



October 28, 2002

OIG REPORT 03-01

**MEMORANDUM FOR: JERRY DAVIS  
EXECUTIVE DIRECTOR  
SHOALS ENTERPRISE CENTER**

**SUBJECT:** Memorandum Survey Report  
Review of Shoals Enterprise Center  
Kitchen Incubator Project  
AL-13767

### **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 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 for the grant was October 1, 2000 to March 31, 2002. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Florence, Alabama, on June 19, 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 Grant AL-13767 was awarded to the Shoals Enterprise Center to provide funds to support the establishment of a kitchen incubator at the Shoals Commercial Culinary Center (SCCC). The incubator will provide shared commercial kitchen space at a reasonable cost for small food-related businesses in Appalachian Alabama. The project will also provide business support and technical assistance to these businesses.

This project was a combined effort involving the USDA, the Tennessee Valley Authority (TVA), ARC and local support. The total project costs was estimated at \$338,480 with contributed funds as follows:

ARC	\$ 98,730	29%
USDA	79,750	24%
TVA	140,000	41%
Local	<u>20,000</u>	<u>6%</u>
Total	\$338,480	100%

## **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 has met their requirements for matching funds.

The grantee's last reimbursement request, dated April 30, 2002, claimed total costs of \$338,906, which included ARC grant costs of \$98,730 (29%); USDA costs of \$79,750 (24%); TVA costs of \$140,000 (41%) and local matching costs of \$20,426 (6%). The final report has been received and the grant was closed on August 7, 2002.

### **Program Review**

The grantee had its grand opening in September 2001 and has received favorable media attention for itself and its clients ever since. Two clients now have products in four states and all clients have added local retail vendors. The SCCC continues to train and assist clients through various workshops and seminars. To date 22 workshops/seminars have been conducted on 18 topics, with over 550 total people in attendance. The Health Department has agreed to host six additional training classes during 2002 for potential clients. Two clients won the "Best of Atlanta" at the Atlanta Fall Gourmet Show.

During the initial start up of installing the equipment the grantee encountered numerous obstacles of having to overhaul donated equipment and site preparation. The grantee stated that the community interest has been overwhelming. To date the completed outcomes include the creation of 22 new businesses and others at various planning stages. This program has met the goals of the grant.



Clifford H. Jennings  
Inspector General