



July 24, 2002

OIG REPORT 02-21

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

**SUBJECT:** Memorandum Survey Report  
Review of the Georgia Regional Initiative Grant  
GA-12318-C1

**PURPOSE**

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

**SCOPE**

Our review included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant is December 1, 1997 to September 30, 2001.

We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Atlanta, Georgia on April 22 and 23, 2002. We used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code, as a basis for determining allowable costs and compliance requirements. Audit work was performed in accordance with Government Auditing Standards.

**BACKGROUND**

ARC Grant GA-12318-C1 was awarded to the Georgia Department of Community Affairs (DCA) to provide funds to continue the coordination and management of a special regional initiatives program that involves projects in leadership development, telecommunications, export development, and entrepreneurial programs that will benefit the entire Appalachian region of the State of Georgia.

The total project costs was estimated at \$396,259. The ARC grant was for \$317,000 (80%) and the grantee was to pay or cause to be paid the non-federal matching contribution of \$79,259 (20%).

## **RESULTS**

### **Financial Review**

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation for the grant costs charged to the project. Claimed costs were supported by the grantee's accounting records and no deficiencies were noted as to the allowability of the expenses or the adequacy of the documentation for the expenditures we reviewed. The grantee has met their requirement for matching funds.

The grantee's final reimbursement request, dated March 4, 2002, claimed total costs of \$246,523.78, which included grant costs of \$184,178.54 (75%) and matching costs of \$62,345.24 (25%). There were three deobligations during the grant period totaling \$132,821, due to changes in the scope of work, one of which was transferring the leadership project to another grant. The final report has been received and the grant was closed May 23, 2002.

### **Program Review**

A series of mini-grants were awarded and completed in three regional initiative areas: exporting, entrepreneurship and telecommunications.

#### **Entrepreneurship - \$73,294**

Six mini-grants were awarded and included a variety of entrepreneurial outreach projects. For example, one project included four schools that conducted entrepreneurial teaching workshops geared towards teachers; another high school's project included organizing their own stock company and pairing with a school in Scotland to exchange entrepreneurial ideas. The Rome Housing Authority was able to add an entrepreneurial learning element to their dropout prevention program.

#### **Telecommunications - \$82,757**

Four mini-grants were awarded, part of which resulted in three teleconferencing sites being established; demonstrations were conducted and two wireless towers were erected along with other projects.

Export Seminars - \$21,075

Six seminars were conducted by the Board of Regents, University of Georgia (UGA), at the following locations:

<u>Site</u>	<u>Date</u>	<u>Participants</u>
Clarksville	Oct. 29, '98	10
Rome	Feb. 9, '99	7
Gainesville	May 28, '99	8
Jasper	June 3, '99	6
Carrollton	Sept. 7, '99	2
Dalton	Sept. 28, '99	<u>8</u>
		31

The lists of participants at most of the seminars conducted were inflated with University of Georgia staff or county staff, including the speakers listed as participants. For example, at the Carrollton location, which claimed two participants, one was with UGA, which hosted the seminar, and the one business listed had their phone disconnected, when called in an attempt to follow-up by our office. At the Clarksville site, which listed ten participants, only five were unrelated to UGA or the host county, two of which also attended the Gainesville seminar in May 1999. This type of participant counting does not give a true picture of the outcomes, and therefore results in misinformation needed for future management decisions when serving the population that ARC funds were intended to serve.

The flyer for the seminar at Dalton lists several sponsors including the U.S. Department of Commerce, Georgia Department of International Trade and Technology (GDITT), and the U.S. Small Business Administration but not ARC. It is difficult to determine if this particular ARC grant funds were directly involved with this seminar, especially since ARC had a similar grant with GDITT for similar services during that same period. Although the scope of work for UGA stated that they would prepare/identify curriculum topics for the seminars, this overview material had already been prepared under the previous ARC grant.

The listings of participants included some social security numbers, which were not necessary, but mainly did not include a company name, phone number or address, which would be needed for follow-up or validation.

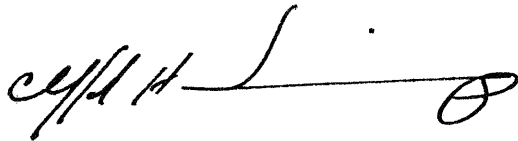
DCA sent a follow-up letter approximately one year after completion of the project to each subcontractor, requesting follow-up information to date on the results of the project performed. Only one subcontractor responded. Although the grantee had "heard" of other positive results, the grantee could not determine long range results or success of the min-grants for future planning.

## RECOMMENDATIONS

We recommend that DCA inform subcontractors in the future to list only those participants for whose benefit and intent of the seminars are being conducted. Other observers, teachers conducting the seminar, or host agency staff should not be counted as participants, as this skews the outcome figures of those served in the Appalachian region. Participants should list their address and phone numbers for verification and follow-up.

We also recommend that DCA incorporate a requirement for project follow-up in their subcontractor agreements and determine a method to ensure subcontractors perform their required follow-up. For example, they could tie the requirement for a six-month or one year follow-up progress report to a monetary penalty, possibly by withholding a percentage or informing subcontractors that they are liable for disallowed costs for not fulfilling all the conditions of their contract.

A response to the above recommendations is not required by the grantee and this review is considered closed.

A handwritten signature in black ink, appearing to read 'Cliff H. Jennings', with a long horizontal flourish extending to the right.

Clifford H. Jennings  
Inspector General