



DECEMBER 15, 2000

OIG REPORT 01-14(H)

MEMORANDUM FOR PHIL WHITLOW, DIRECTOR
APPALACHIAN REGIONAL COMMISSION PROGRAM
GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

SUBJECT: Memorandum Report--Review of Georgia International Trade
Initiative Program, Grant GA-12318

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met and (3) to determine the current status of the project.

SCOPE

Our survey included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The grant had two phases with the periods of performance as stated:

Phase I	February 1, 1996 through June 30, 1998
Phase II	December 1, 1997 through June 30, 2000

We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Atlanta, Georgia on April 10 through 14, 2000, April 20, and June 8, 2000. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

ARC Grant GA-12318 was initially awarded to the Georgia Department of Community Affairs (GDCA) on April 12, 1996, for \$650,941; and these funds were expended on Phase I of the project. A second grant of \$317,000 was awarded on December 2, 1998, for Phase II. The funding and related 20-percent matching were as follows:

	Phase I	Phase II	Percentage
ARC Grant	\$650,941	\$317,000	80
Non-ARC Share	162,735	79,259	20
Total Grant Costs	\$813,676	\$396,259	100

The grantee was to pay or cause to be paid the non-federal share in cash, contributed services, or in-kind contributions.

The overall purpose of the project was to initiate a multi-activity initiative to accelerate and facilitate international trade development in multiple counties of Appalachian Georgia, including the incorporation of telecommunications use. The resulting programs would be available to small to medium size enterprises (SMEs) in Appalachian Georgia.

The primary aspects of Phase I program activity and estimated funding were:

<u>Tasks</u>	<u>Estimated ARC Costs</u>
1. Trade Video-conferencing	\$172,540
2. Videocom Assistance Project	56,510
3. Internet Project	26,730
4. Trade Data Network Project	35,090
5. Overseas Events Project	91,510
6. Trade Internships Project	67,570
7. Europartinarate Project	70,920
8. Special 96 Olympics Project	75,000
9. Program Administration	54,071
	<u>\$650,941</u>

Projects 1 through 7 were administered and performed through the Georgia Department of Industry, Trade and Tourism (GDITT); Project 8 was administered by the Georgia Department of Agriculture (DOA); and the overall project was under the auspices of the Georgia Department of Community Affairs (GDCA). As such, GDCA had overall responsibility for project administration.

Phase I completion was accepted by ARC on November 16, 1999, and was closed December 1, 1999, with a deobligation of \$1,514. The accompanying final report from the grantee summarized the results of the various projects.

Phase II of the grant consisted of four projects to be performed by GDCA. These were:

- Tasks
1. Leadership
 2. Export
 3. Telecommunications
 4. Entrepreneurship

As of our review, a balance of \$282,150 remained in the ARC account for Phase II; and the performance period was noted as ending December 31, 2000. A \$27,000 deobligation was recorded on December 2, 1998; and a payment of \$7,850 was noted on July 27, 1999.

Scope of Review

Our review emphasized Phase I of the project primarily because Phase II activities were limited as of our visit and changes in the state's accounting system in September 1999 had resulted in billing and reporting problems.

For Phase I, there had also been changes in the grantee and subgrantee (GDITT) accounting software and systems that increased the difficulty of accounting for project expenditures. Additionally, changes in grantee and subgrantee project managers and personnel involved with the project resulted in reduced direct knowledge or feedback about project implementation and accountability, including difficulties with retrieval of records necessary to provide a clear audit trail with respect to allocations and support for expenditure of funds. Thus, we did not attempt to reconstruct records or verify expenditures to sources pending receipt and review of additional information or documentation subsequent to our visit and draft report.

Correspondence noted that there were originally ten tasks, with a Leadership Development Research Project being separated from the project and awarded under grant GA-12634. The seven projects subcontracted to GDITT totaled \$521,870 in ARC funds and were part of a joint venture and pilot program to enhance and expand Georgia's international teleconferencing system and encourage businesses to partake in international trade. Funding sources included the US Department of Commerce (USDOC); \$166,816 for funding of project activities in non-ARC areas; with ARC funds being directed for equipment and services related to ARC counties. Available information indicates the USDOC funds were primarily for equipment direct charges and \$63,759 for other costs.

Prior to the grant, GDITT had a teleconferencing network system in place identified as GSAMS, which was used primarily at medical and educational facilities throughout the state. Businesses also had access and used the system, including its international connections. GDITT also introduced the Regional Export Conferencing Network (RECON) in 1995 as a potentially improved system. This project was intended to enhance RECON use for international trade development and leadership training, including the development of additional teleconferencing sites throughout Georgia to encourage use of this medium and increase exports. Five teleconferencing sites were established in ARC Georgia: Dalton, Gainesville, Lawrenceville, Rome, and Clayton; two sites were established in Atlanta for use by all Georgia firms; and eight sites were established in non-ARC counties. We also noted that a link was established with ARC headquarters.

Financial Operations

Although we did not identify any serious problems concerning types of expenditures, constraints previously noted restricted the extent to which allocations and expenditure support could be verified. On an overall basis, it appeared GDCA essentially transferred responsibility for all aspects of seven projects to GDITT; and during the initial phases of the project, there was little evidence of GDCA oversight or attempts to obtain information about programmatic or financial activities. A change of GDCA program managers resulted in attempts to obtain detailed information about project accomplishments and financial operations from GDITT. For example,

in a May 5, 1998 letter to GDITT officials, the GDCA program manager asked for more detailed information about accomplishments to date in order to provide such information to ARC. Also, correspondence indicated difficulties in getting the financial reports in order, including identification of non-Federal match.

We attributed concerns about documentation or detailed information to changed personnel, new software and accounting systems, and emphasis placed on marketing and project implementation activities, which resulted in reduced attention to compilation, organization, and/or retention of financial information. Of particular significance was the apparent lack of separation of information with respect to funding sources or accounts and the availability of source documents, which restricted the tracking of expenditures.

Another factor that appeared to impact overall project control was the multiplicity of tasks and state agencies consolidated into one grant. Although GDCA had overall financial and program responsibilities, involved state agencies included GDITT, DOAS, DOA, ITPC, and OPB.

Our testing of available summary information at GDCA, with respect to Phase I costs, indicated that charges were generally eligible expenses; and we were able to verify the supporting summary documentation for some expenditures and trace some expenditures within the GDCA accounting system. However, we were less successful with verification of expenditures and identification of fund sources with respect to some funds used by GDITT. Discussions indicated that the grantee had difficulty obtaining information from subgrantees, including GDITT, with respect to a breakout of expenditures and staff utilization on a particular project; and during our visit, a general ledger trial balance, for example, was not available for review.

For Phase I, expenses of \$649,426 (78 percent) were claimed and matching was reported as \$182,083 (22 percent). Although project activities were ongoing, payment requests were received only on March 18, 1997, and December 1, 1999. A final report was received May 5, 1999; and the grant was closed on December 1, 1999, with a payment of \$553,952 and deobligation of \$1,515. For example, GDITT program report no. 8 for the period January 1 through March 31, 1998, noted that all allocated funding for six tasks would be expended by June 30, 1998, and that the remaining task would be complete by September 30, 1998. The large interval between payment requests appeared symptomatic of the attention given to financial activities and reporting.

Based on a review of available information, our primary concern related to the provision of technical assistance and what activities were funded through the ARC and USDOC grants. Source documents indicated that the contract between GDITT and CYMK, Inc., the primary technical assistance subcontractor, included work to be provided to projects funded by ARC and USDOC. However, we could not find any indication that USDOC funds were charged for technical assistance services. The CYMK billings/invoices contained an amount for technical assistance, but there was no indication that the charges were divided by funding sources. It appeared ARC funds were charged for all technical assistance, including services performed for non-ARC locations. Also, it appeared ARC was billed for travel and expenses related to the USDOC grant.

USDOC's budget for the project totaled \$166,815, including \$63,759 for other direct charges. The GDITT match for the USDOC grant included \$46,614 of ARC funded equipment and \$49,988 related to GSAMS equipment.

GDCA staff said they assumed ARC funds were being used to assist ARC counties and USDOC funds were committed to non-ARC but that they did not have control over the apportionment of funds by GDITT.

Fund management also included a substantial amount of transfers between budgeted line items. For example, large variances were noted between estimates and costs for tasks 1 and 5 and for individual expense items in some tasks related to contracts, labor, and travel. The project manager stated, and records confirmed, that this occurred primarily because of interpretations that the labor categories initially included consultants. However, substantial transfers were noted in other expense categories (Exhibit 2).

With respect to Phase II, our limited testing indicated GDCA control over the approved projects and accountability for funds had improved. We attributed this primarily to GDCA having operating responsibility for projects in Phase II.

Our draft report included a recommendation that GDCA, in coordination GDITT, ARC, and USDOC, should determine the distribution and use of Federal funds with emphasis on the extent to which ARC funds, if any, were used in non-ARC counties for which USDOC funds were targeted. Also, we recommended ARC should be reimbursed for any funds expended in ineligible locations. We concurred with grantee requests for extensions regarding issuance of the final report in order to obtain additional information from GDITT, including reconstruction of the financial background of this grant. Attached is a copy of the response to the draft report. This response which is summarized and paraphrased below deals primarily with expenditures for the videoconferencing projects, (Tasks 1, 2 & 3) for which ARC expenditures of \$255,763 were noted.

GRANTEE'S COMMENTS

Despite staff turnovers and the state mandated conversion to a new accounting system, the Department of Industry, Trade and Tourism's (DIT&T) (also noted as GDITT) Financial Division has managed to locate and identify the records relating to this grant. It appears that records are now available to support and document the expenditure of the grant funds, as well as to establish the geographic area on whose behalf they were expended.

The attached (Exhibit 1) prepared by DIT&T indicates ARC expenditures (30% of total project cost), U.S. Department of Commerce (DOC)'s expenditures (19% of total project cost) and the non-federal (State) match by each of the six work elements. The chart identifies a total State match of \$433,036.16, or 51% of total project cost. Additionally, on the second page of the chart, DIT&T indicates that a total of 24 pieces of videoconferencing equipment were purchased and set-up. While we believe that the only site that is clearly located outside of the ARC region and not directly related to support of the ARC region is the Augusta site, DIT&T conservatively

allocates only 15 locations and their related equipment and activities as directly beneficial to the ARC region. (This eliminates the Augusta site and 8 of the 9 Atlanta sites.)

The very nature of the Exporting Telecommunications grant required that certain activities take place outside of the ARC area in order for benefit to accrue to the area. Obviously, the point of making teleconferencing capacity available to the ARC was to allow it to connect to potential business opportunities *outside* the area. As a result, we believe that expenses incurred in setting up the international sites, the Atlanta sites and the DC sites directly benefited the ARC area. As for the Clarke County site, that is the location of the University of Georgia's Small Business Development Center. That Center serves ARC counties and its activities include an exporting component.

Even using DIT&T's conservative estimate of the sites benefiting ARC counties it is obvious that while ARC expenditures constituted only 30% of total project cost, the ARC regions's share of the benefit totaled 63%.

While we believe that DIT&T's analysis clearly establishes that the ARC award was spent on eligible activities that benefited the ARC region, we wish to assure you that DCA will increase its oversight and monitoring of any future sub-recipient activities.

AUDITOR'S RESPONSE

We appreciate the information provided. However, our concerns relate primarily to the extent to which ARC funds were spent for services in non-ARC areas for which DOC funds were provided and the resulting benefits of these expenses (see Exhibit 3 for examples). The information provided does not specifically address this issue and we attribute this to the apparent difficulty in identifying such expenditures by location due to the absence of separate fund allocations and reporting. The absence of an adequate financial management system was highlighted in correspondence between GDCA and GDITT during the grant period when GDCA was attempting to obtain necessary financial and project information.

The lack of documentation and/or support – eg. general ledger, cost allocation system – essentially negates an efficient identification and reconciliation of cost distributions and expenditures by parties or sites. A sample of invoices reflected that GDITT did not allocate expenses related to the ARC grant. Also, GDITT did not maintain vendor files for the \$228,695 in consultant services. Such actions reduced the opportunity to identify the costs applicable to each site, the funding source or the extent of technical assistance provided each site, which in turn limits an assessment of the resulting cost-benefits of the established sites, be they within or external to the ARC region.

We accept the information provided with respect to the overall matching contributions although the amount noted is substantially greater than noted in prior reports to ARC. However, the extent of matching contributions in relation to project cost does not offset the need for all ARC funding to be expended for eligible activities and services. Therefore, in view of the circumstances noted we are recommending that ARC review the pertinent information to determine the sufficiency of activities directed at accomplishment of ARC related activities.

Also, for future projects that are administered in part by other agencies, the grantee should assure adequate financial management systems are in place. In the current case, the specific accounting records, including reconstructed records, should be maintained by GDITT for at least three years.

Program Review

The seven tasks administered and/or performed by GDITT, as previously noted were:

1. Trade Videocom—conduct a pilot program to test applications of existing GSAMS/RECON videocom networks and extend network to additional sites to better serve the ARC region.
2. Videocom Assistance Project—provide incentive awards to SMEs to encourage use of existing GSAMS/RECON networks for international trade development.
3. Internet Project—create “home pages” on the web for the GA- ARC counties.
4. Trade Data Network—extend the GITDN trade database to additional service sites in the ARC region, DOA, and key industry associations.
5. Overseas Events—offer incentive assistance to ARC region SMEs and local partners to encourage participation in overseas trade shows and events.
6. Trade Internships—offer long-term cooperative student internships in international trade with GDITT, DOA, SMEs.
7. Europartinariate—lead and coordinate ARC trial participation in events in Sweden and Italy.

Results

- Task 1—The network was substantially extended, including five additional sites in Appalachian Counties and two sites in Atlanta for use by ARC related businesses. Reports and discussion indicated that large businesses, such as the textile industry, will operate their own teleconferencing systems; and SMEs prefer to come to Atlanta and use GDITT updated equipment and technical assistance. Most companies in the Appalachian region are within a 2-hours drive of Atlanta, and problems were reported with the capability of phone lines in northern Georgia to handle high-speed technology. The Dalton, Georgia site appeared to be the most utilized, while the four other sites in the Appalachian region had minimal usage with two being shut down. Sites/links established with GDCA and ARC also appeared to have limited use or cost effectiveness.
- Task 2—Project tasks completed.
- Task 3—Websites were previously established by communities and businesses; therefore, funds budgeted for this task (\$26,730) were used to increase funding for task 2 and technical assistance.
- Task 4—The GITDN included installing a circuit board for international data on pre-existing computers at 26 sites. Costs approximated \$1,000 per site plus extensive technical assistance. The information is now available at the GDITT website.
- Tasks 5, 6, and 7—The projects were completed in line with objectives, and overseas events were considered particularly successful.

The final report submitted by the grantee on May 5, 1999, did not specifically address the progress and outcomes of each of the seven GDITT tasks in quantifiable terms as required by the grant. The report described the RECON system and uses in detail and was generally similar to the report provided to the USDOC, dated December 1, 1998. Although each task supported the overall project, the report did not correlate what each task accomplished within the Appalachian region (e.g., site names, businesses receiving equipment or support, types of support, costs, etc.). We noted that this type of information had been requested by GDCA on May 5, 1998.

Records reflected that Project Operating Plans were to be developed for each project by a working group and that these plans were to include specific evaluation criteria that would permit quantifiable measurement to the extent possible. Our review of five available Project Operating Plans did not identify any evaluation criteria nor evidence that a working group had been involved in plan preparation. Thus, although a progress and final reports identified various accomplishments, especially with respect to outputs, e.g., number of sites, visits, attendance, etc., we were unable to assess the extent to which projects achieved specific objectives.

Our recommendation with respect to project implementation is directed at ARC to obtain an updated assessment of the project, including the extent to which the remote sites have been utilized and positive contributions to international trade development.


Recommendations

For future grants, GDCA should increase the oversight and monitoring of any subcontracted or transferred activities to ensure performance and reporting in line with agreements and applicable guidelines..

ARC should obtain updated project status reports that provide information on project outcomes primarily as respects successful activities, utilization of remote sites, results in terms of increased international trade opportunities, and lessons learned.

ARC should assess project results, with emphasis on videoconferencing services and activities in, and benefits to, ARC areas.

ARC should emphasize and ensure the adequacy of allocation, accounting and reporting procedures especially when projects include other funding services and non-ARC areas in order to better permit confirmation that ARC funds are used in eligible areas and advance ARC objectives.



Hubert N. Sparks
Inspector General

Attachment



GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Roy E. Barnes
GOVERNOR

October 31, 2000

Mr. Hubert Sparks
Office of Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Washington, D.C. 20009- 1068

RE: Ga.12318

Dear Mr. Sparks:

We would again like to express our appreciation for your patience in allowing us additional time to reconstruct the financial background of the above referenced grant. Despite staff turnovers and the state mandated conversion to a new accounting system, the Department of Industry, Trade and Tourism's (DIT&T) Financial Division has managed to locate and identify the records relating to this grant. It appears that records are now available to support and document the expenditure of the grant funds, as well as to establish the geographic area on whose behalf they were expended.

Attached please find a matrix prepared by DIT&T that indicates ARC expenditures (30% of total project cost), U.S. Department of Commerce (DOC)'s expenditures (19% of total project cost) and the non-federal (state) match by each of the six work elements. The chart identifies a total State match of \$433,036.16, or 51% of total project cost. Additionally, on the second page of the chart, DIT&T indicates that a total of 24 pieces of videoconferencing equipment were purchased and set-up. While we believe that the only site that is clearly located outside of the ARC region and not directly related to support of the ARC region is the Augusta site, DIT&T conservatively allocates only 15 locations and their related equipment and activities as directly beneficial to the ARC region. (This eliminates the Augusta site and 8 of the 9 Atlanta sites.)

The very nature of the Exporting Telecommunications grant required that certain activities take place outside of the ARC area in order for benefit to accrue to the area. Obviously, the point of making teleconferencing capacity available to the ARC area was to allow it to connect to potential business opportunities *outside* the area. As a result, we believe that expenses incurred in setting up the international sites, the Atlanta sites and the DC sites directly benefited the ARC area. As for the Clarke County site, that is the location of the University of Georgia's Small Business Development Center. That Center serves ARC counties and its activities include an exporting component.

Mr. Hubert Sparks
October 31, 2000
Page Two

Even using DIT&T's conservative estimate of the sites benefiting ARC counties, it is obvious that while ARC expenditures constituted only 30% of total project cost, the ARC region's share of the benefit totaled 63%. We believe that this analysis answers your Report's first point under Recommendations. Should you require copies of specific accounting records, Ms. April King, Director of Accounting for DIT&T can be reached at 404/ 656-7719.

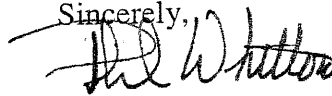
While we believe that DIT&T's analysis clearly establishes that the ARC award was spent on eligible activities that benefited the ARC region, we wish to assure you that DCA will increase its oversight and monitoring of any future sub-recipient activities.

With respect to the second item under your Recommendations pertaining to the use of Department of Commerce (DOC) funds as match, we believe that the November 5, 1996 letter from DOC (transmitted to you by letter dated October 3, 2000) has addressed this concern.

Finally, in response to the remaining DCA related item mentioned in your August 2, 2000 letter, if asked by ARC, we will ask DIT&T to provide the Commission with an updated assessment of the project.

Again, we appreciate your patience in allowing us additional time to review the specific expenditures under this grant. Please let me know if I can provide you with any additional information.

Sincerely,



Phil Whitlow
ARC Program Coordinator

Enclosure

cc: Ms. April King, Director of Accounting, DIT&T

VIDEOCONFERENCING PROJECTS

OTHER

Georgia

inges

de Internships Project - Provide long-term cooperative student internships in international trade with the Georgia Department of Industry, Trade & Tourism, Georgia Department of Agriculture and small to medium-sized

opartanariate Project - Participate in Europeanariate events in Sweden and Italy on a trial basis as part of an ARC delegation.

ned
sts the cost of ARC region only. Remainder of counties receiving services were paid by state and local funds, not reflected here.
mpany receiving funding or internships were from ARC region or an ARC company. If intern worked for GDIT, they worked directly with ARC project.

ARC / DOC / STATE VIDEOCONFERENCING PROJECT

Project Purpose

- 1) Promote international trade for Georgia companies by providing, enhancing and/or expanding desktop videoconferencing systems.
- 2) Provide trade data to GA-ARC businesses by extending the Ga. Intrl. Trade Data Network to sites throughout the ARC region.
- 3) Encourage small to mid sized enterprises in GA-ARC region to participate in GDITT sponsored or other overseas trade events.
- 4) Provide student internships in international trade.

Project Activities

- 1) Purchase and install videoconferencing equip and software, including ISDN phone line installations and usage charges.
- 2) Provide technical assistance to sites by training staff on usage and upkeep of software.
- 3) Expand GDITT to technical schools and local businesses serving North Georgia.
- 4) Provide financial assistance to GA-ARC businesses to help defray costs of attending and exhibiting overseas events.
- 5) Employment of eight trade interns supporting ARC pilot projects.

The Georgia sites selected for pilot project were:

Rome	Atlanta (9 sites)
Dalton (2 sites)	Wash DC (2 sites)
Athens	Japan
Gainesville	Israel
Clayton (2 sites)	S. Africa
Augusta	Canada
	Belgium

The above accounts for 24 total sites (separate installations / hook-ups)

The 24 breaks out as follows:

- 7 ARC counties
- 5 overseas connections
- 2 DOC / ARC Washington DC
- 9 Atlanta
- 1 Non-ARC counties

29%
21%
8%
38%
4%
100%

ARC District Benefit (minimal)

- 7 all ARC
- 5 overseas for ARC counties use
- 1 ARC office
- 1 GDITT
- 1 USEAC
- 15 compared to 30% funding

63%

COMMUNITY AFFAIRS/ ARC I Project 1 Trade Videocom
GA-12318-96/Telecommunications/International Trade
February 1, 1996 thru July 31, 1997 Amended to Dec. 31, 1997

Date/Event	Labor	Travel	Equipment	Contracts	Other	Total
02-01-96/Grant Award	54,460.00	51,080.00	40,000.00	0.00	27,000.00	172,540.00
06-30-96/Expenditures						
09-30-96/Expenditures				(1,485.68) ✓		(1,485.68)
12-31-96/Expenditures			(16,090.00) ✓			(16,090.00)
02-01-97/Amendment 1	(27,000.00) →			(30,000.00) ✓	(49.59) ✓	(30,352.83)
06-30-97/Expenditures		(6,535.89) ✓	(20,932.77) ✓	31,485.68	(4,485.68)	0.00
06-30-97/Amendment 2	(16,527.09)			(16,527.09) ✓	(14,033.82) ✓	(58,029.57)
12-31-97/Expenditures		(3,207.62) ✓	(3,152.00) ✓	16,527.09		0.00
12-31-97/Amendment 3	(10,932.91)	(41,033.25) ✓	174.77 ✓	(40,400.87) ✓	(22,965.26) ✓	(69,725.75)
01-98/06-98/Expenditures		(6,110.38) ✓	(5,874.47) ✓	40,400.87	*11,390.52	0.00
06-30-98/Amendment 4		6,110.38	5,874.47 ✓	(1,639.44) ✓	16,834.37 ✓	3,210.08
09-30-98/Expenditures	0	16,156	46,174	90,052	(49.35) ✓	(0.00)
			46,048			0.00
					53,932	0.00
						0.00
						0.00
Balance	0.00	(0.00)	(0.00)	0.00	17.00	17.00

206,188.

✓ expenditures per Mr. Travis not checked.

Amendment 1 is a budget request to move \$27,000 from Labor and \$4,485.68 from Other to Contracts.
Amendment 2 is a budget request to move \$16,527.09 from Labor to Contracts.
Amendment 3 is a budget request to move \$41,033.25 from Travel and \$10,932.91 from Labor to Equip. (\$174.77),
Contracts (\$40,400.87), and Other (\$11,390.52).

Amendment 4 is a budget request to move \$ 13,624.29 from Other to Travel (6,110.38),
Equipment (\$5,874.47) and contracts \$1639.44)

INVOICE**CMYK Ink, LLC**

1903 Fairway Circle
 Atlanta, GA 30319-3822 U.S.A.
 (404) 634-2695 FAX: (404) 634-2669
 E-MAIL: cmyk@cmykink.com
 INTERNET: www.cmykink.com

FEDERAL**DATE****INVOICE #**

1/7/97

97560-12AR

BILL TO:

Georgia Department of Industry, Trade & T
 International Trade Division
 Attention Kevin Langston
 285 Peachtree Center Avenue
 Atlanta, GA 30303-1230

SHIP TO:

Order 1-1

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
	Net 30	WSR	1/7/97			96560-12 ARC/RECoN
QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT		
		Invoice for Services performed under the GDITT/ARC/RECON Contract for the month of December 1996	0.00	0.00		
		Configuration, Setup and Assembly of Videoconferencing capable Multimedia PC's Troubleshooting of ISDN line at USDOC, Washington with Bell Atlantic Installation, Setup and Training of MDCP Program Manager at <u>USDOC</u> in use of videoconferencing etc. Telephone Troubleshooting for RECON Systems	0.00	0.00		
1	Consulting	Service Charge for the above	7,000.00	7,000.00		

*Change to: Class-6, Fund Source 11-160,
 Project 11-6-1*

*OK to pay
 1/13/97*

711-100081

F-# 58-225-4180

TOTAL**\$7,000.00**

Thank You For Your Business



CMYK INK, LLC
1903 FAIRWAY CIRCLE
ATLANTA, GA 30319
(404) 634-2695

Exhibit 3

P.18/18

Invoice

Ref # 711-100081

Order 2

DATE	INVOICE #
11/30/96	96560-116

BILL TO:

Georgia Department of Industry, Trade & T
International Trade Division
Kevin Langston
285 Peachtree Center Avenue
Atlanta, GA 30303-1230

SHIP TO:

OK to pay
KL
12/2/96
Copy from
TR Grant
Travel budget

P.O. NUMBER	TERMS	REP	SHIP	VIA	F.O.B.	PROJECT
	Due on receipt	WSR	11/26/96			96560 GDITT/RECON

QUANTITY	ITEM CODE	DESCRIPTION	PRICE EACH	AMOUNT
		Expenses Installation of Videoconferencing Equipment at the U.S. Dept. of Commerce, Washington D.C.		
1	Parking Fee	Parking Fees Hartsfield Airport	24.00	24.00
1	Airfare	Reimbursable Airfare ATL-WAS - ATL 11/26 Delta	384.00	384.00
1	Airfare	Reimbursable Airfare / Excess Baggage / Insurance to \$5,000 for equipment	37.50	37.50
1	Meals	Reimbursable Meals / Breakfast Washington	5.41	5.41
1	Taxi Cab Ride	Reimbursable Taxi Cab Rides - Washington National Airport - U.S. Dept. of Commerce / Excess Luggage (Cab Driver had to wait at USDOC Shipping Dock)	58.00	58.00
1	Meals	Reimbursable Meals / Lunch USDOC	5.15	5.15
1	Meals	Reimbursable Meals / Dinner Washington	35.00	35.00
1	Taxi Cab Ride	Reimbursable Taxi Cab Rides from downtown DC to Airport	36.00	36.00
35	Car Mileage	CMYK Offices to Atlanta Airport and return, 35 miles @ .25/mile	0.25	8.75

Change to Fed Funds; CLASS 6; Fund Source 11-160; Project 11-6-1
DO NOT CHARGE TO Werner's Contract

58-225-4180

TOTAL

\$593.81



GEORGIA DEPARTMENT OF
COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

September 7, 2000

Roy E. Barnes
GOVERNOR

Mr. Hubert Sparks
Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue, N.W., Suite 700
Washington, D.C. 20009- 1068

Dear Mr. Sparks:

I would like to request a thirty (30) day extension on our response to your August 2, 2000 letter regarding ARC Grant GA-12318. I did prepare a draft response. I have been asked to go back to Industry, Trade and Tourism and request additional information.

I would like to request an extension until September 30, 2000. Thank you for your assistance on this matter.

Sincerely,

Phil Whitlow

OK
Hubert Sparks
9/13/00

00-33(4)



GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

To: Dottie Cupp

Date: 08-03-00

Time:

From: Phil Whitlow

Total # of Pages: 11

*(Including transmittal page)***Special
Instructions to
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GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Roy E. Barnes
GOVERNOR

TO; Dorothy Cupp

FROM: Phil Whitlow 

DATE: 08-03-00

SUBJECT: Ga. 12318

Dottie- I am enclosing the Budget Summary Chart pages which may have more definitive measures in the footnotes. I have marked the key footnotes. Additionally, I am enclosing a January 30, 1998 Report which you probably saw, but contains some good summaries and lastly let me provide an explanation of the "working group" situation.

There was mention of establishing a working group to oversee the technology deployment in this project. The group was to include representatives of the Department of Community Affairs, Industry, Trade and Tourism (IT & T) and the Department of Administrative Services (DOAS). The DOAS did not become an active participant in the project. Our agency and IT & T continued to meet informally and carry out phone conversations.

There was one meeting in which the Local Development Districts were invited to Atlanta to be briefed on the project. This took place May 14, 1997.

Additionally, IT & T conducted site visits to the Technical Institutes to assist them in establishing and implementing the ReCon Program. The IT & T also consulted with DOAS during the project. There was no formal working group established, but the original partners plus additional groups were involved and had interaction.

I asked Bob Erwin for an update on work elements number two and three. He provided some updated information; however, I think this is more global, i.e. not just Georgia specific but from the thirteen state region. Relative to work element two, he indicates that videoconferences were held with 192 ARC firms (firms located in the region). Relative to work element three, there are approximately 30 ReCon sites in the ARC region.

Ms. Dorothy Cupp

August 3, 2000

Page two

The reason I asked for these two work elements is that they were the last two to be implemented. As you know Bob and IT&T work closely with the Export Trade Advisory Committee which is supported by ARC. Evidently some of the attention of this Georgia specific project was expanded to the thirteen-state effort. I suppose since we are a regional commission, this is good. It also helped leverage some Dept. of Commerce resources to the region

Enclosures

The File Copy

GEORGIA DEPARTMENT OF COMMUNITY AFFAIRS

Jim Higdon
COMMISSIONER

Zell Miller
GOVERNOR

January 30, 1998

Mr. Harry Roesch
Regional Initiatives Project Coordinator
Community Development Division
Appalachian Regional Commission
1666 Connecticut Avenue, NW
Washington, D.C. 20235

Re: Quarterly Reports
International Trade Initiative Grant GA-12318-96

Dear Mr. Roesch:

This letter and the attached material constitute Georgia's official submission of the quarterly progress reports for the above grant. The report period covers February 1, 1997 through December 31, 1997.

Because the Georgia Department of Administrative Services (GDOAS) never signed a subgrantee contract for Tasks 2 and 3 as outlined in Georgia's Proposal, these tasks were finally reassigned to the Georgia Department of Industry, Trade and Tourism. A final subgrantee contract between that agency and the Department of Community Affairs was signed on July 1, 1997.

In order to facilitate ARC staff review, our responses in the report have been numbered to correspond with lead agency subgrantees' tasks and work elements as identified in the contract.

I. Georgia Department of Industry, Trade and Tourism (GDITT):

Quarterly reports #5A and #5B were received as a consolidated package by DCA on July 18, 1997 (period 2/1/97-6/30/97). Quarterly reports #6 and #7 were received in December 1997. Copies of the reports are attached. The Project Working Team, consisting of Carlos Martel, Bob Erwin, Werner Richter (consultant), Diane Alleva (Consultant), and Kevin Langston of GDITT and Jim Marshall of GaDCA continued to move forward with assigned work elements of the project. Major work during these reporting periods was concentrated on Tasks #1 (Trade Videoconferencing). A fourth request for payment for \$151,730.25 was made on August 20, 1997, reviewed, and approved for payment on September 27, 1997. The request showed a match by GDITT of \$14,505.64. Match through the end of quarter seven totals \$40,361.96 to date, with draws through end of the seventh quarter of \$259,633.72. Because of unavoidable delays in completion of several project components, as well as accepting responsibility for tasks #2 and #3, GDITT requested an extension of the grant period from January 1, 1998 through September 30, 1998. The extension was granted by ARC.



Fifth through Seventh Quarters Report
Georgia Regional Initiatives
January 30, 1998
Page 2 of 2

Task 1 Trade Videoconferencing

Work Accomplished to date: A total of 29 stations have been deployed. A major marketing initiative to potential corporate users was undertaken during the last two months of 1997 and a total of 40 companies have scheduled conferences during the January Domotex trade show in January of 1998.

Task 2 Videocom Assistance: As this task is new to GDITT, no progress reports have been submitted as of this date.

Task 3 Internet Project: As this task is new to GDITT, no progress reports have been submitted as of this date.

Task 4 Trade Data Network Project

Work Accomplished to date: The Georgia International Trade Data Network has been installed at seven North Georgia technical schools, and five other ReCon sites serving Appalachian Georgia.

Task 5 Overseas Events Project

Work Accomplished to date: Task is essentially complete. Subgrantee reports that this activity alone generated well over \$20 million in new ARC regional exports as well as creating or sustaining over 400 jobs in North Georgia.

Task 6 Trade Internships Project

Work Accomplished to date: Subgrantee reports that task is substantially complete with the placement of 8 student Trade Interns.

Task 7 Europartenariate Project

Work Accomplished to date: Substantially completed by 10/97. Organized and led a 15 company multi-state trade delegation in Northern Italy, and southern France.

Please feel free to give Phil Whitlow a call at (404) 679-3165 should you have any questions regarding any of these tasks.

Sincerely,

James P. Marshall, Jr.
ARC Regional Initiatives Program
State of Georgia

/jpm

Enclosures: As Stated
cc: Phil Whitlow

[printed: February 13, 1996 (5:28pm)]

Georgia Regional Initiatives Proposal to ARC (FY 95-96)

Budget Summary Chart

Pilot Projects	ARC Initiative	Lead Agency & (participants)	Budget (ARC Portion -- \$000)					
			labor (+fringe)	travel (staff only)	equipment (& supplies)	contracts (& awards)	other (phone, etc)	TOTAL for project
1. Trade Videocom Project (Support innovative test applications of existing GSAMS/ RECON videocom networks for trade development, & extend network to additional sites to better serve the ARC Region.)	International Telecom	GDITT ^a (DOAS) ^b (DOA) ^c	54.46	51.08 ^d	40.00 ^e		27.00 ^f	172.54
2. Videocom Assistance Project (Provide small incentive awards to SMEs and local partners ^g to encourage use of existing GSAMS/ RECON videocom networks for international trade development & leadership training.)	International Telecom Leadership	DOAS & GDITT (DOA) ^h (GPTV)	16.51			60.00 ⁱ		76.51

^a. GDITT - Georgia Department of Industry, Trade & Tourism.^b. DOAS - Georgia Department of Administrative Services^c. DOA - Georgia Department of Agriculture.^d. Assumes: 9 international trips @ \$5.675k each.^e. Assumes: 6 addnl. stations @ \$5k each; and 1 portable laptop videocom station for foreign trade events @ \$10k each.^f. Assumes: 120 conferences of 45 minutes: international ISDN phone time @ \$5/ minute average.^g. Local government officials, chambers of commerce, civic leaders, etc.^h. GPTV - Georgia Public Televisionⁱ. Assumes: 100 awards for 240 minutes of videocom time; : international ISDN phone time @ \$5/ minute average; and 50% ARC cost share.

Pilot Projects	ARC Initiative	Lead Agency & (participants)	Budget (ARC Portion -- \$000)					
			labor (+fringe)	travel (staff only)	equipment (& supplies)	contracts (& awards)	other (phone, etc)	TOTAL for project
3. <i>Internet Project</i> (Create "home pages" on the World Wide Web for the GA-ARC counties, promoting business/ trade development.)	Telecom International	DOAS (GDITT)	8.73	3.00 ^j	15.00 ^k			26.73
4. <i>Trade Data Network Project</i> (Extend the GITDN ^l trade database to additional service sites in the ARC Region, DOA, and to key industry associations.)	International	GDITT (DOA)	17.89	1.20 ^m	5.00 ⁿ	12.00 ^o		36.09
5. <i>Overseas Events Project</i> (Reduce the non-travel costs of taking part in GDITT-sponsored overseas trade events, to encourage SME participation from the Appalachian Region.)	International Leadership	GDITT (DOA)	16.51			75.00 ^p		91.51

^j Assumes 2 local trips to each of 30 GA-ARC counties; @\$50 average cost.

^k Purchase of "silicon graphics server" and associated hardware.

^l GITDN - Georgia International Trade Data Network.

^m Assumes: 12 new sites, 2 visits to each; @ \$50 per trip.

ⁿ 1 network server @ \$5k.

^o Assumes: 12 new sites; @ \$2k software license and service per site (2 yrs.); and 50% ARC subsidy.

^p Assumes: assistance to 34 firms at international events; @\$2,500 average; assumes 50% ARC share.

Pilot Projects	ARC Initiative	Lead Agency & participants	Budget (ARC Portion -- \$000)					
			labor (+fringe)	travel (staff only)	equipment (& supplies)	contracts (& awards)	other (phone, etc)	TOTAL for project
6. Trade Internships Project (Offer long-term cooperative student internships in international trade with GDITT, DOA, SMEs ^q .)	International	GDITT (DOA)	7.57			60.00 ^r		67.57
7. Europartiniariate Project (Lead and coordinate ARC trial participation in Europartiniariate events in Sweden and Italy.)	International	GDITT (DOA) (DOAS)	20.17	17.75 ^s	8.00 ^t		25.00 ^u	70.92
8. Leadership Development Research Project (Assess GA-ARC region's leadership training needs & develop/ adapt leadership curriculum as appropriate.) ^v	Leadership	GPTV (DOAS) ^w (ITPC) (GDITT)	6.55	2.40 ^x		91.00 ^y		99.95

^q SMEs - Small to Medium-sized Enterprises.

^r Assumes: 10 internship; 1000 hours each; @\$7.50 per hour; and 80% ARC subsidy.

^s Assumes: 4 international trips@ \$4.5k; 6 trips to DC @ \$0.70k; and 80% ARC subsidy.

^t Display materials for booth.

^u Assumes: artwork & printing of recruitment material costs \$8k; postage costs \$2k, phone & videocom costs \$15k..

^v Competitive Request for Proposal (RFP)

^w ITPC - Georgia Information Technology Council.

^x Assumes: 30 counties; 2 trips each; @ \$0.05k; and 80% ARC subsidy.

^y Assumes: Consultant LABOR = 1,000 hrs @ \$80/ hr.; and Consultant TRAVEL = 30 counties, 2 trips each, @ \$50/ trip.

Pilot Projects	ARC Initiative	Lead Agency & (participants)	Budget (ARC Portion -- \$000)					
			labor (+fringe)	travel (staff only)	equipment (& supplies)	contracts (& awards)	other (phone, etc)	TOTAL for project
9. <i>Special '96 Olympics Project</i> (Build and operate a special poultry industry exhibit at Georgia Ag. '96 in Olympic Park, in cooperation with the Georgia Poultry Federation.)	International	DOA	0.00			60.00 z	15.00 aa	75.00
10. <i>ARC Program Admin.</i> (Coordinate multi-agency program finances, procedures, evaluation, and reporting. Assess future needs, locate necessary resources, and develop strategic program alliances.)	Leadership	DCA ^{bb}	5.65					5.65
	International	DCA	55.08					55.08
TOTAL ARC Budget			209.12	75.43	68.00	358.00	67.00	777.55

z. For space rental, booth design, construction.

aa. Multi-lingual promotional materials.

bb. DCA - Georgia Department of Community Affairs

TOTAL Budget Summary

Federal/ State/ Local (\$000)

	labor (+fringe)	travel (staff only)	equipment (& supplies)	contracts (& awards)	other (phone, etc)	TOTAL
Total ARC Budget (from previous page)	209.12	75.43	68.00	358.00	67.00	777.55
% of total ARC budget =	26.89%	9.70%	8.75%	54.73%	8.62%	100.0%
<u>state</u> matching funds =	97.19					97.19
<u>local</u> participant matching funds =		48.59		48.60		97.19
Subtotal non-federal funds (20% min.) ^{cc} =	97.19	48.59	0.00	48.60	0.00	194.38
Total Budget (Federal + Non-Federal)	306.31	124.02	68.00	406.60	67.00	971.93

^{cc} Note: State & local cost-share ratios shall comply with *ARC Funding Guidelines*. A minimum of 20% matching funds are to be provided as shown. Additional matching funds may be required from local program recipients and awardees in each ARC county, to achieve the required cost-share ratio for that location. Actual matching fund sources and amounts may vary somewhat within and between budget categories; and between state/ local sources, as long as the total required minimum cost-share ratio is maintained.