May 31, 2007

Memorandum for: The Federal Co-Chair
ARC Executive Director

Subject: OIG Report 07-08
Memorandum Report on Review of
Center for Technology Enterprise, Inc. (CITE)
Bowling Green, Kentucky
ARC Grant Number: KY-15048-05

Attached is the report on the subject grant to CITE. The grant period was from February 8, 2005 through December 31, 2005 for an amount not to exceed $30,600 (or 76.5 percent of actual, reasonable, and eligible project costs). ARC made an advance payment of $27,540 on September 15, 2005. On March 3, 2006, CITE returned $22,140 to the ARC after project completion.

The report contains three CITE-specific recommendations which have been responded to sufficiently for the report to be closed. However, the second and third recommendations point to a need for ARC to review and possibly revise it polices and procedures to ensure that grantees are precluded from keeping unneeded funds for any period of time and that grantees comply with the terms of the grant regarding the timely production of interim and final status reports.

Clifford H. Jennings
Inspector General

Attachment

cc: Director for Program Operations
Director for Finance and Administration

MEMORANDUM REPORT ON REVIEW OF CENTER FOR TECHNOLOGY ENTERPRISE, INC. (CITE) BOWLING GREEN, KENTUCKY

SUPPORT ALLOWANCE FOR RURAL TELECOMMUNICATIONS CONGRESS (RTC) ANNUAL CONFERENCE

ARC Grant Number: KY-15048-05

Grant Period: February 8, 2005 through December 31, 2005

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

Report Number: 07-08

Date: May 30, 2007

MEMORANDUM REPORT ON REVIEW OF CENTER FOR TECHNOLOGY ENTERPRISE, INC. (CITE) BOWLING GREEN, KENTUCKY

SUPPORT ALLOWANCE FOR RURAL TELECOMMUNICATIONS CONGRESS (RTC) ANNUAL CONFERENCE

ARC Grant Number: KY-15048-05

Grant Period: February 8, 2005 through December 31, 2005

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 Number: 07-08

SUBJECT: Memorandum Review Report on Center for Technology Enterprise, Inc. (CITE), Support Allowance for Rural Telecommunications Congress (RTC) Annual Conference, ARC Grant Number: KY-15048-05.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to CITE (formerly known as Center for Information Technology Enterprise, Inc.) for its Support Allowance for RTC Annual Conference grant were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting, and internal control systems provided for disclosure of pertinent financial and operating information; and (c) that the objectives of the grant were met.

BACKGROUND: ARC awarded Grant Number KY-15048-05 to CITE for the period February 8, 2005 through December 31, 2005. Total grant funding was for an amount not to exceed $30,600 or 76.5 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with $9,400 or 23.5 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. CITE received $27,540 of advanced funds from ARC on September 15, 2005. On March 3, 2006, CITE returned $22,140 to the ARC after completion of the project.

The grant provided funds for a project to assist in the planning and development of the RTC's annual conference in Lexington, Kentucky on October 9-12, 2005. The grant was primarily intended to underwrite the registration costs associated with sending over 50 county delegates to the conference. The grant also underwrote limited administrative costs.

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

RESULTS: The following results are based on our review performed at CITE in Bowling Green, Kentucky, on March 5, 2007 through April 12, 2007.

A. Incurred Costs

CITES's financial records report total program costs of $7,060 for the grant period. Of these costs, $5,400 (76.5%) was attributed to ARC expenditures, with the remaining $1,660 (23.5%) attributed to matching and in-kind expenditures.

The grant agreement Part I 1. Statement of Purpose states that "The grant will ... underwrite the registration costs associated with sending over 50 **county delegates** to the conference." [Emphasis added] During the course of the audit, we reviewed the costs claimed and noted that four of the 18 conference attendees whose registration costs were paid with ARC funds were not local county delegates, but were instead said to represent all of Kentucky's ARC counties, and should, therefore, be disallowed. (See Appendix A for details.)

After adjustment for the disallowed costs, and reducing CITE's matching and in-kind expenditures accordingly, total program costs were $5,490, of which $4,200 (76.5%) was attributed to ARC expenditures and $1,290 (23.5%) attributed to matching and in-kind expenditures.

Recommendation:

We accept the ARC's response (see below) and therefore make no recommendation.

ARC's Response:

ARC states that CITE indicated that their initial documentation was both incomplete and inaccurate. CITE also indicated that their office has identified an additional 21 eligible delegates that could have been reimbursed, but they will not be requesting reimbursement for these individuals. (See Appendix B – ARC's Response.)

Auditor's Comment:

ARC has discussed this matter with CITE and determined their response to be satisfactory. As a result of our review of ARC and CITE's response, and supporting documentation, this matter is considered closed and CITE's reported program costs of $7,060 ($5,400 (76.5%) attributed to ARC expenditures and $1,660 (23.5%) attributed to matching and in-kind expenditures) is accepted.

B. Internal Controls

During the course of the audit, we reviewed CITE's system of internal controls. Two areas of weakness were identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

1. Completion of Progress Reports

The grant agreement requires that CITE complete an interim progress report for each 120-day period. The grant agreement also requires that a draft final report be submitted for ARC approval within one month of the end of the period of performance.

The CITE did not complete a progress report for the first 120-day period. CITE submitted a draft final report to the ARC on March 3, 2006. This was 62 days after the end of the period of performance, which ended on December 31, 2005.

Recommendation:

We recommend that ARC require CITE to complete interim and final progress reports in a timely manner on any future ARC grants.

ARC's Response:

ARC states that CITE has agreed to establish appropriate policies to ensure the submission of timely progress reports. ARC further states that they have no open projects with CITE at this time. (See Appendix B – ARC's Response.)

Auditor's Comment:

CITE has no ARC projects open at this time and has agreed to establish appropriate policies to ensure that progress reports are submitted in a timely manner on any future ARC projects. As a result, the recommendation is considered closed.

2. Return of Advanced Funds

During the course of the audit, we noted that CITE did not return to ARC unexpended advanced funds in a timely a manner. Unexpended advanced funds were not returned until March 3, 2006, 142 days after the conference ended on October 12, 2005.

Recommendation:

We recommend that in the future ARC require that CITE establish policies and procedures to ensure that advanced funds are properly monitored and any unexpended amounts are returned in a timely manner.

ARC's Response:

ARC states that CITE has agreed to establish appropriate policies to ensure the return of any funds in excess of what is needed in an expeditious manner. ARC further states that they have no open projects with CITE at this time. (See Appendix B – ARC's Response.)

Auditor's Comment:

CITE has no ARC projects open at this time and has agreed to establish appropriate policies to ensure the return of any funds in excess of what is needed in an expeditious manner on any future ARC projects. As a result, the recommendation is considered closed.

C. Program Results

Our review of the CITE Support Allowance for RTC Annual Conference indicated that, for the ARC funds expended, the specific objectives identified in the grant were achieved.

Tichenor & Associates, LLP
Louisville, Kentucky
April 12, 2007

APPENDIX A
ARC FUNDED CONFERENCE DELEGATES

Attendee	Organization	Title	ARC County Impacted
1. Chances Beach III	City of Beattyville	Mayor	Lee
2. Chris Brewer	City of Barbourville	Mayor	Knox
3. Eddie Carter	City of Stanford	Mayor	Lincoln
4. Mac Comb	Knott County	County Judge Executive	Knott
5. Joe Crawford	City of Irvine	Mayor	Estill
6. Brett Davis	Floyd County	County Judge Executive	Floyd
7. Louie Flanery	City of Flemingsburg	Mayor	Fleming
8. Joleen Fredrick	City of West Liberty	Mayor	Morgan
9. Tim Gilliam	Rowan County	County Judge Executive	Rowan
10. June McGaha	City of Jamestown	Mayor	Russell
11. Julson Pacheco	City of Richmond	Mayor	Madison
12. Joe Swafford	Clay Co. Fiscal Court	Co. Judge Admin. Asst.	Clay
13. Wade Upchurch	Wayne County	County Judge Executive	Wayne
14. Kevin Williams	Estill County	County Judge Executive	Estill
1. Lowell Archer	USS Harry Reid	Rural Outreach	All 51
2. Chris Dixon	NASCIO	Senior Issues Coordinator	All 51
3. Shawn Jackman	Vivato	Field Sales Engineer	All 51
4. Denny Nunnelley	KACo	Deputy Director	All 51

Registration Cost per Attendee	$	300
Total Attendees Claimed		18
Total Grant Used	$	5,400
Questioned Costs (4 Attendees Disallowed x $300)		(1,200)
Revised Grant Used	$	4,200

APPENDIX B
ARC'S RESPONSE

APPALACHIAN REGIONAL COMMISSION

A Proud Past, A New Vision

May 24, 2007

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

RE: Draft Audit on KY-15048 – Support Allowance for Rural Telecommunications Congress

Dear Mr. Tichenor:

The Appalachian Regional Commission is in receipt of your Draft Audit on the above referenced project. The ARC Project Coordinator for the project, Harry L. Roesch, has discussed your findings with the grantee. The Finance Officer for the ConnectKY organization, Bernie Bogle, has provided a response to the audit question that was raised in the audit done by Matt Mitchell of your staff.

Mr. Roesch has subsequently discussed the formal response to the audit question with the grantee, and their response is considered satisfactory [see attached response]. The grantee has indicated that their initial documentation to the ARC was both incomplete and inaccurate. The grantee has also indicated that their office has identified an additional 21 eligible delegates that could have been reimbursed, but they will not be requesting reimbursement for these individuals.

The ARC staff has also discussed the two RECOMMENDATIONS noted at the end of your report with the grantee, and they have agreed to establish appropriate policies to ensure the submission of timely Progress Reports, and the return of any funds in excess of what is needed in an expeditious manner. The ARC does not have any open projects with the grantee at the present time.

Based on the information that has been submitted by the grantee the ARC staff is satisfied with their response to your audit questions.

Sincerely,

Henry B. King PhD
Director, Program Operations Division

CC: H. Roesch
C. Jennings
T. Hunter

Response to Audit Findings of ARC Grant # KY-15048-05
Support Allowance for RTC Annual Conference

ARC grant #KY-15048-05 was awarded to ConnectKentucky, the host organization of the RTC 2005 Annual Conference, to pay registration cost of $300 for 102 delegates, 2 from each of the Kentucky ARC counties. This was a total grant award of $30,600. ConnectKentucky only received $5,400 of the total $30,600, originally reporting 18 attendees. Of the 18 attendees counted for this grant, 4 were not county specific delegates and were therefore deemed ineligible. Of the remaining 14 who were validly registered ARC county delegates, 6 did not check in with the registration desk.

Upon presentation of the audit findings which disallowed the four non-county specific delegates and questioned $1,200 of cost, we carefully reviewed and reconstructed our records for the ARC Kentucky delegates beginning with the conference registration and attendee list. This process began with the final attendee list that contained all registrants. All paid registrants were eliminated as well as non-Kentucky and non-ARC county attendees. There were several ARC counties that had more than two unpaid attendees each. For each of those counties, the list was narrowed to only two delegates per ARC county. Upon completion of the reconstruction of the ARC Kentucky delegate list, there were 21 additional eligible delegates all of whom checked in at the registration desk when they arrived. The following is a calculation of the dollar values associated with these details:

Original delegates reported	18	$ 300	$ 5,400
Less delegates disallowed per audit	4		(1,200)
Revised grant amount per audit			4,200
Less delegates not checking in	6		(1,800)
Original delegates eligible			2,400
Plus additional eligible delegates	21		6,300
Total eligible			**8,700**
Less previously received			(5,400)
Remaining eligible amount not received			$ 3,300

The following page lists the ARC-RTC Kentucky delegates individually by name: both those originally reported and the additional eligible attendees. The total registration cost charged to the grant were $5,400 while the total eligible cost was $8,700 leaving a remaining eligible amount not received of $3,300.

The RTC registration records were poorly organized and the original ARC Kentucky delegate list provided was incomplete and inaccurate. The employee responsible for the registration list was later discharged because of his poor performance.

Correctly capturing and reporting information in correspondence to the number of eligible delegates was the responsibility of ConnectKentucky and because that responsibility is not taken lightly, we will not be requesting a reimbursement for the additional $3,300.

ARC-RTC Kentucky Delegate List

Registered	Checked In	ARC County	Last Name	First Name	Company	Title	County	Eligible Delegates	Cummulative Amount Eligible
Attendees Included for Grant Amount Used									
Y	Y	Y	Beach	Charles	Mayor of Beattyville	Mayor	Lee	1	$ 300
Y	Y	Y	Brewer	Chris	Barbourville Utilities	Mayor	Knox	1	600
Y	N	Y	Carter	Eddie	Stanford	Mayor	Lincoln	0	600
Y	N	Y	Comb	Mac	Knott County	County Judge/Executive	Knott	0	600
Y	Y	Y	Crawford	Joe	City of Irvine	Mayor	Estill	1	900
Y	N	Y	Davis	Brett	Floyd County	County Judge/Executive	Floyd	0	900
Y	Y	Y	Flanery	Louie	City of Flemingsburg	Mayor	Fleming	1	1,200
Y	N	Y	Fredrick	Joleen	West Liberty	Mayor	Morgan	0	1,200
Y	N	Y	Gilliam	Tim	Rowan County	County Judge/Executive	Rowan	0	1,200
Y	N	Y	McGaha	June	Jamestown	Mayor	Russell	0	1,200
Y	Y	Y	Pacheco	Julson	Richmond	Mayor	Madison	1	1,500
Y	Y	Y	Swafford	Joe	Clay County	County Judge/Executive	Clay	1	1,800
Y	Y	Y	Upchurch	Wade	Wayne County Fiscal Court	County Judge/Executive	Wayne	1	2,100
Y	Y	Y	Williams	Kevin	Estill County	County Judge/Executive	Estill	1	2,400
Y	Y	N	Archer	Lowell	USS Harry Reid	Rural Outreach	N/A	0	2,400
Y	Y	N	Dixon	Chris	NASCIO	Senior Issues Cooridinator	N/A	0	2,400
Y	Y	N	Jackman	Shawn	Vivato	Field Sales Engineer	N/A	0	2,400
Y	Y	N	Nunnelley	Denny	KACo	Deputy Director	N/A	0	$ 2,400
Eligible Attendees Not Previously Included									
Y	Y	Y	Bell	Patrick	City of Columbia	Mayor	Adair	1	$ 2,700
Y	Y	Y	Bryant	Mike	East Kentucky Connect	County PVA	Breathitt	1	3,000
Y	Y	Y	Butcher	Paul	Kentucky Cable Telecommunications Assocation	President	Floyd	1	3,300
Y	Y	Y	Calhoun	Betty	Cumberland Valley Area Development District	Job Development Specialist	Laurel	1	3,600
Y	Y	Y	Combs	Larry	Center for Rural Development	Business Development Specialist	Pulaski	1	3,900
Y	Y	Y	Diaz	Donna	Lake Cumberland Area Development District	Dir., Dev and Planning	Russell	1	4,200
Y	Y	Y	Foley	Richard	City of Williamsburg	Councilmember	Whitley Co.	1	4,500
Y	Y	Y	Gibbs	Candace	Southeast KY Community & Technical College	Staff	Harlan	1	4,800
Y	Y	Y	Hockenberry	Chris	Southeast KY Community & Technical College	Institutional Effectiveness & Research	Harlan	1	5,100
Y	Y	Y	Hunley	Richard	Center for Rural Development	Grant Writer	Pulaski	1	5,400
Y	Y	Y	Ishmael	Darrell	East Kentucky Power Cooperative	Business Development Manager	Clark	1	5,700
Y	Y	Y	Johnson	Stu	EKU	Division of Media Resources	Madison	1	6,000
Y	Y	Y	Keller	Jim	SouthEast Telephone	Staff	Pike	1	6,300
Y	Y	Y	Lawton	Robert	Cumberland Gap Tunnel Authority	SA / Elec. Supervisor	Bell	1	6,600
Y	Y	Y	List	Hank	East Kentucky Power Cooperative	Manager, Economic Development	Clark	1	6,900
Y	Y	Y	Maynard	Darrell	SouthEast Telephone	President	Pike	1	7,200
Y	Y	Y	Mills	Mike	City of Greensburg	Community Development Director	Green	1	7,500
Y	Y	Y	Rader	Marie	Kentucky House of Representatives	Representative	Jackson, Owsley, Laurel	1	7,800
Y	Y	Y	Saylor	Thomas	FIVCO Area Development District	Associate Director	Boyd	1	8,100
Y	Y	Y	Vaughan	Jerry	Adair County	County Judge/Executive	Adair	1	8,400
Y	Y	Y	Wright	Gail	Gateway Area Development Distric	Executive Director	Bath	1	$ 8,700