



April 1, 2002

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director

SUBJECT: OIG Reports

Enclosed are copies of the following reports.

- 02-6(H) Grant CO-13398, Nature Conservancy 1/
-- 02-17(H) Grant WV-12740, Marshall University 2/
-- 02-19(H) Grant OH-10533, Ohio Fund for Appalachian Industrial Retraining 3/
-- 02-20(H) Grant OH-7781, Ohio Consolidated Technical Assistance
-- 02-26(H) Grant CO-12620, Central Appalachia Empowerment Zone of West Virginia
-- 02-27(H) Grants WV-12587 and WV-13309, West Virginia Development Office

Notes:

- 1/ The auditors questioned billings of \$3,205 in excess overhead expense for fringe benefits. This matter should be resolved between ARC and the grantee.
2/ The auditor recommended improved supporting documentation for matching contributions of subgrantees.
3/ The auditors questioned \$11,535 submitted as matching contributions because the revenues were program fees from students, which should be used to reduce the grant or increase program activity. Also, \$18,000 awarded to a subgrantee was questioned because the subgrantee exceeded program guidelines with respect to the size of the recipient business. OIG will followup with ARC program staff regarding resolution of these issues.

Handwritten signature of Hubert N. Sparks
Hubert N. Sparks
Inspector General

Enclosures



March 25, 2002

OIG REPORT 02-27(H)

**MEMORANDUM FOR: JON C. RAUER
MANAGER, INFORMATION SYSTEMS
WEST VIRGINIA DEVELOPMENT OFFICE**

SUBJECT: Memorandum Survey Report
Review WV Community & Economic Development
Virtual Network Project
WV-12587-C1 and WV-13309

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 met and (3) 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 periods of performance for the grants were:

Phase II	WV-12587	June 30, 1997 to December 31, 2001
Phase III	WV-13309	May 1, 1999 to June 30, 2002

We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Charleston, West Virginia, on March 13, 2002. 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 Grants WV-12587 and WV-13309 were awarded to the West Virginia Development Office (WVDO) to provide funds to continue the development of a statewide telecommunications Wide Area Network (WAN) that will interconnect numerous non-profit and economic development organizations into a collaborative network of organizations promoting economic development throughout the state. This is a three phase effort with Phase I completed in April 28, 1999.

The proposed project costs were:

	<u>ARC</u>	<u>Non-Federal</u>	<u>Total</u>
Phase II	\$123,000 (79%)	\$32,000 (21%)	\$155,000
Phase III	72,000 (50%)	72,000 (50%)	144,000

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 appears to have met their requirements for matching funds.

The grantee's last reimbursement request for Phase II, dated May 2, 2000, claimed total costs of \$135,518, which included grant costs of \$110,700 (82%) and matching costs of \$24,818 (18%).

There have been no reimbursement requests for Phase III, although grantee records showed \$27,436 had been expended.

Program Review

The grantee stated that Phase II is complete and a final report and reimbursement will be submitted within 30 days. The goals of the grant have been completed and include a video conferencing system, a new web and electronic mail server, redesigned main page of the WVDO site, and continued updates of WVDO, Small Business Development Center and Economic Development Authority web pages. Phase III is progressing and should be completed on time.

Phase II was extended four times and Phase III twice to date. All extensions have been the result of staff turnover and difficulties in obtaining and retaining qualified staff.

The grant agreement requires progress reports be filed with ARC every 120 days. The last progress report for Phase II was two years ago on March 2000, and no progress reports for Phase III have been received.

RECOMMENDATIONS

We recommend that the grantee submit progress reports timely as required by the grant agreement. The grantee agreed with the recommendation.

We also recommend that future grants be based on the grantee assuring that qualified staffing is available from internal or external services to permit timely completion of projects.



Hubert N. Sparks
Inspector General