DOE officials in Atlanta, Georgia, stated that they depended on Kentucky's Cabinet for Human Resources (CHR) to administer their programs at WKAS. CHR officials said that they relied on the accounting firms auditing WKAS to inform them of any financial deficiencies. The firm auditing WKAS' fiscal year 1981 financial operations reported no problems.

In March 1982, during a Head Start Program monitoring visit, HHS became aware of WKAS' lack of an accounting procedures manual that was required by that program.⁸ DOE became aware of problems at WKAS in July 1982 after CHR engaged an accounting firm to perform financial audits of fiscal year 1981 weatherization and energy programs operated throughout Kentucky. That financial audit disclosed that WKAS' records did not provide an adequate audit trail and that accounting records

⁸WKAS acquired the Head Start Program in fiscal year 1982.

were not adequately safeguarded against natural disasters. Further, DOE questioned all costs--\$259,860--of WKAS' weatherization program expenditures for fiscal years 1981 and 1982. WKAS may have to repay this money to the Federal Government if it cannot adequately justify the questioned costs. This matter had not been resolved as of March 1983.

In fiscal year 1982, CHR was given more comprehensive oversight of community action agency funding through the newly created Federal Community Service Block Grant (CSBG) Program. In August 1982, CHR completed and published an audit guide for CSBG programs in Kentucky and, in December 1982, CHR auditors began a comprehensive audit of WKAS for fiscal year 1982.⁹ As an outgrowth of the CHR audit and our discussions of WKAS' deficiencies with State officials in November 1982, CHR directed WKAS to develop (1) an adequate accounting manual, (2) an approved cost allocation plan, and (3) a fiscal management system which provides a clear and direct audit trail. CHR instructed WKAS to have the plan and system in effect and submitted to the State by December 31, 1982, or lose its CSBG fiscal year 1983 funding. WKAS did not completely meet the clear audit trail and other requirements by that date. CHR made specific recommendations to WKAS on how to fully meet the requirements and delayed withholding fiscal year 1983 funding. In February 1983, CHR approved WKAS' accounting procedures and, in March 1983, approved WKAS' cost allocation plan.

OTHER INFORMATION REQUESTED

WKAS has employed a licensed physician since 1977 to (1) supervise four nurses who provided in-home health screening services, (2) provide expert medical opinion to the nurses, and (3) function as a liaison between WKAS program clients and the medical profession. The physician's job description included neither making house calls nor treating patients, and he did not provide such services.

The physician was employed as the medical team director of the Kentucky-funded In-Home Services Program. This program assists elderly people to maintain independence in their own surroundings, thereby avoiding repeated hospitalizations or premature institutionalization. His \$42,000 annual salary was paid 53 percent from Commonwealth of Kentucky funds and

⁹Between August and December 1982, CHR audited 14 of the 22 other Kentucky community action agencies.

47 percent from Lourdes Hospital of Paducah, Kentucky.¹⁰ Since 1978, the physician has had no pay raises and has increased his availability to the program from 3 to 4 days a week.

In November 1982, the physician's salary-sharing arrangement between WKAS and Lourdes Hospital ended. According to hospital officials, they took this action because they believed direct control of the program outweighed the benefits of the \$30,000 they were paying WKAS annually. At that time, WKAS changed the physician's title from medical team director to director of aging, and paid his total salary from the State's Home Care Program funds. The physician's new duties include scheduling homemaker services, being involved with area health work, and visiting client homes to monitor cases. The nurses the physician had supervised are to be directly supervised by Lourdes Hospital in its hospice outreach program. WKAS is to request the nurses to assess client medical needs and report their findings to the WKAS Home Care Program. According to agency board minutes, WKAS is to reimburse Lourdes \$7.50 for each assessment.

In another matter, as requested, we interviewed officials of the Ballard County, Kentucky, Senior Citizens Organization. Those officials were concerned with WKAS' request, in February 1982, that the county organization return unused nutrition program funds which WKAS advanced the organization beginning in 1978. Because of recordkeeping differences, the Ballard County Senior Citizens Organization disagreed that it should return \$11,180 to WKAS. As of February 28, 1983, the agencies had not agreed on an amount which would be returned to WKAS.

¹⁰According to its administrator, the hospital paid part of the physician's salary and other medical-related expenses in order to qualify for Federal Hill-Burton Act grant funds to modernize its hospital.

BOARD OF DIRECTORS MEMBERSHIP, PURCHASE AREA AGENCIES,			
OCTOBER 1982			
County	Purchase Area Development District (PADD)	Jackson Purchase Local Officials Organization (JPLDO)	West Kentucky Allied Services (WKAS)
Ballard	M. Magee <u>a</u> / R. Kelley <u>b</u> / (Wickliffe) <u>g</u> / W. Shadoan T. Simmons B. Buchanan	M. Magee <u>a</u> / R. Kelley <u>b</u> / (Wickliffe) <u>g</u> / P. Stone (Vacancy) <u>e</u> /	M. Magee <u>a/d</u>
Calloway	G. Weeks <u>a</u> / H. Ellis <u>b</u> / (Murray) <u>g</u> / R. Dunn <u>c</u> / J. Boilin R. Cooper M. Henley	G. Weeks <u>a</u> / H. Ellis <u>b/c</u> / (Murray) <u>g</u> / Y. Catlett J. Arnold (Vacancy) <u>e</u> /	G. Weeks <u>a</u> /
Carlisle	T. Wilson <u>a</u> / J. Roberts <u>b</u> / (Bardwell) <u>g</u> / J. Payne J. McPherson	T. Wilson <u>a</u> / J. Roberts <u>b</u> / (Bardwell) <u>g</u> / J. MacIntyre (Vacancy) <u>e</u> /	T. Wilson <u>a</u> /
Fulton	J. Everett <u>a/f</u> / J. Rumfelt <u>b</u> / (Hickman) <u>g</u> / K. Turner <u>b</u> / (Fulton) <u>g</u> / L. Gardner	J. Everett <u>a/d</u> / K. Turner <u>b</u> / (Fulton) <u>g</u> / D. Mathis P. Gordon	J. Everett <u>a</u> /
Graves	D. Castleman <u>a</u> / V. Gilliam <u>b/f</u> / (Mayfield) <u>g</u> / C. Shelby (Winona) <u>g</u> / C. Anderson <u>b</u> / G. Taylor	D. Castleman <u>a/f</u> / V. Gilliam <u>b</u> / (Mayfield) <u>g</u> / G. Ligon P. Hale G. Robbins	D. Castleman <u>a/c</u> / V. Gilliam <u>b</u> / (Mayfield) <u>g</u> /
Hickman	D. Kell <u>a</u> / B. Yates <u>b</u> / (Clinton) <u>g</u> / T. Bugg	D. Kell <u>a</u> / B. Yates <u>b/f</u> / (Clinton) <u>g</u> / H. Litesy M. Campbell <u>e/f</u> /	D. Kell <u>a</u> /
Marshall	M. Miller <u>a</u> / W. Colburn <u>b</u> / (Calvert City) <u>g</u> / C. Creason <u>b</u> / (Benton) <u>g</u> / R. Conder G. Little	M. Miller <u>a</u> / C. Creason <u>b</u> / (Benton) <u>g</u> / T. Poore (Vacancy) <u>e</u> /	M. Miller <u>a</u> /
McCracken	R. Schultz <u>a</u> / J. Penrod <u>b/g</u> / (Paducah) <u>g</u> / J. Hoover B. Smith J. West P. Hamilton	R. Schultz <u>a/f</u> / J. Penrod <u>b</u> / (Paducah) <u>g</u> / W. Lilley W. Alls (Vacancy) <u>e</u> / (Vacancy) <u>e</u> /	R. Schultz <u>a</u> / J. Penrod <u>b</u> / (Paducah) <u>g</u> /

State Senator H. Garrett

State representative J. Gray

a/County judge/executive.

b/Mayor of city indicated.

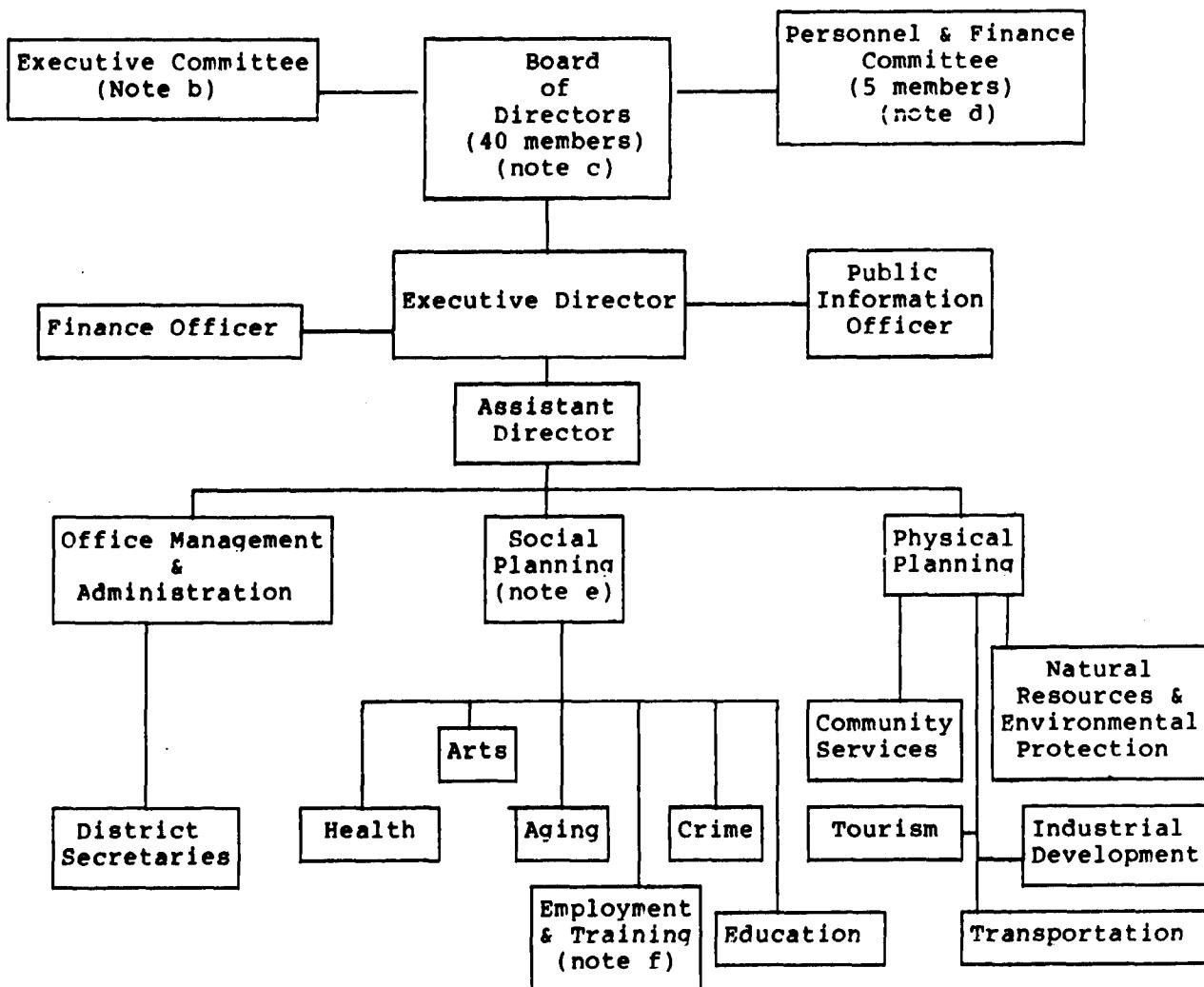
c/President or chairman of board of directors.

d/Vice president or vice chairman of the board.

e/Representative of the private sector.

f/Secretary and/or treasurer of the board.

g/Names in parentheses refer to cities or towns.

PURCHASE AREA DEVELOPMENT DISTRICTORGANIZATION CHART (note a),OCTOBER 1982

a/No official PADD organization chart existed when we began our review. We devised this chart from discussions with the executive director who told us that use of a formal chart was discontinued about 1979 when the number of PADD employees decreased substantially.

b/Committee was discontinued.

c/Membership as of October 1982 is listed in appendix I.

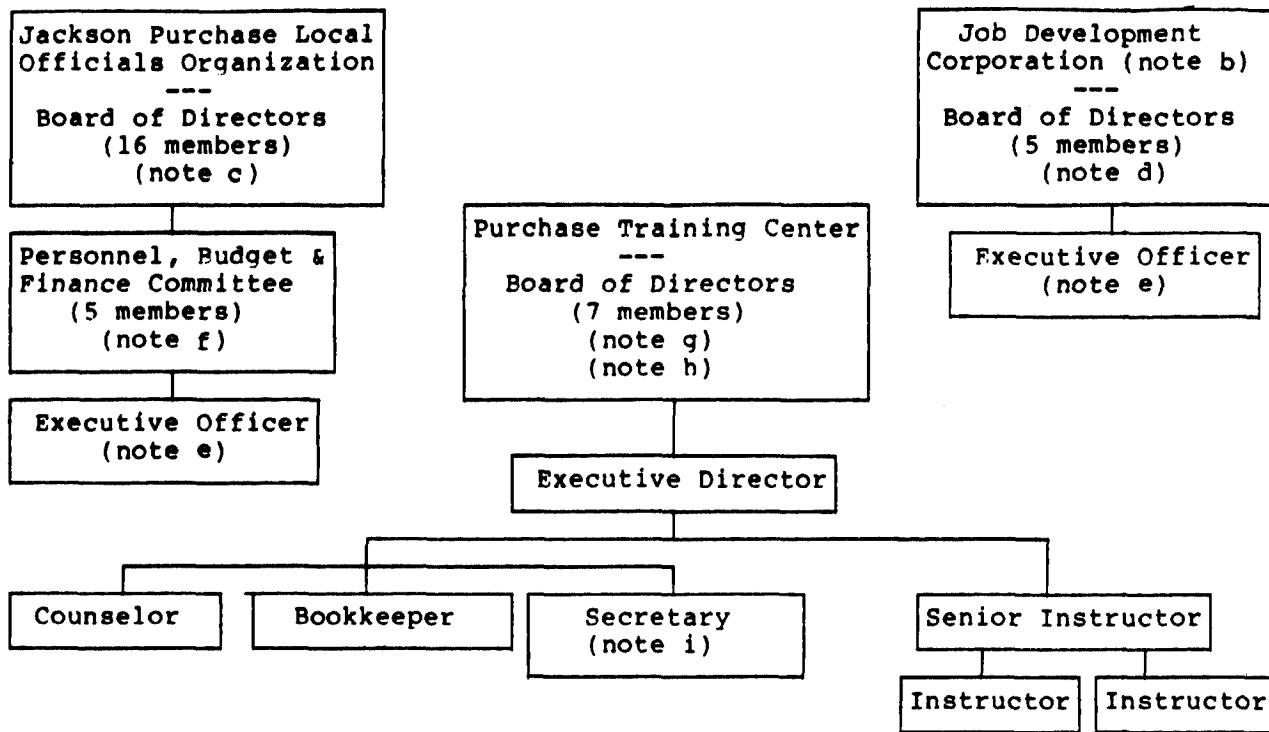
d/Committee membership and tenure is shown in appendix VI.

e/Also serves as executive officer for JPLOO and for recently dissolved JDC.

f/Former employee of JPLOO.

JACKSON PURCHASE LOCAL OFFICIALS ORGANIZATION,
JACKSON PURCHASE JOB DEVELOPMENT CORPORATION,
AND PURCHASE TRAINING CENTER

ORGANIZATION CHARTS (note a), SEPTEMBER 1982



a/No official organization charts existed for JPLOO, JDC, and PTC when we began our review. Information for these charts was provided by the JPLOO executive officer.

b/JDC was dissolved as of October 1, 1982, and its assets reverted to JPLOO.

c/Membership indicated in appendix I.

d/Board members included D. Castleman, C. Creason, H. Ellis, B. Yates, and D. Kell.

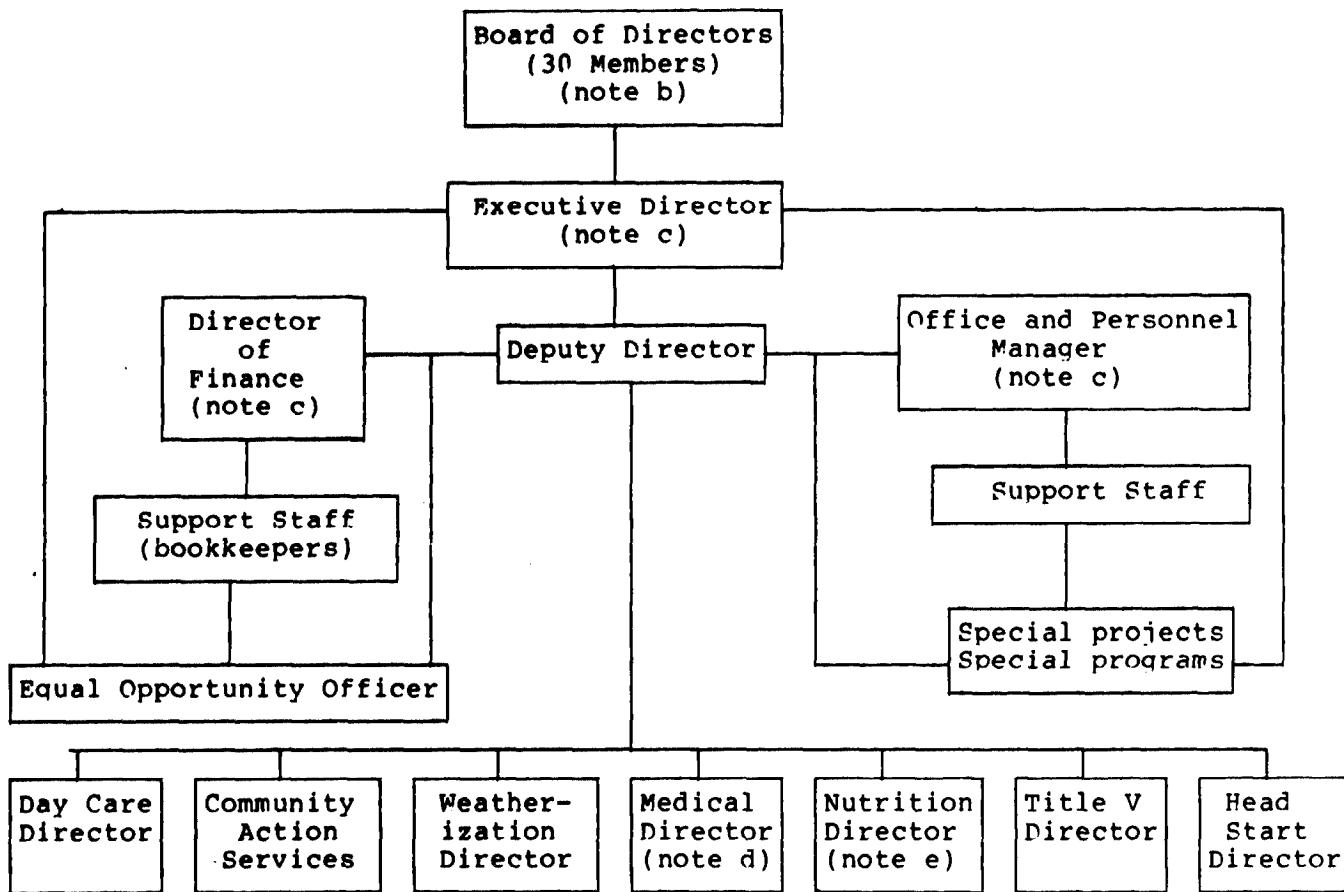
e/Served in positions for \$1 annual salary while an employee of PADD.

f/Personnel, Budget, and Finance Committee members were D. Castleman, H. Ellis, Everett, D. Kell, and B. Yates.

g/Board members included J. Gray, W. Colburn, J. Payne, D. Castleman, R. Schultz, J. Guffy, and M. Gordon.

h/Until November 1981 when PTC was chartered as a Kentucky nonprofit organization, it was operated by JPLOO.

i/Former PADD employee currently occupies this position.

WEST KENTUCKY ALLIED SERVICES ORGANIZATION CHART (note a)OCTOBER 1982

a/Information acquired from WKAS organization chart dated June 24, 1982.

b/Membership indicated in appendix I. Personnel and finance committee in fiscal year 1981 included B. Fraser, D. Castleman, J. Guffy, J. Menees, R. Schultz, S. Hopkins, M. Miller, and R. Dunn. Fiscal year 1982 committee members were D. Castleman, M. Miller, M. Campbell, B. Gordon, W. Lilley, J. MacIntyre, M. Magee, and one vacancy.

c/Former PADD employee currently occupies this position.

d/Title changed to Director of Aging in fiscal year 1983.

e/Former JPLOO employee currently occupies this position.

FUNDING SOURCES, PURCHASE AREA AGENCIES FOR PERIODS REVIEWED

<u>Agency reviewed</u>	<u>Period reviewed</u>	<u>Sources of agency funding</u>			<u>Total</u>
		<u>Federal</u>	<u>State</u>	<u>Local</u>	
Purchase Area Development District (PADD)	July 1980 - June 1981	<u>a/\$ 901,758</u>	<u>b/\$ 757,047</u>	<u>\$ 43,722</u>	<u>\$1,702,527</u>
Jackson Purchase Local Officials Organization (JPLOO)	October 1980 - May 1982	<u>c/796,866</u>	<u>d/126,087</u>	<u>118,774</u>	<u>1,041,727</u>
West Kentucky Allied Services (WKAS)	July 1980 - June 1981	<u>a/l,136,665</u>	<u>b/548,986</u>	<u>207,744</u>	<u>1,893,395</u>
Total		<u>\$2,835,289</u>	<u>\$1,432,120</u>	<u>\$370,240</u>	<u>e/\$4,637,649</u>

5

a/This amount includes \$476,256 in Federal Titles III and IV-A Program funds PADD received from HHS and subsequently provided to WKAS.

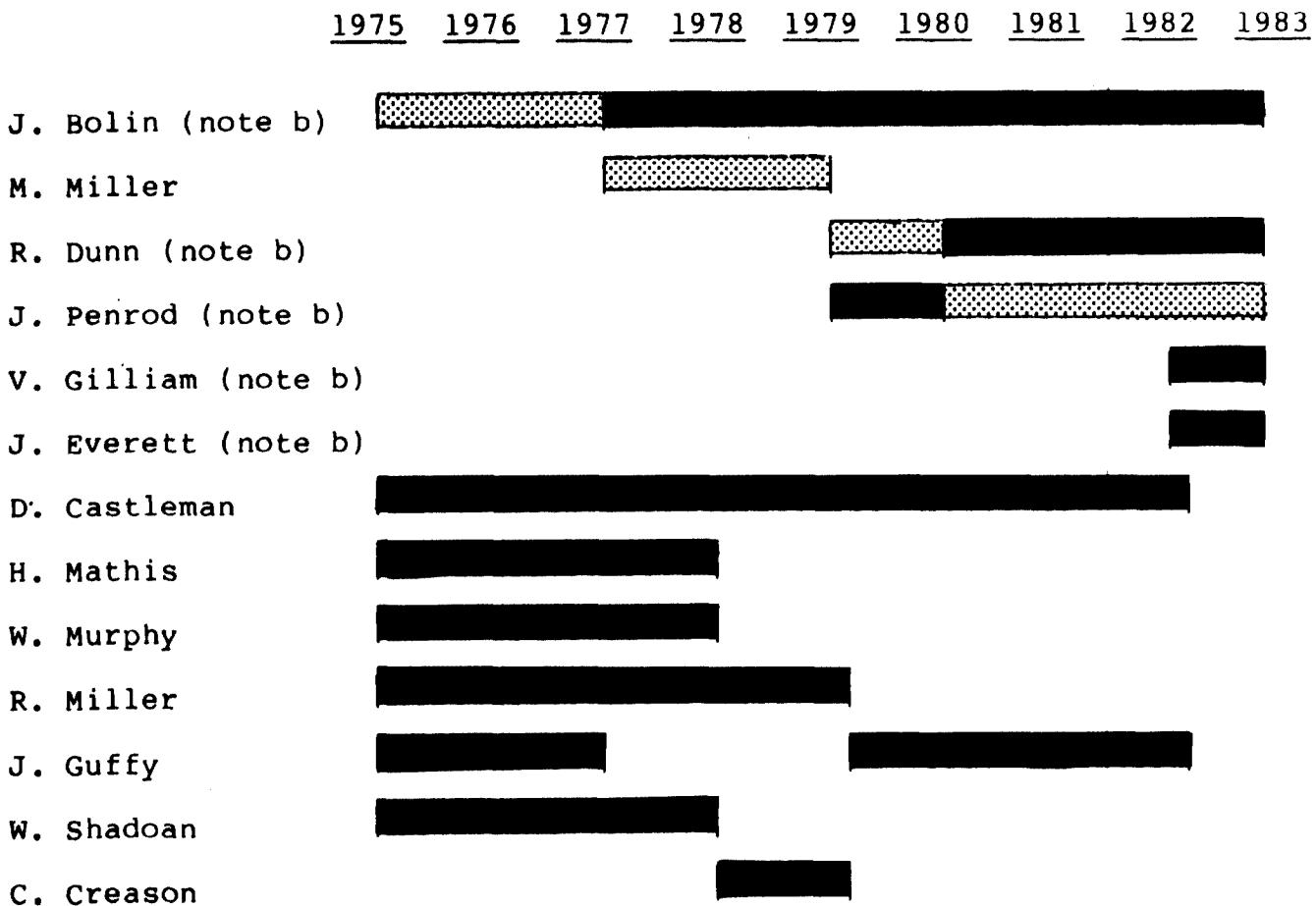
b/This amount includes \$482,000 in State In-Home Services Program funds and \$56,456 in State matching funds for the Federal Title III Program which PADD received from Kentucky's Cabinet for Human Resources and subsequently provided to WKAS.

c/This amount represents six Federal grants. Additional funds of \$79,719 were received for prior years.

d/This amount was a Kentucky area development fund grant to JDC.

e/This total includes \$1,014,712 in funds passed between the three agencies.

PURCHASE AREA DEVELOPMENT DISTRICT,
PERSONNEL AND FINANCE COMMITTEE TENURE,
AUGUST 1975 - 1983 (note a)



a/ This committee had seven members until August 1978 when membership decreased to five. Tenure of committee members and chairmen began and ended in August of the year indicated.

 = tenure as committee chairman;  = tenure as committee member.

b/ Committee members serving through August 1983.

COMPARISON OF THE NUMBER OF
KENTUCKY AREA DEVELOPMENT DISTRICT EMPLOYEES,
BEGINNING AND END OF FISCAL YEAR 1981

<u>Area development district (location)</u>	<u>Number of employees</u>	<u>Percent decrease</u>
	<u>July 1, 1980</u>	<u>June 30, 1981</u>
Average of districts	<u>25.9</u>	<u>20.8</u>
Purchase (Mayfield)	a/24	a/21
Barren River (Bowling Green)	19	18
Big Sandy (Prestonsburg)	19	17
Bluegrass (Lexington)	39	35
Buffalo Trace (Maysville)	23	17
Cumberland Valley (London)	21	19
FIVCO (Catlettsburg)	16	14
Gateway (Owingsville)	24	14
Green River (Owensboro)	34	b/25
Kentuckiana (Louisville)	66	47
Kentucky River (Hazard)	20	13
Lake Cumberland (Jamestown)	19	15
Lincoln Trail (Elizabethtown)	16	15
Northern Kentucky (Florence)	22	19
Pennyrile (Hopkinsville)	<u>26</u>	<u>23</u>
	<u>388</u>	<u>312</u>

a/Number of employees according to PADD records. Remaining ADDs information provided by Kentucky's Department of Local Governments, Frankfort, Kentucky.

b/One temporary employee is not included.

PURCHASE AREA DEVELOPMENT DISTRICT, LOCAL DUES STRUCTURE (note a), FISCAL YEAR 1981

<u>Local government</u>		<u>Class of city (note b)</u>	<u>Local dues</u>			<u>Percent of local dues</u>		
<u>County</u>	<u>City</u>		<u>County</u>	<u>City</u>	<u>Total</u>	<u>County</u>	<u>City</u>	<u>Total</u>
Ballard			\$ 851		\$ 851	4.5		2.2
	Barlow	6		\$ 185	185		1.0	0.5
	Kevil	6		129	129		0.7	0.3
	LaCenter	5		333	333		1.7	0.9
	Wickliffe	5		351	351		1.8	0.9
Calloway			3,104		3,104	16.4		8.2
	Murray	3		3,104	3,104		16.3	8.2
Carlisle			995		995	5.3		2.6
	Bardwell	5		222	222		1.2	0.6
Fulton			693		693	3.7		1.8
	Hickman	4		693	693		3.6	1.8
	Fulton	4		693	693		3.6	1.8
Graves			3,469		3,469	18.4		9.1
	Mayfield	3		3,469	3,469		18.2	9.1
	Wingo	6		136	136		0.7	0.4
Hickman			718		718	3.8		1.9
	Clinton	5		718	718		3.8	1.9
Marshall			2,469		2,469	13.1		6.5
	Benton	4		1,234	1,234		6.5	3.2
	Calvert City	4		1,234	1,234		6.5	3.2
McCracken			6,592		6,592	34.9		17.4
	Paducah	2	—	6,592	6,592	—	34.5	17.4
	Total		\$18,891	\$19,093	\$37,984	100.0	100.0	100.0

a/Since 1978, city and county annual dues have been based upon 22 cents per capita.
Percents may not add to 100 because of rounding.

b/Class of city is designated by population using Kentucky criteria.

PURCHASE AREA DEVELOPMENT DISTRICT, EXPENSE CATEGORY
AMOUNTS VERIFIED BY GAO, FISCAL YEAR 1981

<u>Expense category (note a)</u>	<u>Amount (note b)</u>	<u>Percent of total expense</u>
Salaries	\$ 302,562.91	17.9
Accumulated leave	37,976.98	2.2
Employee benefits	40,593.70	2.4
Staff travel/education/ training (note b)	49,647.46	2.9
Board travel/education/ training (note b)	9,704.96	0.6
Printing and publication (note b)	10,726.00	0.6
Advances to sub-grantees	1,118,478.85	66.2
Contractual services	2,000.00	0.1
Other direct costs	3,988.79	0.2
 Office expenses:		
Consumable supplies	\$ 9,243.36	
Equipment rental	8,912.46	
Rent and utilities	41,352.60	
Postage	5,146.88	
Telephone and telegraph	22,754.33	
Miscellaneous expenses	<u>20,722.35</u>	
Total office expenses	<u>\$ 108,131.98</u>	6.4
Subtotal	<u>c/\$1,683,811.63</u>	
Miscellaneous expenses	<u>d/ 4,623.09</u>	<u>0.3</u>
Total expenses	<u>\$1,688,434.72</u>	<u>100.0</u>

a/Descriptions of expense categories are in appendix X.

b/All expenses for fiscal year 1981 were adequately documented in PADD accounting records. However, one board member's travel cost of \$54.40 was inadvertently charged as staff travel. Also, a printing and publication expense of \$146.25 was paid by a fiscal year 1981 check which was voided and replaced, but the error was not corrected until fiscal year 1982.

c/Amount was applied to Joint Funding Administration elements and agency projects.

d/Paid from local funds, this amount was not applied to JFA cost elements and agency projects.

PURCHASE AREA DEVELOPMENT DISTRICT,
DESCRIPTIONS OF EXPENSE CATEGORIES
SHOWN ON THE FISCAL YEAR 1981 FINANCIAL REPORT

Salaries - \$302,563

Salary expenses at PADD included basic compensation, withholdings for taxes (Federal, State, and local), and benefits (health, dental, and retirement) but excluded vacation, sick, and holiday leave taken. PADD's annual salary expense for its employees ranged from \$40,908 for the executive director to \$8,687 for a secretary. The salary paid to PADD's executive director was about average for that position and ranked seventh of 14 ADDs surveyed. A detailed job description is maintained for each employee. Fiscal year 1981 PADD employee salary expenses are shown in appendix XI. Salaries were below the average of those paid at other Kentucky ADDs and ranked seventh of 15 ADDs (see app. XII).

Accumulated leave - \$37,977

Accumulated leave expenses represent holiday and sick leave taken and vacation leave incurred (taken as well as not taken) during the fiscal year. Sick and holiday leave are not expenses until earned and used; therefore, liability accounts were not established for these accounts. A terminated employee is not reimbursed for any sick or holiday leave accumulated. Vacation leave is a direct expense and therefore a liability account exists, reflecting PADD's obligation for unused vacation days. Because vacation leave is a direct expense, employees are reimbursed for unused leave at the time employment terminates.

Leave policies established at PADD specify that each staff member earns 12 to 21¹ vacation days, 15 sick days, and 9 holidays each year. The three types of leave are separately accounted for on each staff member's time and attendance records.

In 1981, PADD employees could carry over into the next calendar year no more than 40 days of vacation leave and 120 days of sick leave. Only 9 of the 15 ADDs reported accumulated leave expense separately. The value of each PADD employee's accumulated leave, as of June 30, 1981, is shown in appendix XI.

¹Annual vacation days earned by each employee increase from 12 to 15 days after 5 years, to 18 days after 10 years, and to 21 days after 15 years of PADD employment.

Employee benefits - \$40,594

Employee benefits include health insurance, dental insurance, retirement, unemployment insurance, and workmen's compensation. The health and dental insurance benefits are provided to each full-time PADD employee. Fiscal year 1981 PADD employee- and employer-paid benefits are shown in exhibit A.

Travel expenses - \$49,647 (staff) and \$9,705 (board)

Travel expenses during fiscal year 1981 included rental of vehicles from JPLOO; transportation ticket purchases; and allowable per diem, transportation, and lodging expenses for PADD staff and board members. PADD has adopted a travel reimbursement policy based mostly upon standard Federal Government travel regulations. Board members and their alternates or designees have the same travel reimbursement privileges as PADD employees for out-of-district travel. In addition, board members are not authorized reimbursement for trips to and from board meetings.

PADD travel expenses during fiscal year 1981 ranked third of the 15 ADDs and were higher than the ADDs' average travel expenses, as shown in appendix XVI. PADD and State officials attribute this higher travel expense to the greater distance Purchase area staff and board members must travel to attend meetings in the Frankfort area. We did not examine the other 14 ADDs' travel purposes, locations, and expenses.

Printing and publication - \$10,726

Printing and publication expenses included costs of newspaper and magazine subscriptions, various annual government reports and regulations, PADD bulletins and newsletters, and copier service agreements. PADD's expenses in this category were above the average for all other Kentucky ADDs and ranked third of 14 ADDs which reported this category, as shown in exhibit B.

Advances to subgrantees - \$1,118,479

The Commonwealth of Kentucky allocates funds from its In-Home Services Program and the HHS elderly and nutrition programs to ADDs which, in turn, subcontract to service provider agencies. PADD provided WKAS \$1,084,925 (97 percent) of the \$1,118,479 the State allocated to PADD in fiscal year 1981. The remaining \$33,554 (3 percent) was HHS Title IV-A money PADD provided to Lourdes Hospital, Jackson Purchase Area Health Agency, and Murray State University for aging programs' training, as well as U.S. Department of Housing and Urban Development local planning assistance funds which PADD helped acquire for the city of Benton, Kentucky.

The State of Kentucky requires PADD to develop local programs and provide planning and technical assistance to subgrantees. For these services, PADD received \$85,380 during fiscal year 1981. This payment for administration of grants, sanctioned by the Commonwealth of Kentucky, is limited to 8.5 percent of each ADD's allocation. In fiscal year 1981, PADD's administrative costs were 7 percent.

Contractual services - \$2,000

Contractual services for fiscal year 1981 amounted to \$2,000. The \$2,000 was funded by Kentucky's Humanities Council, which used State funds to promote tourism in the Purchase area. Specifically, this was payment to a reporter for the Paducah-Sun newspaper to develop a slide show, lay-out work, and a historical and cultural exhibit of Kentucky's Mississippi River communities in support of PADD's participation in the Great River Road Project.²

Other direct costs - \$3,989

Other direct costs were expenses charged directly to certain contracts. Such costs in fiscal year 1981 included litter bag printing for the Purchase area ridesharing project, three charter buses for a Great River Road tour in the Purchase area,³ and reimbursements to counties for Title IV-A training materials and travel.

Office expenses - \$108,132

Office expenses at PADD included consumable supplies, equipment rentals, building rent and utilities, postage, telephone and telegraph, and miscellaneous. Descriptions of these expenses for fiscal year 1981 follow:

--Consumable supplies (\$9,243) included office supplies, shelving, cleaning items, insect and rodent deterrents, and photographic supplies.

²The Great River Road is a scenic route along the Mississippi River from Canada through 10 States to the Gulf of Mexico. The Kentucky portion of the route is about 52 miles through Ballard, Carlisle, Fulton, and Hickman Counties.

³This represented special Commonwealth of Kentucky allocations to PADD to arrange and host the 42nd Annual Mississippi River Parkway Commission Convention during 1981.

- Equipment rental expenses (\$8,912) were for rent and time purchases of copier machines and rental of postage meters.
- Rent and utilities expenses (\$41,353) included \$39,000 annual rent for office space paid to the current building owner, the nonprofit Jackson Purchase Local Officials Organization. These expenses were less than the average reported by other ADDs, with PADD ranking fifth of 11, as shown in exhibit B. Because part of the rented office space was utilized by JPLOO, that agency reimbursed PADD \$5,350 for rent. Building maintenance, minor repair supplies, and utilities were also charged to this category.
- Postage expenses (\$5,147) included payments to the U.S. Postal Service for postage, for freight charges, and for a postal rate increase chart for the postage meter. These expenses were not compared with other Kentucky ADDs.
- Telephone and telegraph expenses (\$22,754) included payments to South Central Bell Telephone for PADD's local Mayfield, Murray, and Paducah lines as well as a Kentucky WATS⁴ line. PADD's telephone expenses were slightly less than the average cost of telephone service for Kentucky's ADDs, as shown in exhibit B. JPLOO reimbursed PADD \$2,914 for use of telephones.
- Miscellaneous office expenses (\$24,345) included professional organization dues and memberships, fiscal year 1980 audit costs, conference registrations, and office machine repairs. PADD's expenses included in this catch-all category were less than one-half of the 15 Kentucky ADDs' average and ranked seventh of 15 ADDs reporting this expense category, as shown in exhibit B.

Indirect cost allocation amounts were included in the expense categories discussed earlier. Some expenses which could not be allocated directly to specific grants were placed in a shared (indirect) expense account, prior to being allocated to the above expense categories. Examples of these types of

⁴A WATS line (wide area telephone service) allows the user unrestricted numbers of calls within a specific area for one rate.

expenses included salaries for individuals working on more than one project and any other operational expenditures which could not be easily identified with a specific project or issue. PADD applied each fiscal quarter's indirect general and administrative expenses to all its projects, based on a ratio of each project's direct employee salaries and benefits in relationship to all projects' direct salaries and employee benefits. That formula has been mandated by Kentucky's Joint Funding Administration guidelines.

Miscellaneous expenses - (\$4,623)

To help defray PADD expenses which are not allowed by its Federal and State grants, PADD annually assessed Purchase area counties, cities, and towns an amount⁵ based on their latest population figures. Fiscal year 1981 assessments to 22 local governmental units shown in appendix VIII totaled \$37,984, of which \$31,393 was collected during fiscal year 1981. PADD spent \$4,623 of these local funds during fiscal year 1981. This included \$1,677 for board, committee, and staff⁶ members' coffee; \$690 for heating and cooling system improvements; and the remainder for various items such as flowers and cards for staff, board, and their family members.

⁵In fiscal year 1981, this was 22 cents per capita.

⁶Beginning in fiscal year 1982, staff paid for coffee consumed at work.

Exhibit A

Purchase Area Development District
Employee Benefits Expenses
Paid by Employees and Employer
Fiscal Year 1981

<u>Employee benefit</u>	<u>Paid by employee</u>		<u>Paid by PADD</u>		<u>Total benefits paid</u>
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
Health insurance (note a)	\$ 4,262	50.0	\$ 4,263	50.0	\$ 8,525
Dental insurance (notes a and b)	1,315	28.8	3,244	71.2	4,559
Retirement (note a)	20,496	40.0	30,744	60.0	51,240
Unemployment insurance	-	-	725	100.0	725
Workmen's compensation	-	-	1,618	100.0	1,618
Total	<u>\$26,073</u>	39.1	<u>c/\$40,594</u>	60.9	<u>\$66,667</u>

a/Health and dental insurance and retirement benefits are limited to 15 percent of the payroll budget. Employees may elect a supplemental retirement plan to which PADD does not contribute.

b/PADD paid full-time employee dental insurance benefits. In addition, employee family member dental benefits are contributed to equally by PADD and the employee.

c/Total employee benefits expense matches that shown in the fiscal year 1981 financial report (see app. IX).

Exhibit B

Comparison of Selected Expense Categories
Kentucky Development Districts
Fiscal Year 1981 (note a)

<u>Area development district (location)</u>	<u>Printing and publication</u>	<u>Space or office rental</u>	<u>Utilities</u>	<u>Telephone</u>	<u>Other or miscellaneous</u>
Average of districts	\$ <u>10,145</u>	b/\$ <u>37,554</u>	b/\$ <u>5,229</u>	\$ <u>23,065</u>	\$ <u>48,713</u>
Purchase (Mayfield)	10,726	c/41,353	(c)	22,754	24,345
Barren River (Bowling Green)	1,445	42,844	(d)	14,988	21,045
Big Sandy (Prestonsburg)	1,197	(d)	(d)	(d)	91,524
Bluegrass (Lexington)	22,670	c/81,827	(c)	e/45,554	27,588
Buffalo Trace (Maysville)	2,249	27,360	3,975	12,140	36,831
Cumberland Valley (London)	3,594	(d)	(d)	28,295	17,344
FIVCO (Catlettsburg)	(d)	(d)	(d)	(d)	111,929
Gateway (Owingsville)	(d)	22,060	(d)	(d)	172,660
Green River (Owensboro)	8,332	(d)	(d)	(d)	199,191
Kentuckiana (Louisville)	47,391	77,222	(d)	51,015	144
Kentucky River (Hazard)	6,695	2,807	6,052	17,130	525
Lake Cumberland (Jamestown)	6,025	8,000	3,855	21,368	9,750
Lincoln Trail (Elizabethtown)	f/9,818	49,316	(d)	12,607	1,128
Northern Kentucky (Florence)	6,272	29,951	(d)	11,030	1,700
Pennyrile (Hopkinsville)	5,472	30,150	7,033	16,834	14,996
Total	b/\$ <u>131,886</u>	<u>\$413,090</u>	<u>\$20,915</u>	<u>\$253,715</u>	<u>\$730,700</u>

a/Information acquired from Kentucky ADDS' fiscal year 1981 financial reports.

b/For comparison purposes, total rent and utilities average is \$44,233.

c/Rent and utilities expenses combined in report.

d/ADD did not report direct expenses in this category.

e/Telephone and postage expenses combined.

f/Printing, publications, and supplies combined.

1961
YEAR BOOK
PAPUA NEW GUINEA

COMPARISON OF SALARY-RELATED EXPENSE CATEGORIES,KENTUCKY AREA DEVELOPMENT DISTRICTS,FISCAL YEAR 1981 (note a)

<u>Area development district (location)</u>	<u>Salaries</u>	<u>Accumulated leave</u>	<u>Employee benefits</u>	<u>Total</u>
Average of districts	\$ 324,918	\$ 23,538	\$ 56,356	\$ 391,640
Purchase (Mayfield)	\$ 302,563	\$ 37,977	\$ 40,594	\$ 381,134
Barren River (Bowling Green)	319,249	(b)	34,203	353,452
Big Sandy (Prestonsburg)	242,869	(b)	30,496	273,365
Bluegrass (Lexington)	543,181	10,299	157,971	711,451
Buffalo Trace (Maysville)	222,862	11,623	48,267	282,752
Cumberland Valley (London)	299,074	6,270	62,033	367,377
FIVCO (Catlettsburg)	375,043	(b)	(c)	375,043
Gateway (Owingsville)	59,720	(b)	31,108	90,828
Green River (Owensboro)	360,098	47,624	71,490	479,212
Kentuckiana (Louisville)	884,400	(b)	137,483	1,021,883
Kentucky River (Hazard)	236,748	22,872	43,814	303,434
Lake Cumberland (Jamestown)	242,433	29,101	27,532	299,066
Lincoln Trail (Elizabethtown)	195,956	11,372	31,735	239,063
Northern Kentucky (Florence)	249,544	34,707	30,880	315,131
Pennyroyal (Hopkinsville)	340,032	(b)	41,383	381,415
Totals	<u>\$4,873,772</u>	<u>\$211,845</u>	<u>\$788,989</u>	<u>\$5,874,606</u>

a/Information was taken from Kentucky ADDs' 1981 financial reports.

b/Accumulated leave was not reported separately.

c/Employee benefits were not reported separately.

PURCHASE AREA DEVELOPMENT DISTRICT,TRAVEL STATISTICS BY MONTH,FISCAL YEAR 1981

Month	Number traveling			Number of trips		
	Staff	Board	Total	In Kentucky	Outside Kentucky	Total
July 1980	11	2	13	17	1	18
August	11	4	15	14	2	16
September	14	5	19	12	4	16
October	13	8	21	19	3	22
November	13	2	15	16	1	17
December	11	5	16	14	2	16
January 1981	11	2	13	15	1	16
February	11	5	16	14	6	20
March	13	6	19	11	0	11
April	8	2	10	11	1	12
May	11	2	13	15	2	17
June	10	4	14	14	1	15
Total	a/22	a/12	a/34	b/172	c/24	196
Percent	64.7	35.3	100	87.8	12.2	100

a/Columns do not total. Totals represent number of individuals traveling during fiscal year 1981.

b/Total includes trips within the Jackson Purchase Area. Trips within Kentucky, but outside the Purchase area, are outlined in appendix XV.

c/These trips are outlined in appendix XIV.

APPENDIX XIV

APPENDIX XIV

PURCHASE AREA DEVELOPMENT DISTRICT, BOARD AND STAFF TRAVEL OUTSIDE KENTUCKY, FISCAL YEAR 1981

<u>Period of travel</u>	<u>Travel location</u>	<u>Cost of trip</u>	<u>PADD traveler</u>		<u>Purpose of trip</u>
			<u>Staff</u>	<u>Board</u>	
July (1980) 11-15	Destin, FL	\$ 906	H. Hodges W. Spencer D. Elias	J. Guffy	Attend Tennessee-Tombigbee annual convention
August 12-13 23-28	Oak Ridge, TN Houston, TX	56 514	D. Elias R. Blaine		Meet with U. S. Department of Energy Attend National Association of Area Agencies on Aging Conference
September 5-9	Hannibal, MO	886	H. Hodges D. Elias	J. West-pheling W. Shadoan J. Menees	Attend Mississippi River (Great River Road) Annual Meeting
14-19 17-18	Cincinnati, OH Nashville, TN	329 84	R. Blaine W. Spencer D. Elias		Attend grantsmanship training Attend Tennessee-Tombigbee meeting
25-27	Baltimore, MD	424	H. Hodges		Attend National Association of Regional Council Executive Director Meeting
October 7-10	Wilmington, NC	801	J. Payne C. Ross		Attend Southeast Association of Employment and Training Conference
21-22	Nashville, TN	199	D. Elias		Attend Interstate Commerce Commission hearing
29-30	Columbus, MS	133	H. Hodges J. Spencer	J. Guffy	Attend Tennessee-Tombigbee meeting
November 9-10	Atlanta, GA	832	H. Hodges A. Gorrell W. Spencer	J. Guffy	Attend EDA meeting
December 3-5	Atlanta, GA	1,189	A. Gorrell C. Rogers H. Hodges	J. Guffy B. Fraser	Attend EDA meeting
7-11	Nashville, TN	425	C. Ross D. French		Attend Community Services Administration training, includes trips to Louisville and Frankfort for industry council meeting and labor market information training
January (1981) 27-28	Little Rock, AR	252	D. Elias J. Spencer		Attend Great River Road meeting
(note a) February 8-12	Jackson, TN Washington, D.C.	1 3,782	E. Galberg R. Barrett C. Rogers K. Kelley H. Hodges	J. Guffy R. Miller J. Penrod R. Dunn	(note a) Attend National Association of Regional Councils Federal briefing
12-13	Atlanta, GA	73	A. Gorrell		Attend EDA pre-application conference on public works
19-20 25-27 25-27	Columbus, MS Mobile, AL Jellico, TN	64 441 185	D. Elias W. Spencer D. French C. Rogers		Attend Tennessee-Tombigbee meeting Attend Tennessee-Tombigbee meeting Attend Arts and Crafts co-op meeting
March April 14-16	(none) Biloxi, MS	779	C. Ross J. Payne		Attend Comprehensive Employment and Training Act conference
May 3-6	Atlanta, GA	1,359	C. Rogers J. Payne	B. Fraser	Attend EDA workshop
June 6-7 6-11	Nashville, TN Niagara Falls, NY	67 1,644	A. Gorrell D. Elias C. Rogers	J. Guffy J. Penrod R. Dunn	Attend Tennessee-Tombigbee meeting Attend National Association of Regional Councils Annual meeting
Total		24	\$15,425	12	8

a/Purpose and date of trip not available from former employee travel voucher.

APPENDIX XV

APPENDIX XV

PURCHASE AREA DEVELOPMENT DISTRICT BOARD
AND STAFF TRAVEL WITHIN KENTUCKY (note a),

Travel Month	Kentucky travel location	No. of trips	Total cost of trips	FISCAL YEAR 1981		Purposes of trips
				PADD staff traveler	PADD board traveler	
July 1980	Frankfort	6	\$527	H. Hodges K. Kelley b/ W. Spencer	S. Hamrick D. Elias D. French b/	Meet with Kentucky Departments of Human Resources (DHR) and Transportation, Arts Commission, and private industry council ADD directors meeting, economic development conference, Commerce, and Kentucky's Department of Local Government (DLG)
	Louisville	4	390	H. Hodges C. Ross R. Barrett	C. Rogers B. Payne	Meet with HUD, Commerce, and DLG
	Frankfort/ Louisville	1	122	R. Hatfield		(note c)
	Lexington	1	126	R. Barrett		(note c)
	Madisonville	1	11	K. Kelley		ADD directors meeting and State aging conference
	Frankfort	2	753	H. Hodges B. Payne	K. Kelley	Annual National Association of Development Organizations (NADO) meeting and Small Business Administration workshop
	Louisville	2	1,371	H. Hodges K. Kelley C. Rogers	D. Elias A. Gorrell B. Fraser J. Bolin	Meet with private industry council
	Frankfort/ Louisville	1	104	C. Ross	S. Hamrick	Meet with Health Systems Agency (HSA)-West
	Elizabethtown	1	26	H. Hodges	C. Ross	Meet with HSA-West and manpower planning council
	Bowling Green	3	449	R. Barrett C. Ross b/ R. Barrett	S. Hamrick R. Blaine R. Hatfield	HUD and DLG financial management workshop (note c)
August	Owensboro	2	132	R. Barrett		(note c)
	Hopkinsville	1	9	R. Barrett		
	Frankfort	3	412	H. Hodges W. Spencer b/ C. Ross	J. Spencer S. Hamrick	ADD Directors meeting and meetings with State Transportation and private industry council
	Owensboro	3	106	C. Futrell K. Hancock	R. Barrett R. Hatfield	Meet with Kentucky municipal league and community development association and view computer operations (note c)
	Louisville/ Ft. Mitchell	1	147	A. Gorrell B. Payne	D. French	Meet with HSA-West and community action agency (CAA) review
	Elizabethtown	1	65	R. Barrett	B. Payne	Meet with HSA-West
	Bowling Green	1	160	R. Blaine	D. Foy	State aging fiscal management training
	Louisville	1	118	R. Barrett	B. Payne	Attend Kentucky Crime Commission Conference
	Elizabethtown	2	71	H. Hodges	R. Barrett	
	Louisville	4	2,330	H. Hodges C. Rogers D. Elias K. Kelley b/	B. Payne b/ R. Barrett C. Ross	Meet with Lincoln Trail ADD (note c) Kentucky Council of ADDs, HSA-West, and CETA meetings (note c)
September	Frankfort	4	583	C. Ross b/ D. Elias	H. Hodges R. Hatfield	Meetings with private industry council, HUD-CDBG, DLG, and Bureau of Census
	Lexington	1	66	R. Blaine		DHR aging planners meeting
	Frankfort/ Louisville	1	233	A. Gorrell	R. Blaine	DHR aging planners meeting and meet with administrative office of the courts staff and Lt. Governor
	Frankfort	4	517	C. Rogers B. Payne H. Hodges b/	K. Kelley R. Barrett C. Ross	State Development Finance Authority workshop, ADD directors annual meeting, and private industry council (note c)
	Owensboro	1	227	H. Hodges	K. Kelley	State association of county officials meeting
	Louisville Rough River State Park	1	146	R. Barrett		(note c)
	Lexington	1	112	E. Galberg	J. Spencer	(note c)
	Madisonville	1	67	R. Hatfield		Public transportation meeting
	Florence	1	72	B. Payne		CDBG preapplication workshop and State Municipal League
	Louisville	3	1,117	H. Hodges W. Spencer K. Kelley b/	D. Elias R. Hatfield R. Barrett	DLG workshop
December	Owensboro	2	150	A. Gorrell B. Payne	K. Kelley	ADD directors meeting and HUD management workshop (note c)
	Madisonville	1	2	A. Gorrell	D. Castleman	Meet with Green River ADD and State Recreation and Park Society
						Meet with Farmers Home Administration

a/Excludes local travel within the Jackson Purchase Area.

b/Traveler made two or more trips to location during month.

c/Purpose of trip not available from former employee travel voucher.

APPENDIX XV

APPENDIX XV

<u>Travel month</u>	<u>Kentucky travel location</u>	<u>No. of trips</u>	<u>Total cost of trips</u>	<u>PADD staff traveler</u>	<u>PADD board traveler</u>	<u>Purposes of trips</u>
December (cont.)	Hopkinsville	1	\$ 47	W. Spencer		Rural development section III meeting
	Frankfort	2	332	W. Spencer C. Ross	D. French	Bureau of Manpower Services and Aging Program meetings
	Owensboro/ Elizabethtown	1	343	R. Blaine	D. Elias	State Recreation and Park Society
	Bowling Green	1	5	D. French		State arts council meeting
	Lexington	1	90	B. Payne		DLC workshop
January	Louisville/ Lexington/ Frankfort/ Louisville	1	499	H. Hodges C. Rogers	J. Guffy	HUD and ADDs meeting, and ADD directors meeting
	Louisville	2	231	H. Hodges R. Barrett	C. Ross B. Payne	HSA-West meeting and private industry council meeting
	Frankfort/ Lexington	1	375	H. Hodges C. Ross	A. Gorrell	Joint meeting of ADDs and CAA's, FmHA and CAA staff meeting
	Frankfort	2	294	D. French	W. Spencer D. Elias	Aging Directors Meeting and JFA contract meeting
February	Lexington	1	134	R. Barrett		(note c)
	Louisville	3	175	R. Hatfield	R. Barrett b/ H. Hodges b/ J. Spencer	Attend HUD workshop (note c)
	Frankfort	3	612	W. Spencer C. Rogers b/ D. Elias	J. Guffy b/ D. Elias	Attend ADD directors and JFA meetings
	Owensboro	2	117			Attend In-Home Services and State manpower meetings
	Lexington	2	296	B. Payne b/		Attend public administration specialist workshop
March	Frankfort	2	188	W. Spencer	D. French	Attend ADDs council and crafts foundation, State arts council meetings, and JFA contract meeting
	Louisville	3	1,885	C. Rogers A. Gorrell K. Kelley D. Elias	H. Hodges C. Ross R. Barrett b/ B. Payne	Attend State ADDs council and HSA-West meeting (note c)
April	Lexington	1	305	B. Payne		Attend economic development workshop
	Frankfort	3	394	H. Hodges b/ C. Ross C. Rogers	D. French R. Barrett	Attend State Department of Finance contract, private industry council, and Energy Assistance Program meetings (note c)
	Louisville	4	545	H. Hodges A. Gorrell R. Barrett	B. Payne J. Guffy R. Hatfield b/	Attend ADD directors and HSA-West meetings, and HUD Application and Fair Housing SEO workshops
	Lexington	1	72	B. Payne		Attend public administration specialist workshop
May	Hopkinsville	1	13	R. Barrett		(note c)
	Elizabethtown	1	19	B. Payne		Attend HSA-West meeting
	Frankfort	3	411	H. Hodges b/ C. Ross b/	R. Blaine D. French	Attend ADD directors, DHR, and White House Conference on Aging meetings
	Louisville	3	567	H. Hodges W. Spencer D. Elias	R. Barrett b/ B. Payne C. Ross	Attend DHR and HSA-West meetings (note c)
	Rough River State Park	1	54	H. Hodges		Attend ADD directors meeting
	Lake Cumberland	1	358	H. Hodges	W. Spencer	Attend ADD directors and JFA meetings
	Bowling Green	3	328	R. Hatfield b/ R. Blaine	D. French B. Payne	Attend HSA-West school health forum, HUD environment review meeting, and Kentucky Arts Committee workshop
	Lexington/ Frankfort	1	221	B. Payne	R. Barrett	Attend economic development meeting
June	Lexington	1	138	A. Gorrell B. Payne		Attend FmHA meeting
	Lexington	2	478	B. Payne	D. Elias	Attend National Economic Development Council and DOE audit training
	Louisville	1	150	C. Rogers	C. Ross	Attend economic development workshop and State Employment Training Council meeting
	Lexington/ Frankfort	2	167	H. Hodges	R. Blaine	Attend ADD directors meeting and DHR meeting
	Louisville/ Frankfort	1	20	H. Hodges		Attend State Department of Finance contract meeting
	Frankfort	2	340	W. Spencer D. Elias	D. French	Attend JFA contract reports and ADD directors meetings, and aging program training
	Hopkinsville	1	37	W. Spencer		Attend Tennessee-Tombigbee meeting
	Owensboro	1	111	C. Ross		Attend HSA-West meeting
	Bowling Green	1	101	C. Ross	R. Barrett	Attend State Industrial Development Council summer meeting
		126	\$21,197			

a/Excludes local travel within the Jackson Purchase Area.

b/Traveler made two or more trips to location during month.

c/Purpose of trip not available from former employee travel voucher.

COMPARISON OF TRAVEL EXPENSES,
KENTUCKY AREA DEVELOPMENT DISTRICTS,
FISCAL YEAR 1981

<u>Area development district (location)</u>	<u>Travel expenses (note a)</u>		
	<u>Staff</u>	<u>Board</u>	<u>Total</u>
Average of districts	\$ 56,869	\$16,482	\$ 43,992
Purchase (Mayfield)	b/\$ 49,647	b/\$ 9,705	59,352
Barren River (Bowling Green)			39,864
Big Sandy (Prestonsburg)			38,961
Bluegrass (Lexington)	b/64,091	b/23,260	87,351
Buffalo Trace (Maysville)			38,557
Cumberland Valley (London)			71,904
FIVCO (Catlettsburg)			28,580
Gateway (Owingsville)			11,649
Green River (Owensboro)			46,163
Kentuckiana (Louisville)			41,717
Kentucky River (Hazard)			43,101
Lake Cumberland (Jamestown)			56,035
Lincoln Trail (Elizabethtown)			26,809
Northern Kentucky (Florence)			22,826
Pennyroyal (Hopkinsville)			47,015
Total (note c)	<u>\$113,738</u>	<u>\$32,965</u>	<u>\$659,884</u>

a/Information acquired from Kentucky ADDs' fiscal year 1981 financial reports.

b/ADDs which separately reported staff and board travel expenses.

c/Totals may not add because of rounding.

CARROLL HUBBARD
CONGRESSMAN
1ST DISTRICT, KENTUCKY

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Congress of the United States

House of Representatives

Washington, D.C. 20515

February 16, 1982

Hon. Charles A. Bowsher
Comptroller General of the United States
United States General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Bowsher:

This is the second year of my fourth term as a Member of Congress. I have never previously requested General Accounting Office assistance.

However, I do now.

Attached please find a one page "Statement of revenue and expenses and changes in fund balance" for Purchase Area Development District, Inc. (PADD, Inc.), a corporation headquartered in Mayfield, Kentucky (for the fiscal year July 1, 1980-June 30, 1981). This corporation received during that one fiscal year \$849,092.50 in federal monies.

You will find under "Expenses" that this corporation spent over \$565,000 in that fiscal year for salaries, employee benefits and expenses.

This federally funded corporation pays \$39,000 each year in rent to a corporation named Jackson Purchase Local Officials Organization, Inc. (JPLOO, Inc.). PADD, Inc. wrote checks to JPLOO, Inc. during that fiscal year in the amount of \$17,684.85 for "travel." The same men who are the most influential board members of PADD, Inc. are and have been the most influential board members of JPLOO, Inc.

Speaking of travel, from July 1, 1980 through December 31, 1981, PADD reimbursed its employees \$27,330.08 for "travel."

Again, mentioning the \$39,000 rent paid by PADD, Inc. to JPLOO, Inc., PADD also pays for all utilities and the maintenance of the building from tax revenues. If this sounds okay, then consider that from January 7, 1976 through August 31, 1979, Ralph T. Waldrop and wife Mary Julia Waldrop and Jerry Berry, single, leased the PADD property to PADD for \$2,023.59 per month or \$24,283.08 per annum. But this rental included all utilities (water, electricity and gas heat) and all maintenance and service on the utilities paid by Waldrop-Berry.

Bowsher, Hon. Charles A.
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According to Mayfield realtor Ralph Waldrop, utilities and the service thereon cost him and the lessors about \$8,000 per year in the late 1970's.

So, from January 7, 1976 through August 31, 1979, Waldrop-Berry lessors netted about \$16,283 per annum, then paid federal and state taxes on the net income.

Mr. Comptroller General, I could list dozens of other interesting expenditures made by this PADD, Inc. and will if you so desire.

It is a tragic shame that, because of current interest rates, recession and federal budget cuts, many of my constituents in western Kentucky are, in fact, this day hungry, cold, bankrupt and in dire need. We spend money in Congress to help people like them across the country. It is indeed shocking that before my constituents, including needy senior citizens, can receive federal grants and benefits, over \$565,000 is spent by one agency (PADD, Inc.) for administration in one year.

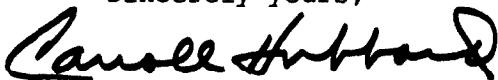
Yes, I request a GAO audit of Purchase Area Development District, Inc., Mayfield, Kentucky, as soon as possible.

Members of Congress are aware of the outstanding work performance by Ronald S. Kader of your GAO investigative staff because of his efforts, efficiency and accomplishments in auditing the U.S. Department of Energy. I would appreciate your assigning Mr. Kader to this requested audit for approximately one month.

Thank you for your attention to and consideration of this letter.

With best wishes for you, I am

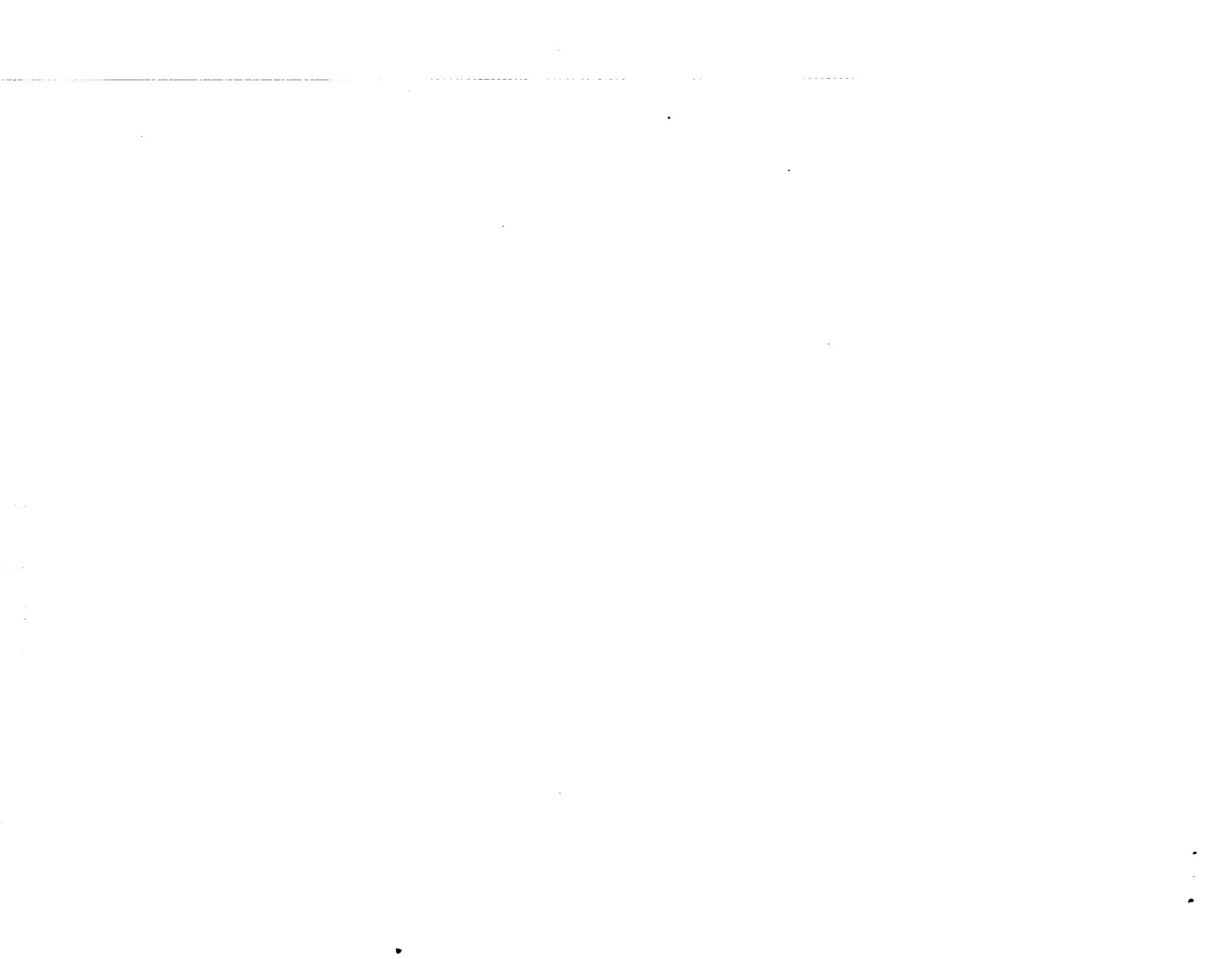
Sincerely yours,



Carroll Hubbard
Member of Congress

CH/lll

Enclosure





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