



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past.
A New Vision*

Office of Inspector General

March 30, 2004

MEMORANDUM FOR **Federal Co-Chair
ARC Executive Director**

SUBJECT: **OIG Report 04-07
ARC Grant SC-13089 and SC-13782**

Enclosed is a copy of our report dealing with two grants to the South Carolina
Appalachian Council of Governments in connection with the Entrepreneurial Revolving
Loan Fund Projects.

There were no findings involved, therefore no response is necessary.

Clifford H. Jennings
Inspector General

Enclosure

cc: Director, Program Operations
 RLF Program Manager
 South Carolina State Alternate
 South Carolina ARC Program Manager



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OIG REPORT 04-07

**MEMORANDUM FOR: FEDERAL CO-CHAIR
ARC EXECUTIVE DIRECTOR**

SUBJECT: Memorandum Report
South Carolina Appalachian Council of Governments
Review of Entrepreneurial Revolving Loan Fund Projects
SC-13089 and SC-13782

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 projects.

SCOPE

Our review included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Greenville, South Carolina on February 10, 2004 to February 13, 2004. 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-110 and A-122, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

BACKGROUND

The ARC grants were awarded to the South Carolina Appalachian Council of Governments (SCACOG) to provide funds to assist small business start-ups and expansion in the South Carolina Appalachian region. Grant No. 13089 was to serve the Anderson, Cherokee, Oconee and Pickens Counties; Grant No. 13782 was to serve the counties of Anderson, Cherokee, Oconee, Pickens plus Spartanburg. An earlier grant included the Greenville county.

The grantee was to assure that each loan under this agreement was matched up to at least 60% of projects costs. ARC funds for the grants included:

<u>Grant No.</u>	<u>Total Obligated</u>	<u>Balance</u>	<u>Start Date</u>
13089-B	\$ 425,000	0	9/25/1998
13782	<u>2,000,000</u>	\$ <u>65,000</u>	9/25/2000
Total	\$2,425,000	\$ 65,000	

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 drawdown for grant 13089-B was dated October 6, 2000, for \$200, leaving a balance of \$0; and for grant 13782 the last drawdown was dated February 12, 2004, for \$200,000, leaving a balance of \$65,000.

Costs for administering the grants are paid by the interest earned on the loans. Interest funds left over after paying the administration costs are added to the pool of funds available for additional loans, thus the program becomes self supporting. ARC funds are drawn down for each loan only after the loan has been approved and is ready for distribution, reducing the possibility of unnecessary cash balances on hand.

The SCACOG uses ARC funds to complement private banking loans and owner's collateral, making the matching well above the required 60%.

All direct expenses are allocated to each program and indirect costs are based on each program's direct salaries in proportion to total salaries. The Revolving Loan Fund grants remain open after all ARC funds have been drawn down and continue to remain under ARC oversight.

Program Review

The two grants currently have 20 loans open and the grantee is working on future loans as funds become available. The application for the latest loan of \$200,000, states they will hire 52 new employees over the next two years.

Site visits were made to three client's establishments. All had met or exceeded their employment and matching requirements. All three stated they could not have expanded their businesses and increased employment without ARC involvement.

The ARC Program Coordinator makes regular visits to ensure all documentation is in order and he also approves each loan request.

This program has met the goals of the grant.

A handwritten signature in black ink, appearing to read "Clifford H. Jennings", with a large, stylized flourish at the end.

Clifford H. Jennings
Inspector General