

**MEMORANDUM REPORT ON REVIEW OF THE
CHILDREN'S ADVOCACY CENTER OF THE BLUEGRASS, INC.
LEXINGTON, KENTUCKY**

BLUEGRASS CHILD ADVOCACY OUTREACH PROJECT

ARC Grant No's: KY-13528 and KY-13528-C1

**August 1, 1999 through September 30, 2000
October 1, 2000 through September 30, 2001**

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Report Number: 02-4 (H)

Date: February 27, 2002

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Prepared By:

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

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report No. 02-4 (H)

SUBJECT TO: Memorandum Review Report on the Children's Advocacy Center Of The
Bluegrass, Inc.'s Bluegrass Child Advocacy Outreach Project, ARC Grant
No.'s: KY-13528 and KY-13528-C1

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Children's Advocacy Center Of The Bluegrass, Inc. for its Bluegrass Child Advocacy Outreach Project were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

BACKGROUND: ARC awarded Grant Number's KY-13528 and KY-13528-C1 to the Children's Advocacy Center Of The Bluegrass, Inc. for the periods from August 1, 1999 through September 30, 2000 and October 1, 2000 through September 30, 2001, respectively. The purpose of the grants were to provide funding assistance for the Child Advocacy Outreach Project that will provide identification, assessment, examination, specialist consultation and a multidisciplinary approach for health service delivery to children who have been sexually abused in the distressed and medically under served areas of Appalachian Kentucky.

The ARC grant funding for KY-13528 and KY-13528-C1 was for a total not to exceed \$243,063 and \$224,087, respectively of actual, reasonable and eligible project cost. The Grantee shall pay

or cause to be paid the non-ARC share of \$121,600 and \$76,500, respectively, in cash, contributed services or in-kind contributions, as approved by ARC.

The specific tasks were:

- To provide consultations on physical exams for children in the Appalachian region who have been sexually abused.
- To provide links to psychiatric counseling for sexually abused children in rural Appalachian Kentucky via Kentucky TeleCare, State Mental Health and Appalachian Regional Healthcare telemedicine networks.
- To recruit and train physicians in the rural Appalachian region so that they may be able to perform evaluations, assessments and examination of the sexually abused children.
- To provide case conferencing for participating physicians and clinicians for continuing medical education and to reduce isolation in rural areas through peer interaction.
- To provide an accessible resource of knowledge for greater dissemination of information on childhood sexual abuse by creating an Internet web site.

SCOPE: We performed a program review of the grants as described in the Purpose, above. Our review was based on the terms of the grant agreements and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Children's Advocacy Center Of The Bluegrass, Inc. had complied with the requirements of the grant agreements. In addition, we discussed the program objectives and performance with Children's Advocacy Center Of The Bluegrass, Inc.'s personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at the Children's Advocacy Center Of The Bluegrass, Inc. in Lexington, Kentucky on October 10, 2001 through October 12, 2001.

A. Incurred Costs:

The Children's Advocacy Center Of The Bluegrass, Inc. paid total program costs of \$377,456 for grant KY-13528, of which they received advance payments from August 1, 1999 through September 30, 2000 of \$243,063 (overpayment of \$1,205, see finding #2 below) from ARC and in-kind costs of \$135,598. For grant KY-13528-C1, The Children's Advocacy Center Of The Bluegrass, Inc. paid total program costs of \$384,839 from October 1, 2000 through September 30, 2001, of which they received advanced payments and reimbursements of \$176,743 from ARC and an additional amount of \$7,846 that has yet to be drawn down as the date of our field

work, and in-kind costs of \$200,250. We reviewed the direct and in-kind costs incurred and determined that the funds had been expended as reported for the two grants.

1. The Grantee Did Not Reduce ARC Funding By Interest Earned.

The grantee deposits ARC advance funding in a separate bank account, which earned interest of \$2,871 from August 1999 to September 30, 2001. The grantee failed to deduct the interest earned from funds requested and received from ARC.

OMB Circular No. A-110 Subpart C – Post Award Requirements .22 (g) States:

“To the extent available, recipients shall disburse funds available from repayments to and interest earned on a revolving fund, program income, rebates, refunds, contract settlements, audit recoveries and interest earned on such funds before requesting additional cash payments.”

The grantee stated that they were not aware that the interest earned was required to be deducted from their ARC funding.

RECOMMENDATION:

We recommend that the ARC require the grantee to deduct the interest earned of \$2,871 from their final reimbursement for grant KY-13528-C1, and that the grantee reduce reimbursement request by any future interest earned on ARC funds.

2. The Grantee Received From ARC \$1,205 In Excess Of Recorded Expenditures.

The grantee drewdown \$243,063 in ARC funds and expended \$241,858 from August 1, 1999 to September 30, 2000 for grant KY-13528. The grantee used the excess funds for expenditures made in the next grant period for grant KY-13528-C1.

Grant Agreement Number KY-13528 between ARC and The Children’s Advocacy Center of the Bluegrass, Inc. Part I-4 states:

“Grantee shall be paid by ARC a total sum not to exceed \$243,063 of actual, reasonable and eligible project costs.”

RECOMMENDATION:

We recommend that ARC require the grantee to submit for reimbursement only expenditures actually paid for during the grant period.

B. Internal Controls:

We did identify one internal control weaknesses that could have affected the accountability of costs or compliance with the terms of the grant agreement.

1. Bidding Process Not Document In Accordance With OMB Circular A-110

We noted that the grantee did not obtain bids for the purchase of Colposcopes and other audio/visual equipment purchased from Leisegang Medical. The grantee stated that Leisegang Medical was the only provider of this type of equipment and wasn't aware they needed to solicit bids.

OMB Circular No. A-110 Subpart C – Post Award Requirements States:

“44) (e) Recipients shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc., when any of the following conditions apply.

(2) The procurement is expected to exceed the small purchase threshold fixed at 41 U.S.C. 403 (11) (currently \$25,000) and is to be awarded without competition or only one bid or offer is received in response to a solicitation.

.46) Procurement Records. Procurement records and files for purchases in excess of the small purchase threshold shall include the following at a minimum: (a) basis for contractor selection, (b) justification for lack of competition when competitive bids or offers are not obtained, and (c) basis for award cost or price.”

RECOMMENDATION:

We recommend that ARC require the grantee to ensure that procurement procedures and documentation for goods/services greater than \$25,000 are in accordance with OMB Circulars.

C. Program Results:

Our review of the Children's Advocacy Center Of The Bluegrass, Inc., Bluegrass Child Advocacy Outreach Project indicated that the objectives of the grants had been met.

DISCUSSION:

We discussed these issues with Children's Advocacy Center management at an exit conference held on October 12, 2001. Management stated that they were not aware that the interest earned should be offset against expenditures incurred under the project. In addition, management was not aware of the procurement requirements for purchases in excess of \$25,000. They stated that the Colposcopes were only available through Leisegang Medical.

Tichenor & Associates, LLP

TICHENOR & ASSOCIATES, LLP

Louisville, Kentucky

October 12, 2001



Date: April 3, 2002
To: Clifford Jennings
Inspector General
RE: OIG Report 02-4(H), Bluegrass Child Advocacy Outreach, ARC Grants
KY-13528-I and KY-13528-C1

Mr. Hubert Spark's letter of March 11, 2002 to Ms. Lana Stephens, Children's Advocacy Center of the Bluegrass, addressed a number of issues arising from an audit of the above referenced grant. The most salient issue raised, and the one that required a response by the grantee, involved interest earned on an ARC advanced payment for the first year of the grant. The auditor recommended that the grantee deduct the interest earned (\$2,871) from their final reimbursement request for the second year grant.

ARC made a final payment on KY-13528-C1 on February 26, 2002 and the grantee did, in fact, deduct the interest earned from the final payment.

A letter has been sent to the grantee informing them that the issues raised in the audit have been successfully resolved.

This grant has been closed out.

Thomas M. Hunter
Executive Director