

**MEMORANDUM REPORT ON REVIEW OF THE
APPALACHIAN KENTUCKY WATER RESOURCE PLANNING
KENTUCKY DEPARTMENT FOR LOCAL GOVERNMENT
FRANKFORT, KENTUCKY**

APPALACHIAN KENTUCKY WATER RESOURCE PLANNING GRANT

ARC Grant No.: KY-13352-99

February 1, 1999 through June 30, 2000

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom on 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: 01-26(H)

Date: March 29, 2001

**MEMORANDUM REPORT ON REVIEW OF THE
APPALACHIAN KENTUCKY WATER RESOURCE PLANNING
KENTUCKY DEPARTMENT FOR LOCAL GOVERNMENT
HUNTSVILLE, TENNESSEE**

Appalachian Kentucky Water Resource Planning Grant

ARC Grant No: KY-13352-99

February 1, 1999 through June 30, 2000

Prepared By:

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

FROM: Tichenor & Associates, LLP
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report No. 01-26(H)

SUBJECT TO: Memorandum Review Report on the Appalachian Kentucky Water
Resource Planning Grant, Kentucky Department for Local Government,
Frankfort, Kentucky. ARC Grant No: KY-13352-99.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Kentucky Department for Local Government for its Water Resource Development Plan, Phase II 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 had been met.

BACKGROUND: ARC awarded Grant Number KY-13352-99 to the Kentucky Department for Local Government for the period February 1, 1999 through June 30, 2000. The purpose of the grant was to provide funds to the Kentucky Department for Local Government for a comprehensive water resource plan for providing potable water to all Kentucky households by the year 2020.

The ARC grant funding was for \$300,000, or 28.5% of actual, reasonable and eligible project cost. The Grantee was to provide local matching funds totaling \$753,000, or 71.5%, in cash, contributed services or in-kind contributions.

The specific tasks were to:

- Retain consultants to conduct planning services based on analysis of GIS and other data.
- Review the characteristics of existing and potential water supply systems, assess geographic features that affect the placement and operation of treatment and distribution systems, and examine health risks and economic development concerns.

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 agreement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the tasks listed above had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Kentucky Department for Local Government had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Kentucky Department for Local Government's personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at the Kentucky Department for Local Government in Frankfort, Kentucky on December 6, 2000 and December 7, 2000.

A. Incurred Costs

The Kentucky Department for Local Government incurred total program costs of \$1,088,908, of which they claimed direct reimbursable costs from February 1, 1999 through June 30, 2000 of \$300,000 from ARC. We reviewed the direct and in-kind costs incurred and determined that the funds had been expended as reported.

B. Internal Controls

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

1. Quarterly Project Progress Reports Were Not Submitted to the ARC

During the period of the grant, not all of the Quarterly Project Progress reports were not prepared and submitted to the ARC as required by the terms and conditions of the grant agreement. The grantee did submit two progress reports, one for the period ending December 31, 1999 and one for the period ending March 31, 2000.

OMB A-102, Subpart C, Section 41, para. (b)(3). Frequency, states:

“The Federal agency may prescribe the frequency of the report for each project or program. However, the report will not be required more frequently than quarterly. If the Federal agency does not specify the frequency of the report, it will be submitted annually. A final report will be required upon expiration or termination of grant support.”

The grantee stated that the reports were submitted with the drawdown reports.

RECOMMENDATION:

We recommend that for future grants, the Kentucky Department for Local Government submit reports in accordance with grant agreement provisions.

C. Program Results

Our review of the Appalachian Kentucky Water Resource Planning Grant indicated that the objectives of the grant had been met.

Tichenor & Associates, LLP

TICHENOR & ASSOCIATES, LLP
Louisville, Kentucky
December 7, 2000



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Office of the Inspector General

July 20, 2001

Mr. Lawrence Wetherby
Kentucky Department of Local Government
1024 Capitol Center Drive, Suite 340
Frankfort, KY 40601

re: OIG Report 01-26(H), ARC Grant KY-13352


Dear Mr. Wetherby:

Enclosed is our report dealing with a grant for a comprehensive water resource plan for providing potable water to all Kentucky households by the year 2020. Our records do not reflect forwarding this report to you previously.

We are closing our file and providing a copy of the report to the Federal Co-Chairman, ARC Executive Director, and Kentucky State Alternate.

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



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Office of the Inspector General

July 20, 2001


Ms. Peggy Satterly, Program Manager
Department for Local Government
Division of Development Finance
1024 Capitol Center Drive
Frankfort, KY 40601-8024

re: OIG Report 01-26(H), ARC Grant KY-13352

Dear Ms. Satterly:

Enclosed is a copy of the subject report. Our records do not reflect a previous forwarding of this report.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



July 20, 2001


MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director

SUBJECT: OIG Reports

Enclosed are copies of the below-listed memorandum reports that apparently were not forwarded to your office at the time of issuance. The reports generally do not identify conditions needing followup, and we have closed the reports. However, OIG Report 01-37(H) notes that the Jefferson County Board of Education distance Learning Project had with project completion and equipment utilization delays similar to those reported in 01-21(H), Elmore County Telecommunications Project. Our recommendations emphasized timely project completion or alternative actions to utilize the equipment. For future projects of this type, control should be exercised to preclude equipment purchases substantially prior to other key project requirements being met.

- 01-22(H), Grant TN-12513, Scott County Emergency and Health Service Complex
- 01-23(H), Grant TN-12161, Cocke County Comprehensive Dental Service Grants
- 01-24(H), Grant TN-12499, Bledsoe County Dental Project Grants
- 01-25(H), Grant OH-13223, Foundation of Appalachian Ohio
- 01-26(H), Grant KY-13352, Appalachian Kentucky Water Resource Planning Grant
- 01-28(H), Grant GA-13076, Haralson County Adult Literacy
- 01-29(H), Grant GA-13551, Appalachian Georgia Early Childhood Initiative
- 01-30(H), Grant GA-13407, Catoosa County Adult Literacy Program
- 01-31(H), Grant NC-13217, Tri-County Community College Information Highway Site
- 01-32(H), Grant NC-13511, Caldwell Community College and Technical Institute

- 01-34(H), Grant NC-13186, North Carolina Partnership for Children
- 01-36(H), J-1 Visa waiver Program—Alabama
- 01-37(H), Grant AL-12447, Jefferson County Distance Learning Project
- 01-38(H), Grant AL-13452, North Alabama Science Center Hands-On Science Education Program
- 01-39(H), Grant AL-13244, Jefferson State Community College Workforce Development Center
- 01-40(H), Grant AL-13143, Birmingham Regional Visioning Implementation Project


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae