



DECEMBER 2, 1998

OIG REPORT NO. 99-2(H)

MEMORANDUM FOR: DR. JUDITH DOMER, DEAN, GRADUATE STUDIES AND RESEARCH, APPALACHIAN STATE UNIVERSITY, BOONE, NORTH CAROLINA 28606

SUBJECT: Memorandum Survey Report--Appalachian International Business Center, ARC Contract No.NC-12320-96

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 review included procedures to review costs incurred and claimed for reimbursement under the grant as well as costs claimed as the matching share. The initial period of performance was February 1, 1996 through January 31, 1997. The grant was subsequently extended through September 30, 1998. We reviewed the grantee's reports, examined records, and held discussions with grantee officials August 27-28, 1998. 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-21, A-110, and the ARC Code.

BACKGROUND

ARC Contract No. NC-12320-96 was awarded to Appalachian State University (ASU) to provide funds for the establishment of an Appalachian International Business Center at Appalachian State University to assist businesses throughout Western North Carolina to improve their ability to compete in a world marketplace. The Center was to function as an information, outreach, and technical assistance center utilizing staff, faculty and student resources.

Project objectives were as follows:

- 1) Establish an outreach system for exporters in the region;
- 2) Develop an on-line system to link small and medium enterprises in Western North Carolina to other firms in the region and state, to export facilitators and universities,

and to the world-wide network of information and services available to firms interested in international trade;

- 3) Provide, on a one-on-one basis, the services of supervised student interns to serve as export managers or export support personnel;
- 4) Launch a major recruiting campaign for the Appalachian International Business Center (AIBC) as a membership organization supported by annual dues and fees for service;
- 5) Organize and establish a satellite organization at Western Carolina University to provide services to firms in the southern half of Western NC;
- 6) Establish at least three formal regional networks of small and medium exporting enterprises;
- 7) Create a career development and training program to place mid-level export management trainees in regional small and medium enterprises; and
- 8) Develop a training and technical assistance program designed to increase the number of regional firms and agencies with computer access to the outline network.

The initial grant was for actual, reasonable and eligible project costs, not to exceed \$103,424 (80 percent of project costs). The grantee was to provide the non-federal share of \$26,000 (20 percent) in cash, contributed services or in-kind contributions. The grant was amended to provide for grant costs of \$253,325 (78 percent of project costs) and a non-federal share of \$71,839 (22 percent). At the time of our visit, the grantee had received \$196,462.89 from ARC and \$56,862.11 remained in the ARC grant account. A partial payment request totaling \$27,660.33 was also being processed by the grantee at that time. It indicated that total project costs as of June 30, 1998 were \$287,019.42, including ARC costs of \$224,123.22 (78 percent) and the non-federal share of \$62,896.20 (22 percent).

II. SURVEY RESULTS

A. FINANCIAL REVIEW

At the time of our on-site visit, we reviewed the grantee's financial records, including a sample of grant and matching expenditures. Documentation for several of the sample expenditures were stored at another location and not readily available during our visit, however, the grantee provided adequate documentation subsequent to our visit. A grantee official indicated that a travel expense in our sample for \$363 and a related expense of \$96 were inadvertently posted to the ARC account in error. We understand that the costs totaling \$459 were to be removed from the ARC account and charged


to a different program. No other deficiencies were noted regarding the documentation or allowability of grant and matching expenditures.

B. PROGRAM REVIEW

Although the grant work was ongoing at the time of our review, the grantee had substantially completed the work required by the grant agreement. Reported results included the following:

- 1) Established the AIBC and a satellite center at Western Carolina University;
- 2) Identified export-ready firms; provided research and other assistance;
- 3) Prepared student training manual and employed student interns to provide program services; and
- 4) Created an Internet site to provide trade information to interested firms.

A grantee official indicated that additional funding from ASU and from other sources has been requested to continue the program after the ARC grant ends. Students will continue to work on projects for local businesses as part of their class work without additional funding.


Hubert N. Sparks
Inspector General



April 5, 1999

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director


SUBJECT: OIG Reports and Request for Information on Unresolved Reports

Enclosed is a copy of our periodic update on expired grants [OIG Report 99-15(H)]. As noted, positive ARC actions have resulted in a continued reduction of open grants and actions to reallocate available funding. The report notes some grants for which additional action appears appropriate.

Also enclosed are the eight reports identified below. In seven cases, no deficiencies needing attention were noted. Report 99-5(H), Mississippi Consolidated Technical Assistance, contains a repeat recommendation pertaining to the timely closing of grants and deobligation of unused funds.

- 99-1(H)—ARC Grant TN-12829-98, Tri-Cities Appalachian International Trading Network
- 99-2(H)—ARC Grant NC-12320-96, Appalachian International Business Center
- 99-4(H)—ARC Grants MS-12324-96/97, Leadership and Civic Infrastructure Initiative Project
- 99-5(H)—ARC Grants MS-7763-95/96/97, Consolidated Technical Assistance
- 99-11(H), ARC Grant SC-12415-96, Science and Math To Go
- 99-12(H), ARC Grant SC-12417-96, Internet Training Facilities
- 99-13(H), ARC Grant SC-12303-96, Adding Rural Counties to AppNet
- 99-14(H), ARC Grant SC-11834-96, Economic Development Information System

Information is requested on the status of recommendations contained in reports 98-24(H), Georgia Revolving Loan Fund, and 98-36(H), Sawmill Center for the Arts.


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae



APPALACHIAN REGIONAL COMMISSION *A Proud Past, A New Vision*

Office of the Inspector General

April 5, 1999


Ms. Sara Stuckey
Local and Regional Affairs Coordinator
Intergovernmental Relations
Department of Administration
116 West Jones Street
Raleigh, NC 27603-8003

re: OIG Memorandum Report 99-2(H), Grant NC-12320-96,
Appalachian International Business Center

Dear Ms. Stuckey:

Enclosed is a copy of our report on the subject grant.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



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Office of the Inspector General

99-2 (A)

August 5, 1998

Dr. J. Paul Combs
Appalachian State University
Boone, NC 28606

re: NC-12320-96, Appalachian
International Business Center

Dear Dr. Combs:

This letter confirms our intention to review the subject grant. As we discussed, the work will be performed August 27-28, 1998.

The review will include testing of the grantee's accounting and internal control systems effecting the grant, a comparison of available accounting records to financial status reports and other reports submitted to ARC, compliance with programmatic requirements of the contract, and results of the project. The auditor will review and utilize other available audit reports to the maximum extent deemed possible in order to avoid duplication of efforts. Essentially, the work will review available information on the status of the grant and the use of grant funds in line with ARC grant requirements.

We have included an internal control questionnaire and request that you have it completed and available for our review. Although it contains numerous questions, some of which may not apply to your organization, it will provide us with needed background information about your controls, policies, and accounting system.

Please call me if you have any questions.

Sincerely,

Jo Ann Brenner
Assistant Inspector General
for Audit

Enclosure

cc: North Carolina ARC State Alternate



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Office of the Inspector General

December 14, 1998

Dr. J. Paul Combs
Appalachian Regional Development Institute
University Hall
P.O. Box 32121
Boone, NC 28608

re: **OIG Report 99-2(H)**
 ARC Grant NC-12320-96


Dear Dr. Combs:

Enclosed is a copy of our report dealing with a grant for the establishment of an Appalachian International Business Center. A response is not requested.

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

The courtesies and cooperation provided the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure