



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General

March 28, 2003

MEMORANDUM FOR The Federal Co-Chairman
 ARC Executive Director

SUBJECT: OIG Report 03-13—ARC Grant KY-12687-RI-97
 Brushy Fork Institute East Kentucky Leadership
 Network/Youth Leadership Program

Attached is a copy of the subject report dealing with the Brushy Fork Institute East Kentucky Leadership Network/Youth Leadership Program in Berea, Kentucky. There were three recommendations that the grantee has promised to remedy in the future. I recommend that the project coordinator verify and concur with the promised actions; once verified, I would appreciate notification. Until I am notified that the promised actions have taken place and that progress reports have started being submitted on a timely basis, this report will remain open.

Please contact me if you have any questions on this issue.

A handwritten signature in black ink, appearing to read "Cliff H. Jennings", written in a cursive style.

Clifford H. Jennings
Inspector General

Attachment

cc: Director, Program Operations

TICHENOR & ASSOCIATES, LLP
CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KY 40243

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

March 26, 2003

Mr. Clifford H. Jennings, Inspector General
Appalachian Regional Commission
1666 Connecticut Avenue NW, Suite 215
Washington, DC 20009-1068


Re: Final Report on Reviews of the following:

1. Brushy Fork Institute, ARC Grant Number: KY-12687-RI-97

Dear Mr. Jennings:

Enclosed, please find five copies (two bound and three unbound) of our final report on the above listed Grantee. It has been our pleasure working with you and your staff on this project. If we can be of further assistance, please call (502) 245-0775.

Sincerely,


William R. Tichenor
Managing Partner
Tichenor & Associates, LLP

**MEMORANDUM REPORT ON REVIEW OF
BRUSHY FORK INSTITUTE
BEREA, KENTUCKY**

EAST KENTUCKY LEADERSHIP NETWORK/YOUTH LEADERSHIP PROGRAM

ARC Grant Number: KY-12687-RI-97

March 1, 1997 through March 31, 2002

Prepared By:

**Tichenor & Associates, LLP
Certified Public Accountants
304 Middletown Park Place, Suite C
Louisville, Kentucky 40243**

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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 Number: 03-13

SUBJECT: Memorandum Review Report on the Brushy Fork Institute
East Kentucky Leadership Network/Youth Leadership Program
Grant Number: KY-12687-RI-97

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed during the period March 1, 1997 through March 31, 2002 by the Brushy Fork Institute for its East Kentucky Leadership Network/Youth Leadership Program 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) that the objectives of the grant were met.

BACKGROUND: ARC awarded Grant Number KY-12687-RI-97 to the Brushy Fork Institute for the period March 1, 1997 through June 30, 1998. The ARC Project Coordinator approved Amendment Number 1 - 6 to the Grant Agreement extending the period of performance through June 30, 2003. Total ARC funding was for an amount not to exceed \$285,750, or approximately 71.6% percent of actual, reasonable and eligible project costs. ARC required that the grant be matched with \$113,195 or 28.4% percent in cash, contributed services, and in-kind contributions, as approved by ARC. ARC made no advance payments to the Brushy Fork Institute.

The purpose of the grant was to provide funds to develop and conduct a leadership development initiative for high school youth. The program will engage teens in the civic life practices that are conducive to civic involvement of teens in leadership programs and program graduates. Youth and adult mentors are to participate in the program. Activities will be conducted through subgrants to organizations of the East Kentucky Leadership Network.

SCOPE: We performed a review of the grant as described in the Purpose above. Our review was based on the terms of the grant agreement and the application of certain review procedures in accordance with the ARC, OIG. 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 Brushy Fork Institute was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Brushy Fork Institute personnel. Our results and recommendations are based on these procedures. These review procedures were performed in accordance with applicable Governmental Auditing Standards.

RESULTS: The following results were based on our review performed at the Brushy Fork Institute in Berea, Kentucky from February 18, 2003 through February 20, 2003.

A. Incurred Costs

The Brushy Fork Institute claimed total program costs of \$384,964 for the period of March 1, 1997 through March 31, 2002 of which they claimed direct reimbursable cost of \$268,212 and matching costs of \$116,752. We reviewed the direct and matching costs claimed and determined that, in general the funds were expended as reported and were used to develop and conduct a leadership development initiative for high school youth.

B. Program Results

Our review of the Brushy Fork Institute, East Kentucky Leadership Network/Youth Leadership Program indicated that the objectives of the grant are being met.

C. Other Comments

FINDING

1. Brushy Fork Institute entered into several contracts with various entities that did not contain all the terms and conditions as required by OMB Circular A-110.

RECOMMENDATION

We recommend that Brushy Fork Institutes' contracts with outside entities contain all the clauses required by OMB Circular.

GRANTEE RESPONSE

"In regard to the need to incorporate the relevant clauses of the ARC contract by including them in the subcontracts, we can certainly do this in the future. However, I would like to point out that we had endeavored to cover this by including the following language in our subcontract form:

All activities under this subcontract will be carried out in accordance with the following:

- a. *The ARC grant contract for this project (ARC contract #KY-12687-RI-97);*
- b. *The proposal to ARC for funding for this project (Youth Leadership Program Proposal, dated February 19, 1997);*
- c. *The Youth Leadership Program budget;*
- d. *The subcontract proposal and budget as approved by EKLN.*

By this reference, the above cited documents are included as part of this subcontract agreement. In the event of any conflict between these, they will be given precedence according to the order indicated above.

I am not contesting the validity of your comment on this, but simply wish to demonstrate that we had made a “good faith” effort to meet this requirement.”

FINDING

2. Brushy Fork Institute did not submit their quarterly progress reports timely. Some submissions covered as many as four quarters.

RECOMMENDATION

We recommend that the Brushy Fork Institute submit their quarterly progress reports timely as required by the Appalachian Regional Commission.

GRANTEE RESPONSE

“I concur that the timeliness of our reporting to ARC has been a consistent problem. From my perspective, this is due primarily to staffing issues here. Over the last year, we have been working to implement a new accounting system and a reorganization of our staffing which I believe will result in more timely reporting in the future. However, as we had planned to add another staff position here, implementation of this reorganization has been hampered by the current economic downturn and its impact on Berea College and our other funding sources. Nonetheless, we are moving forward with those elements of the plan that can be effected without additional staff and we are seeing improvements as a result.”

FINDING

3. The Brushy Fork Institute generated contracts related income of \$3,950 which was not offset on their Request for Reimbursement forms. Per Article 12 of the Appalachian Regional Commission’s General Contract and Administrative Provisions in the progress and final reports required by their contract.

RECOMMENDATION

We recommend that the Brushy Fork Institute report all contract related income as required under the contract.

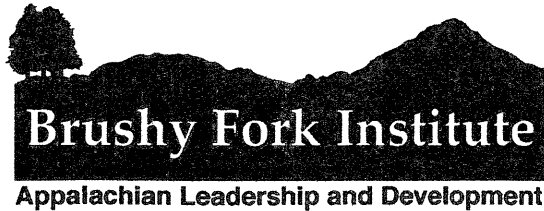
GRANTEE RESPONSE

“I agree that the registration fees we have received from the participants should have been included as project income on the Form 270’s for the quarters in which we received that income. These will be shown as income on a subsequent Form 270. This should not affect the total amount billable to ARC in the final report.”



Tichenor & Associates, LLP
Louisville, Kentucky
February 20, 2003

**ATTACHMENT A
GRANTEE RESPONSE**



March 13, 2003

Mr. Tommy Richie
Tichenor and Associates, LLP
105 Diagnostic Drive
Suite B
Frankfort, KY 40601

Dear Mr. Richie:

It was good to have the chance to talk with you this morning and to get your comments on the audit of our ARC grant for the EKLN project (ARC contract #KY-12687-RI-97). Regarding these comments, I would like to share the following responses:

1. I concur that the timeliness of our reporting to ARC has been a consistent problem. From my perspective, this is due primarily to staffing issues here. Over the last year, we have been working to implement a new accounting system and a reorganization of our staffing which I believe will result in more timely reporting in the future. However, as we had planned to add another staff position here, implementation of this reorganization has been hampered by the current economic downturn and its impact on Berea College and our other funding sources. Nonetheless, we are moving forward with those elements of the plan that can be effected without additional staff and we are seeing improvements as a result.
2. I agree that the registration fees we have received from the participants should have been included as project income on the Form 270's for the quarters in which we received that income. These will be shown as income on a subsequent Form 270. This should not affect the total amount billable to ARC in the final report.
3. In regard to the need to incorporate the relevant clauses of the ARC contract by including them in the subcontracts, we can certainly do this in the future. However, I would like to point out that we had endeavored to cover this by including the following language in our subcontract form:

All activities under this subcontract will be carried out in accordance with the following:

- a. The ARC grant contract for this project (ARC contract #KY-12687-RI-97);*
- b. The proposal to ARC for funding for this project (Youth Leadership Program Proposal, dated February 19, 1997);*

- c. The Youth Leadership Program budget;*
- d. The subcontract proposal and budget as approved by EKLN.*

By this reference, the above cited documents are included as part of this subcontract agreement. In the event of any conflict between these, they will be given precedence according to the order indicated above.

I am not contesting the validity of your comment on this, but simply wish to demonstrate that we had made a “good faith” effort to meet this requirement.

It was a pleasure working with you. Please let me know if you need any further information.

Sincerely,

Peter J. Hille
Director

[transmitted via email]