



OCTOBER 10, 1995

REPORT NO. 96-2(H)

MEMORANDUM FOR: DIRECTOR, THE BRUSHY FORK INSTITUTE, BEREA, KENTUCKY

SUBJECT: Memorandum Survey Report--Review of Seedling Grants Program, ARC Grant No. CO-10539-90 (Contract 90-39); and Review of Teamwork for Tomorrow Project, ARC Grant No. CO-11420B-93 (Contract 93-110)

PART I - SEEDLING GRANTS PROGRAM

PURPOSE

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

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 was April 20, 1990 through April 19, 1995. We reviewed the grantee's reports, examined records, and held discussions with grantee officials August 7-9, 1995. 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-110, A-122, and the ARC Code.

BACKGROUND

ARC Grant No. CO-10539-90-I-302-0411 was awarded to The Brushy Fork Institute to establish a small grants program through which groups of Appalachian community leaders could receive matching grants for community improvement projects. The seedling grants were to assist the county groups in achieving their goals through funding printing and materials costs, technical assistance and other items necessary for their projects. The Brushy Fork Institute was to be reimbursed for actual, reasonable and eligible project costs, not to exceed \$50,000.

Initially, participating groups were eligible for total seedling grants of up to \$1,500 each. In October 1991, the ARC grant agreement was amended to allow maximum seedling grants of up to \$7,500 to each group. The grantee required the participants to provide matching funds for all of the seedling grants. The grant agreement indicated that The Brushy Fork Institute would provide all services,

personnel, facilities, and supplies necessary to establish and operate a Seedling Grant Program in conjunction with its leadership development program.

The grantee submitted the final progress and financial reports to ARC in June 1995 at which time final payment was made and the grant account was closed. Grant payments totaled \$50,000.

RESULTS

The grantee's records indicate that seedling grants totaling \$50,000 were awarded to 24 community groups based on applications and budgets submitted by the groups. The grant amounts ranged from \$500 to \$7,500. We noted instances in which the grantee did not obtain documentation from the groups to support the expenditure of grant funds or to verify that the funds were spent in accordance with approved budgets. The grantee agreed that, in the future, they would require subgrantees to provide documentation as to how grant funds were spent.

We also noted that the grantee sometimes awarded seedling grants in a slightly larger amount than had been requested by a particular group. The grantee's project director indicated that the larger amounts were agreed to orally prior to disbursing the funds and that written documentation was not maintained. They agreed that, in the future, subgrantees would not receive more funds than requested and that changes to the original amount requested would be documented.

PART II - TEAMWORK FOR TOMORROW PROJECT

PURPOSE

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

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 was September 15, 1993 through September 14, 1994. We reviewed the grantee's reports, examined records, and held discussions with grantee officials August 7-9, 1995. 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-110, A-122, and the ARC Code.

BACKGROUND

ARC Grant No. CO-11420B-93-I-302-0630 was awarded to The Brushy Fork Institute to provide funds for the Teamwork for Tomorrow Project, a partnership between The Brushy Fork Institute and eight Kentucky Area Development Districts (ADDs). The Grantee was to bring together diverse

groups of local leaders, draw on their strengths through highly participatory workshops, and follow through as the groups engaged in community development projects. The Brushy Fork Institute was to be reimbursed for actual, reasonable and eligible project costs not to exceed \$85,000. Specific tasks to be completed under the grant agreement are as follows:

- 1) Train 120 newly elected officials from distressed areas in the responsibilities and limits of their offices and in key issues facing their counties;
- 2) Enable thirty emerging and established leaders from two distressed counties to:
 - a. share, articulate, and expand their vision for the future of their communities and the region;
 - b. Build bridges among leaders who have not usually worked together;
 - c. Develop skills in problem solving and decision making - skills such as problem analysis, generating options, weighing pros and cons, and gathering the insights and gaining the commitment of affected parties;
 - d. Develop skills in building and maintaining effective working groups- skills such as recruiting members, building on diversity, dealing with conflict, running effective meetings, and keeping participants focused over a period of time;
 - e. Develop skills for planning and accomplishing projects - skills such as using time lines, working with news media, presenting information effectively, and budgeting, raising and accounting for money; and
 - f. Become part of an ongoing network of community leaders who call on each other for information, provide encouragement for each other, and share insights on common concerns;
- 3) Stimulate a short-term (six-month) community development project in two distressed counties;
- 4) Train 90 active citizens in group leadership skills;
- 5) Train 30 active citizens in project and organizational skills; and
- 6) Stimulate five community development projects in at least four counties.

The grantee submitted the final progress and financial reports to ARC and final payment was made by ARC on January 31, 1995. Grant payments totaled \$85,000.

RESULTS


The grantee completed the tasks required by the grant agreement including providing or arranging for the provision of training for newly elected officials and members of community organizations. Training topics included finance and budgeting, group leadership skills, fundraising and strategic planning. The grantee also provided mini-grants to 15 organizations to conduct community development projects.

The grantee's records indicate that eight ADDs received ARC funds totaling \$33,000 to train the newly elected officials. In addition, mini-grants totaling \$20,000 were awarded to 15 organizations. We reviewed the supporting documentation for the ADD funds and the mini-grants and no deficiencies were noted.

We also tested other expenditures and determined that they were allowable and properly documented with one exception. ARC was overcharged \$54 as the result of the incorrect application of a formula for determining indirect costs. The overcharge was not material.

PART III - GRANTEE RESPONSE

At the time of our on-site visit, the grantee agreed to make certain changes in the future (as noted above), primarily related to improved documentation. No other response is required.


Hubert N. Sparks
Inspector General



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Office of the Inspector General

October 10, 1995

Mr. Peter Hille, Director
The Brushy Fork Institute
Berea College, CPO 35
Berea, KY 40404

re: OIG Report 96-2(H), ARC
Contracts 90-39 and 93-110

Dear Mr. Hille:

Enclosed is a copy of our survey of the subject grants. As noted, we did not consider the items noted with respect to documentation of subgrantee expenditures to be material. Therefore, a response to this report is not requested.

We appreciate the courtesies and cooperation provided the auditor.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



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Office of the Inspector General

October 17, 1995

Mr. Tom Craighead, Program Manager
Division of Development Finance
Department of Local Government
1024 Capitol Center Drive
Frankfort, KY 40601-8024

re: OIG Report 96-2(H); ARC Contracts 90-39
and 93-110, Brushy Fork Institute

Dear Mr. Craighead:

Enclosed is a copy of the subject report.

Sincerely,

A handwritten signature in black ink that reads "Hubert N. Sparks".

Hubert N. Sparks
Inspector General

Enclosure