



U.S. Department of Agriculture

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Office of Inspector General  
Southwest Region

## **Audit Report**

# **Controls Over Issuance of Appropriated Funds by Delta Regional Authority – Fiscal Years 2005 - 2007**

Report No. 62099-2-Te  
July 2008

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UNITED STATES DEPARTMENT OF AGRICULTURE  
OFFICE OF INSPECTOR GENERAL  
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July 31, 2008

Mr. Pete Johnson  
Federal Co-Chairman  
Delta Regional Authority  
236 Sharkey Avenue, Suite 400  
Clarksdale, Mississippi 38614

Dear Mr. Johnson:

Subject: Controls Over Issuance of Appropriated Funds by Delta Regional Authority  
Fiscal Years 2005 – 2007, Audit Report No. 62099-2-Te

We conducted an audit of the Delta Regional Authority's (DRA) operations for fiscal years (FY) 2005, 2006, and 2007. We reviewed management controls over revenues and expenditures, as well as grant files to determine if grantees were adhering to DRA policy.

We found that DRA is accounting for appropriated funds and tracking grantee adherence to Federal regulations and DRA policy. We found no substantial matters of concern to report in this audit. We did, however, find a few minor documentation issues that we discussed with DRA personnel; they have already begun the process of correcting each of these issues.

## **BACKGROUND**

The Consolidated Appropriation Act of 2001 created DRA,<sup>1</sup> which is a Federal-State partnership serving 240 counties and parishes in an 8 State region. DRA is designed to remedy severe and chronic economic distress by stimulating economic development and fostering partnerships that will have a positive impact on the region's economy. At the local level, DRA coordinates efforts with a combination of agencies and local development districts and each member State's Department of Economic Development. DRA also partners with the Department of Agriculture's Rural Development.

DRA must prioritize the use of Federal funds in the following order, with transportation and basic public infrastructure projects receiving at least 50 percent of the appropriated funds:

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<sup>1</sup> Public Law 106-554.

1. Basic public infrastructure in distressed counties and isolated areas of distress;
2. transportation infrastructure for the purpose of facilitating economic development;
3. business development with an emphasis on entrepreneurship; and
4. job training or employment-related education, with an emphasis on using existing public educational institutions located in the region.

DRA covers 8 States and 240 counties and parishes. No State is required to participate.

Alabama	20 counties
Arkansas	42 counties
Illinois	16 counties
Kentucky	21 counties
Louisiana	46 parishes
Mississippi	45 counties
Missouri	29 counties
Tennessee	21 counties

The Consolidated Appropriations Act of 2001 allowed for \$30 million to be made available for each fiscal year until 2007. The Farm Bill of 2008 extended DRA's operations with funds to remain available until expended.

DRA complies with the Accountability of Tax Dollars Act of 2002<sup>2</sup>, by contracting with private accounting firms to conduct an annual financial statement audit. DRA officials advised they rotate their selection of private accounting firms; different firms were selected to do their FYs 2003 and 2004 and FYs 2005 and 2006 financial statement audits, respectively. The FYs 2005 and 2006 outside audit of DRA found no reportable conditions regarding its internal controls over operations and financial reporting. Additionally, DRA contracted with an accounting firm to monitor and report on a selection of certain DRA rural assistance program grants. The firm's report was issued in February 2007. That audit identified some minor issues with the accuracy and completeness of documentation supporting the grants.

## **OBJECTIVE**

The objective of this audit was to determine if management controls are in place to ensure that DRA was properly accounting for funds appropriated by Congress.

## **SCOPE AND METHODOLOGY**

To achieve our objective, we reviewed agency regulations, and policies and procedures relevant to agency operations, audits and reviews conducted on agency operations, and grant approval and disbursement. We obtained grant files from DRA personnel. Our audit included a review of these files to determine grantee adherence to DRA policy. We conducted interviews with DRA officials and staff.

<sup>2</sup> Public Law 107-289 dated November 7, 2002, Accountability of Tax Dollars Act of 2002.

DRA approved 48 grants for a total of \$4,371,993 in 2005; 72 grants for \$8,145,988 in 2006; and 50 grants for a total of \$8,145,838 in 2007. We reviewed a total of 10 grant files that totaled \$2,181,291, 2 from each of the following categories: 2005 grant files, 2006 grant files, 2007 grant files, the agency's discretionary (emergency) fund, and the agency's faith-based initiative. Our sample selection was based on the amount of the grant and whether the grant had received any fund disbursements for the 2005, 2006, and 2007 grant samples. For the discretionary (emergency) fund grants and the agency's faith based initiative, no disbursements had been made so we made our selection based solely on the amount of the grant.

We conducted our audit from October 2007 to May 2008. This audit was conducted in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## **FINDINGS**

We found no substantial matters of concern to report in this audit. We did, however, find a few minor documentation issues that we discussed with DRA personnel. They have already begun the process of correcting each of these issues.

Sincerely,

/s/

TIMOTHY R. MILLIKEN  
Regional Inspector General  
for Audit