



APPALACHIAN  
REGIONAL  
COMMISSION

*A Proud Past,  
A New Vision*

*Office of the Inspector General*

November 9, 1999

MEMORANDUM FOR: FEDERAL CO-CHAIRMAN AND  
ARC EXECUTIVE DIRECTOR

FROM: HUBERT N. SPARKS  
INSPECTOR GENERAL

SUBJECT: OIG Reports 99-19(H), 99-24(H), 99-31(H),  
99-32(H) and 99-41(H)  
Grant Nos. KY-11586-94, TN-12930-98, OH-12622-97,  
OH-12727-97 and NC-12345-97

The reviews covered projects dealing with rural health and wellness, entrepreneurial initiative, facilities planning, telecommunications equipment and leadership development training.

Open issues pertain to (1) the support for \$76,917 in matching contributions for the rural health and wellness project conducted by Prestonburg Kentucky Community College; (2) year end adjustments to indirect costs for the technology 2020 entrepreneurial initiative; (3) submission of reports, contractor selection process and expenditures prior to the grant period by The Wilds in connection with a facilities planning project; and (4) return of \$8,992 in unspent funds and supporting documentation for \$189,000 in matching contributions by Ohio University Southern Campus for a telecommunications project.

Enclosures

cc: Judy Rae

1666 CONNECTICUT AVENUE, NW WASHINGTON, DC 20235 (202) 884-7675 FAX (202) 884-7691

Alabama  
Georgia

Kentucky  
Maryland

Mississippi  
New York

North Carolina  
Ohio

Pennsylvania  
South Carolina

Tennessee  
Virginia

West Virginia

**MEMORANDUM REPORT ON REVIEW OF  
OHIO UNIVERSITY SOUTHERN CAMPUS  
IRONTON, OHIO**

**Ohio University Southern Campus Technology Outreach Center**

**ARC Grant No: OH-12727-97**

**October 1, 1997 through September 30, 1998**

**CAUTION:** *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

**Report Number: 99-32(H)**

**Date: October 20, 1999**

**TICHENOR & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

303 MIDDLETOWN PARK PLACE, SUITE E  
LOUISVILLE, KENTUCKY 40243

PARTNERS

WILLIAM R. TICHENOR  
JAMES M. ANDERSON

BUSINESS: (502) 245-0775  
FAX: (502) 245-0725  
E-MAIL: TICHENORKY@AOL.COM

TO: Appalachian Regional Commission (ARC)  
Office of Inspector General (OIG)

FROM: Tichenor & Associates  
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report Number 99-32(H)

SUBJECT TO: Memorandum Review Report on Ohio University Southern Campus  
Technology Outreach Center, Ironton, Ohio, ARC Grant Number OH-  
12727-97.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Ohio University Southern Campus Technology Outreach Project were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant have been met.

BACKGROUND: ARC awarded Grant Number OH-12727-97 to Ohio University Southern Campus for the period October 1, 1997 through September 30, 1998. Total grant funding was for an amount not to exceed \$300,000, or approximately 28% of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$774,812 or 72% in cash, contributed services, and in-kind contributions as approved by ARC. ARC funding was made available through the United States Department of Education. The project was to purchase equipment for a Telecommunications Outreach Center which will expand the University's Electronic Media degree program from 25 to 45-50 students per year. The center will also serve the eight-county Tri-State Region by offering technology in-service training for teachers, staff development training for the region's employers, and career exploration and job training courses for community members. The center will feature television and radio production and broadcast divisions, distance learning classrooms, satellite teleconferences, interactive video technology and media authoring and production.

The specific task was to:

- Purchase equipment necessary to complete a comprehensive technology center at the Ohio University Southern Campus.

SCOPE: We performed a program review of the grant as described in the Purpose, above. Our review was based on the terms of the grant project announcement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the Ohio University Southern Campus Technology Center had been established, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if Ohio University Southern Campus had complied with the requirements of the grant award. In addition, we discussed the program objectives and performance with Ohio University Southern Campus personnel. Our results and recommendations are based on these procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at Ohio University Southern Campus at Ironton, and Athens, Ohio on July 26 through July 29, 1999.

#### **A. Incurred Costs**

The Ohio University Southern Campus incurred total program costs of \$1,099,167 and claimed ARC reimbursable costs from October 1, 1997 through September 30, 1998 of \$291,008 and in-kind cost of \$808,159. We reviewed the direct and in-kind cost incurred and determined that, in general, the funds had been expended as reported by the Ohio University Southern Campus. However, we determined that matching costs could not be supported in accordance with applicable OMB Circulars. Also, \$8,992 of ARC funds were not drawdown by Ohio University Southern Campus and have not been returned to ARC by the Department of Education. These issues are discussed below.

##### **1. Matching Costs Not Supportable**

Ohio University Southern Campus was required to match \$774,812, or 72 percent in cash, contributed services, and in-kind contributions, under the Southern Campus Technology Outreach Center Project. The following match and in-kind contributions were required:

Grantee Equipment Purchases:	
Studio and Press Room Equipment	\$ 62,698
Microwave Equipment	80,000
Compressed Video Technology	80,000
Existing Equipment on hand	363,114
In-Kind Contributions:	
Frontier Vision - Fiber Optic Cabling	110,000
WSAZ Television - Microwave Equipment	<u>79,000</u>
Total Match	<u>\$774,812</u>

Ohio University Southern Campus claimed \$215,193 for existing equipment on hand that was to be used in the technology center. This equipment was carried at cost on Ohio University Southern Campus accounting records. Ohio University Southern Campus does not depreciate equipment and therefore it was not properly valued when claimed as matching cost. In addition, Ohio University Southern Campus did not have any support for in-kind contributions made by Frontier Vision for fiber optic cabling and WSAZ Television for microwave equipment and a tower camera totaling \$110,000 and \$81,000 respectively. Ohio University Southern Campus only maintained a letter from Frontier Vision and WSAZ Television that stated the in-kind contributions were made.

OMB A-110, Subpart C, Post Award Requirements, .23 Cost sharing or matching states:

“(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contributions meet all of the following criteria.

1. Are verifiable from the recipient’s records.

(c) Values for recipient contributions of services and property shall be established in accordance with the applicable cost principles. If a Federal awarding agency authorizes recipients to donate buildings or land for construction/facilities acquisition projects or long-term use, the value of the donated property for cost sharing or matching shall be the lesser of (1) or (2).

- (1) The certified value of the remaining life of the property recorded in the recipient’s accounting records at the time of donation.
- (2) The current fair market value. However, when there is sufficient justification, the Federal awarding agency may approve the use of the current fair market value of the donated property, even if it exceeds the certified value at the time of donation to the project.”

## 2. Unexpended Funds Should Be Returned to ARC

ARC made available \$300,000 through the Department of Education for the Southern Campus Technology Outreach Center. During the grant period, October 1, 1997 through September 30, 1998, Ohio University drewdown and disbursed \$291,008 of the approved funding. The remaining \$8,992 was not drawdown or disbursed by Ohio University.

### **B. Internal Controls**

We did not identify any internal control weakness that could have affected the accountability of costs or compliance with the terms of the grant agreement.

### C. Program Results

Our review of the Ohio University, Southern Campus Technology Center, indicated all specific tasks identified in the grant award, and summarized above, had been achieved.

#### DISCUSSION:

We discussed these issues with Ohio University Southern Campus officials at an exit conference held on July 29, 1999. They stated that equipment is carried on the books at cost and has never been depreciated. They considered the fair market value for matching purposes as their original cost of the equipment. In addition, they stated that they were not aware of the regulations requiring them to maintain documentation to support third party in-kind contributions.

OTHER: We provided a copy of our draft report to Ohio University management on August 16, 1999. Management responded to our findings and recommendations as follows:

We have reviewed your draft proposal on the ARC grant and based upon your recommendations, we are supplying additional information as requested.

Enclosed is an updated reconciliation of equipment at a straight-line depreciated value for equipment on hand as of the proposal date of February 26, 1997 and equipment purchases made after the proposal date. The useful lives of equipment are based upon state guidelines. We are also enclosing copies of our equipment inventory listings to show that the items are on the official equipment records for Ohio University.

We will be contacting the in-kind contributors to obtain additional information to support their contributions made to the ARC grant. Once we receive this information, we will forward it to the appropriate individual at ARC.

Your second recommendation to return the remaining \$8,992 in funding not drawn or expended by Ohio University Southern Campus agrees with our records and would require a refund from the Ohio Department of Education to ARC.

#### ADDITIONAL COMMENTS AND RECOMMENDATIONS:

We reviewed the listing of equipment provided in Ohio University's response to our draft report and considered the listing of depreciated equipment as responsive to our recommendation. We also agree that additional documentation should be obtained to support the in-kind contributions from Frontier Vision totaling \$110,000 and WSAZ TV totaling \$79,000. We recommend that ARC request that the Department of Education return \$8,992 in unspent grant funds.

*Tichenor & Associates*

TICHENOR & ASSOCIATES  
Louisville, Kentucky

July 29, 1999



January 4, 2000

Ms. Carol J. Blum  
Associate Vice President for Research  
Ohio University Southern Campus  
1804 Liberty Avenue  
Ironton, OH 45638

re: OIG Report 99-32(H), Grant OH-12727-97


Dear Ms. Blum:

My apologies for the long delay, but enclosed is a copy of our final report dealing with a grant to purchase equipment for a Telecommunications Outreach Center. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract to my office. As noted, the open issues at the time of the review pertained to supporting documentation with respect to in-kind contributions of \$189,000 from two companies and a refund of the \$8,992 in unspent grant funds.

A copy of this report is being provided to the Federal Co-Chairman, ARC Executive Director, and Ohio State Alternate. Additional information should be forwarded to our office.

The courtesies and cooperation provided the auditors were appreciated.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure