



April 10, 2000

MEMORANDUM FOR The Federal Co-Chairman ARC Executive Director

SUBJECT: OIG Reports

Enclosed are copies of the following reports for which our records do not indicate transmittal to your office. The reports were previously distributed to the grantees. In most instances, the reports were closed on issuance based on the absence of material findings.

- 00-13(H) Benton County, Mississippi, Head Start Facility
00-14(H) Team Pennsylvania Entrepreneurial Education Program
00-15(H) Team Pennsylvania Entrepreneurial Network Initiative
00-16(H) Northern Tier Pennsylvania RPDC Administrative Grant
00-17(H) New York State Technical Assistance
00-20(H) Kentucky Regional Diabetes Healthcare Delivery in Appalachia
00-21(H) Tennessee Technical Assistance
00-22(H) Clay County, Tennessee, Industrial Project
00-23(H) Southwest Virginia Higher Education Center
00-24(H) Appalachian Rural Systemic Initiative, Kentucky
00-25(H) Dental Care, Cumberland Plateau Health District, Virginia
00-29(H) Carraway Life Saver Program, Alabama
00-31(H) Alabama J-1 Followup Visits

These reviews generally disclosed that grant funds were accounted for, controls were in place, and project tasks were completed.

Report 00-15(H), Team Pennsylvania Entrepreneurial Network Initiative, contains several open issues with respect to a small claim for costs incurred prior to grant start; \$3,185 in unsupported matching costs; and subrecipient monitoring.

Report 00-20(H), Regional Diabetes Healthcare Delivery in Appalachia, questions \$12,247 in personnel costs incurred outside the grant period. Report 00-21(H), Tennessee Technical Assistance recommends improved identification of performance measures and results.

Several reports are awaiting auditee comments with a primary issue noted in these reports being limited grantee oversight or monitoring of subrecipients or subcontractors with the result being difficulty to assess whether the activities performed were commensurate with the costs incurred.

Handwritten signature of Hubert N. Sparks, Inspector General

Enclosures

cc: Ms. Judy Rae

1666 CONNECTICUT AVENUE, NW WASHINGTON, DC 20235 (202) 884-7675 FAX (202) 884-7691

Alabama Georgia Kentucky Maryland Mississippi New York North Carolina Ohio Pennsylvania South Carolina Tennessee Virginia West Virginia

**MEMORANDUM REPORT ON REVIEW OF THE  
KENTUCKY SCIENCE AND TECHNOLOGY COUNCIL, INC.  
LEXINGTON, KENTUCKY**

**Appalachian Rural Systemic Initiative**

**ARC Grant No: CO-12203-96**

**March 25, 1996 through January 31, 1999**

**Prepared By:**

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

# TICHENOR & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C  
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PARTNERS

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

FROM: Tichenor & Associates  
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report No. 00-26 (H)

SUBJECT TO: Memorandum Review Report on Kentucky Science and Technology  
Council, Inc., Appalachian Rural Systemic Initiative, Lexington,  
Kentucky, ARC Grant No: CO-12203-96.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Kentucky Science and Technology Council, Inc. for its Appalachian Rural Systemic Initiative 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) the objectives of the grant had been met.

BACKGROUND: ARC awarded Grant Number CO-12203-96 to Kentucky Science and Technology Council, Inc. for the period March 25, 1996 through January 31, 1999. Total grant funding was for an amount not to exceed \$200,000, or 100 percent of actual, reasonable and eligible project cost, whichever was less. ARC required no matching funds for this project. The project was to develop a significant infrastructure to support sustained improvements in science and mathematics education in a six-state region.

The following specific tasks were to be performed:

1. Build leadership capacity for 100 persons in twenty counties, through retreats and

follow-up over a year-long time frame.

2. Identify and develop self-assessment tools at the local level so that schools can determine what they need most to improve their math and science programs.
3. Provide professional development for lead teachers and technology coordinators in sixty-six counties to insure local educators know how to make the best use of new technologies.
4. Make local challenge grant awards to help local schools obtain equipment and tools needed to make change.
5. Provide desktop video conferencing for key ARSI staff and clients.

SCOPE: We performed a 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 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 Kentucky Science and Technology Council, Inc. had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Kentucky Science and Technology Council, Inc. 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 Kentucky Science and Technology Council, Inc. offices in Lexington, Kentucky on February 14 through February 16, 2000.

#### **A. Incurred Costs**

The Kentucky Science and Technology Council, Inc. incurred total program costs of \$201,878, of which they claimed and received direct reimbursable costs from March 25, 1996 through January 31, 1999 of \$200,000 from the ARC grant. We reviewed the direct costs incurred and determined that the costs claimed by the Kentucky Science and Technology Council, Inc. were properly supported, allowable and were expended as reported. In-kind contributions were not required under the grant agreement.

#### **B. Internal Controls**

We determined that the Grantee had the following internal control weakness that affected the accountability of costs or compliance with the terms of the grant agreement:

1. Two Quarterly Financial Status Reports and Project Performance Reports Were Not Submitted to the ARC

The grantee submitted all quarterly reporting except for two periods. For the period January 1 through March 31, 1997, however, a six-month report was submitted for the six months ending June 30, 1997. For the period October 1 through December 31, 1998, a quarterly report was not submitted. These reports were not submitted as required by the terms and conditions of the grant agreement.

OMB A-110, Subpart C – Post-Award Requirements, .51 – Monitoring and reporting program performance, states:

“(a) Recipients are responsible for managing and monitoring each project. (b) The Federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted...performance reports shall generally contain (1) A comparison of actual accomplishments with the goals and objectives established for the period, the findings of the investigator, or both. (2) Reasons why established goals were not met, if appropriate. (3) Other pertinent information...”

Grant Agreement, Part 1 – Special Provisions, Article 2, Scope of Services, 2-8.1 Progress Reports, states:

“Grantee shall prepare and submit to the ARC Project Coordinator, progress reports indicating the work accomplished under the contract to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period.”

#### RECOMMENDATION:

We recommend that for future grants, the Kentucky Science and Technology Council, Inc. submit reports in accordance with grant agreement provisions.

#### **C. Program Results**

Our review of the Kentucky Science and Technology Council, Inc., Appalachian Rural Systemic Initiative, indicated that all specific tasks identified in the grant award notification, and summarized above, had been achieved.

#### DISCUSSION:

We discussed the issues with Kentucky Science and Technology Council, Inc. executive management during an exit conference held on February 16, 2000. Management responded by acknowledging that the identified progress reports had not been submitted and that they looked forward to receiving the draft report.

#### OTHER:

We provided a copy of our draft report to Kentucky Science and Technology Council's

management on March 24, 2000. Management responded to our findings and recommendations as follows:

Quarterly Reporting Not Submitted to the ARC:

The Grantee stated in its response to the draft report that the progress reports were not filed because of the delay in the grants being issued and changes in personnel during the grant period. See Grantee's detailed response attached to the final report.

ADDITIONAL COMMENTS AND RECOMMENDATIONS:

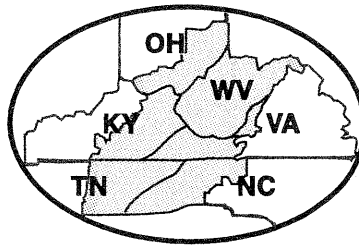
We recommend that for future grants, the Kentucky Science and Technology Council, Inc. submit reports in accordance with grant agreement provisions.

*Tichenor & Associates*

TICHENOR & ASSOCIATES  
Louisville, Kentucky  
February 16, 2000

RECEIVED  
MAR 28 2000

OHIO  
KENTUCKY  
TENNESSEE



WEST VIRGINIA  
VIRGINIA  
NORTH CAROLINA

BY:.....

## APPALACHIAN RURAL SYSTEMIC INITIATIVE

March 27, 2000

Ms. Charlene L. Daniels, CPA  
Tichenor & Associates, LLP  
304 Middletown Park Place  
Suite C  
Louisville, Kentucky 40243

Dear Ms. Daniels:

Thank you for letting us review the Memorandum Report on ARC Grant No.: CO-12203-96. I have enclosed our comments on the two quarterly reports listed under "*Internal Control*". If you have further questions, please let me know.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Wimberly C. Royster".

WIMBERLY C. ROYSTER  
Vice President  
Kentucky Science and Technology Corporation

Enclosure

WCR/njs

Response to Comments Regarding Quarterly Reports  
Listed Under "Internal Controls"

1. Quarterly Report January 1 – March 31, 1997

During the latter part of the fourth quarter of 1996 it was decided, with the concurrence of the program director, to reduce the Technology Challenge Grants to school districts from \$10,000 per district to \$4,000 per district in order for more districts to participate. Applications were sent to fifteen (15) ARSI district superintendents. School districts were required to match 1-1. The process of working with districts to finalize their application took a great deal of time in this first quarter of 1997. It is to be noted that it was only in the third quarter of 1997 that twelve grants would be issued.

Since the other major ARC activities were in the second quarter, it was assumed that the six-month report ending in June 30, 1997 would suffice. Also, during the first quarter, we lost the project director who had been working with the Challenge Grants.

2. Quarterly Report October 1 – December 31, 1998

The fourth quarter activities for 1998 involved a second round of Technology Challenge Grants. This brought the total to eighteen (18) school districts. This activity is included in the final report.

The second round of ARC technology grants was processed in October, November and December of 1998. These grants served two primary purposes. The first was to assure that Teacher Partners had ready access to the Internet. The second was to enable Teacher Partners to use technology to extend their impact or to improve the quality of their instruction. These grants were also limited to \$4,000 and required a dollar for dollar match. A total of eighteen (18) school districts received \$52,249. The districts added an additional \$122,691 to the ARC funds they received. The ARC and locally controlled funds purchased computers, computer based lab equipment, mathematics and science software packages, wired Teacher Partners' classrooms, and enabled Teacher Partners to interact electronically in their school, and across the six ARSI states.

We failed to make a quarterly report since this was a continuation of the earlier ARC Challenge Grants and the total activity would be reported in the final report. During the time period for which the quarterly report was due, we again had a change in leadership that had been working with the Challenge Grants.





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A New Vision*

*Office of the Inspector General*

April 3, 2000

Dr. Wimberly Royster  
Kentucky Science and  
Technology Council, Inc.  
200 West Vine Street, Suite 420  
Lexington, KY 40507

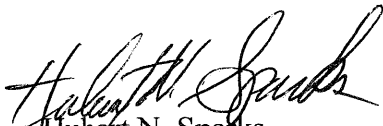
re: OIG Report 00-26(H), ARC Grant CO-12203-96

Dear Dr. Royster:

Enclosed is a copy of our final report dealing with a grant for supporting improvements in science and mathematics education in a 6-state region. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract with my office. The report notes that quarterly reports were not always submitted timely. Based on the response noted in the report, we consider the report closed.

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

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure



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*Office of the Inspector General*

April 3, 2000

Dr. Wimberly Royster  
Kentucky Science and  
Technology Council, Inc.  
200 West Vine Street, Suite 420  
Lexington, KY 40507

re: OIG Report 00-26(H), ARC Grant CO-12203-96

Dear Dr. Royster:

Enclosed is a copy of our final report dealing with a grant for supporting improvements in science and mathematics education in a 6-state region. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract with my office. The report notes that quarterly reports were not always submitted timely. Based on the response noted in the report, we consider the report closed.

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

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure