



APPALACHIAN
REGIONAL
COMMISSION

*A Proud Past,
A New Vision*

Office of Inspector General

April 23, 2007

Memorandum for: The Federal Co-Chair
ARC Executive Director

Subject: OIG Report 07-04
Review of Alabama Department of Education
Access Alabama—Connecting Classrooms, Educators & Students
Statewide, ARC Grant number: AL-15151-05
Montgomery, Alabama

Attached is the report dealing with the subject grant to the Alabama Department of Education. The grant period is from October 1, 2005 through July 1, 2007. As of January 30, 2007, ARC has made two payments totaling \$899,895.

The report contains two recommendations both of which have been responded to sufficiently for the report to be closed.

Clifford H. Jennings
Inspector General

Attachment

cc: Director for Program Operations
Director for Finance and Administration

**MEMORANDUM REPORT ON REVIEW OF
ALABAMA DEPARTMENT OF EDUCATION
MONTGOMERY, ALABAMA**

**ACCESS ALABAMA – CONNECTING CLASSROOMS,
EDUCATORS & STUDENTS STATEWIDE**

ARC Grant Number: AL-15151-05

Grant Period: October 1, 2005 through July 1, 2007

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: 07-04

Date: April 17, 2007

**MEMORANDUM REPORT ON REVIEW OF
ALABAMA DEPARTMENT OF EDUCATION
MONTGOMERY, ALABAMA**

**ACCESS ALABAMA – CONNECTING CLASSROOMS,
EDUCATORS & STUDENTS STATEWIDE**

ARC Grant Number: AL-15151-05

Grant Period: October 1, 2005 through July 1, 2007

Prepared By:

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

TICHENOR & ASSOCIATES, LLP

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

304 MIDDLETOWN PARK PLACE, SUITE C
LOUISVILLE, KENTUCKY 40243

BUSINESS: (502) 245-0775

FAX: (502) 245-0725

E-MAIL: WTICHENOR@TICHENORASSOCIATES.COM

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: 07-04

SUBJECT: Memorandum Review Report on Alabama Department of
Education, ACCESS Alabama – Connecting Classrooms,
Educators & Students Statewide, ARC Grant Number: AL-15151-
05.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to the Alabama Department of Education for its ACCESS Alabama grant 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 are being met.

BACKGROUND: ARC awarded Grant Number AL-15151-05 to the Alabama Department of Education for the period October 1, 2005 through July 1, 2007. Total grant funding was for an amount not to exceed \$1,000,000 or 49 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$1,054,771 or 51 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. As of January 30, 2007, ARC has made two payments to the Alabama Department of Education totaling \$899,895.

The grant is to provide funds to support a project designed to provide access to advanced educational programming for students in Appalachian Alabama through the use of videoconferencing equipment in the classroom.

The project underwrites the acquisition of desktop computers, laptop computers, software, videoconferencing equipment, and other necessary electronic equipment needed

to provide enhanced educational programming along with the necessary training of teachers on how to use the equipment. The ARC grant also underwrites travel costs, salaries, fringe benefits, contract services, supplies, and indirect costs. A minimum of twelve school computer labs / videoconferencing classroom sites are required to come on-line as a result of this project.

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 agreed-upon procedures previously discussed with the ARC, OIG. Specifically, we determined if the tasks described above were being performed, if the accountability over ARC funds is sufficient as required by applicable Office of Management and Budget (OMB) Circulars, and if the Alabama Department of Education was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Alabama Department of Education personnel. Our results and recommendations are based upon those procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results are based on our review performed at the Alabama Department of Education in Montgomery, Alabama, on January 23, 2007 through January 30, 2007.

A. Incurred Costs

Alabama Department of Education's financial records report total program costs of \$1,912,736 for the period from October 1, 2005 to September 30, 2006. Of these costs, \$899,895 (47%) was attributed to ARC expenditures, with the remaining \$1,012,841 (53%) attributed to matching and in-kind expenditures.

During the course of the audit, we reviewed the direct, indirect, and in-kind costs claimed and determined that the funds had been expended as shown in the financial records.

B. Internal Controls

During the course of the audit, we reviewed the Alabama Department of Education's system of internal controls. Two areas of weakness were identified that could have affected the accountability of costs or compliance with the terms of the grant agreement.

1. Internal Control over Receipts

Proper internal control procedures require that all receipts be posted to the appropriate account in a timely manner.

A \$312,439 request for payment was submitted to the ARC on October 20, 2006 for the period ended September 30, 2006. The ARC processed the payment by ACH on November 20, 2006. The ACH was sent to a bank account controlled by the State

Treasurer. At the start of the audit on January 23, 2007, the Alabama Department of Education could not locate the funds. On January 24, 2007, the State Treasurer determined that the funds had been posted to the Alabama Department of Corrections' account in error and correctly posted the funds to the Alabama Department of Education's account.

Recommendation:

We recommend that ARC require that the Alabama Department of Education implement a system to monitor incoming receipts and follow up with the ARC and the State Treasurer if the receipt is not posted in a timely manner.

ARC's Response:

ARC believes that Alabama Department of Education has instituted the necessary internal control procedures to ensure the proper and timely posting of future ARC funds to the proper account. (See Appendix A – ARC's Response.)

Auditor's Comment:

Actions have been taken to ensure the proper and timely posting of future ARC funds to the proper account. As a result, the recommendation is considered closed.

2. Sub-grantee Monitoring

OMB Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, Attachment A, Part C (Basic Guidelines) states that, to be allowable under Federal awards, costs must be adequately documented. Additionally, the ARC Grant Agreement: General Provisions (Part II), Article 11 (Method of Payment) also states that all disbursements shall be supported by contracts, invoices, vouchers and other data, as appropriate.

The Alabama Department of Education does not require its sub-grantees to submit vendor invoices for equipment purchases when requesting ARC funds, nor does it review the vendor invoices during a monitoring visit. Also, Alabama Department of Education does not conduct a physical inventory of equipment that is purchased with ARC funds by its sub-grantees.

Recommendation:

We recommend that ARC require that the Alabama Department of Education either require its sub-grantees submit vendor invoices prior to reimbursement or have a program official review the vendor invoices during a monitoring visit. We also recommend that a program official be required to conduct an annual physical inventory to ensure that the equipment purchased with ARC funds is available and being used in accordance with the grant agreement.

ARC's Response:

ARC states that Alabama Department of Education agreed to institute the review of individual vendor invoices when monitoring is being done at sub-grantee sites. Also, Alabama Department of Education management will conduct site visits to ensure that equipment purchased with ARC funds is in place and being used as intended. (See Appendix A – ARC's Response.)

Auditor's Comment:

Actions have been taken to ensure the review of individual vendor invoices and that equipment purchased with ARC funds is available and being used in accordance with the grant agreement. As a result, the recommendation is considered closed.

C. Program Results

Our review of the Alabama Department of Education's ACCESS Alabama grant indicated that the specific objectives identified in the grant are being achieved.

Tichenor & Associates, LLP

Tichenor & Associates, LLP

Louisville, Kentucky

January 30, 2007

**APPENDIX A
ARC'S RESPONSE**



April 3, 2007

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

RE: Draft Audit on AL-15151-05 – Access Alabama

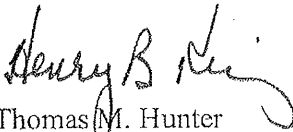
Dear Mr. Tichenor:

The Appalachian Regional Commission is in receipt of your Draft Audit on the above referenced project. The ARC Project Coordinator for the project, Harry L. Roesch, has discussed your findings with the grantee by telephone, and the grantee has provided responses to the two audit questions that were raised in the audit done by Matt Mitchell of your staff.

Mr. Roesch has subsequently discussed the formal response to the audit questions with the grantee, and their response is considered satisfactory [see attached response]. ARC believes the grantee has instituted the necessary internal control procedures to ensure the proper and timely posting of future ARC funds to the proper account in State Government; also the grantee has already instituted the review of the individual vendor invoices when monitoring is being done at the respective sub-grantee sites.

Based on this information your office can now provide a clear audit statement on this project.

Sincerely,

for 
Thomas M. Hunter
Executive Director

CC: H. Roesch
C. Jennings
B. Durham
C. Ham

Roesch, Harry

From: Ham Cynthia [cham@ALSDE.edu]
Sent: Monday, March 19, 2007 12:00 PM
To: Roesch, Harry
Cc: Maddox Melinda; Donaldson Martha; Guettler Vera; Heartsill Tina; Ham Cynthia
Subject: ARC Audit Response

In response to the Audit of Appalachian Regional commission Grants AL 15-151-I and AL 15-151-C1 conducted by Mr. Matt Mitchell of Tichenor & Associates, LLP, The Alabama Department of Education would like to respond to the two recommendations that were discussed in the exit interview.

1. Internal Control over Receipts

Once payment request is filled out and submitted by mail to Mr. Harry Roesch, Senior Telecommunications Advisor, ARC Commission, the Project Manager, Mrs. Cynthia Ham, will follow up with a phone call and/or email to inform Mr. Roesch that a payment request has been made. Once the payment request has been received, authorized and processed for payment, Mr. Roesch will inform Mrs. Ham, by phone and/or email that the payment has been processed and should be received within a specific time frame. Mrs. Ham will notify SDE Accounting and SDE Accounting will notify the State Treasurer's Office that a payment from ARC is anticipated to be deposited into account # - - - -. Once the deposit is received, SDE Accounting will notify Mrs. Ham that the payment has been received, who will then in turn notify Mr. Roesch that the payment was posted to the correct account.

2. Subgrantee Monitoring

Each grant, AL 15-151-I and AL 15-151-C1, involved the awarding of money to be used for ordering equipment for twelve sites. Each site, the sub-grantees, understood that a preset group of equipment had to be bid off Alabama's State Joint Purchasing Contract list. Each sub-grantee was awarded the same amount of money and purchased the same types of equipment through guidelines given by the State Department of Education. During the exit interview with Mr. Matt Mitchell of Tichenor & Associates, a verbal plan was put in place to add the monitoring of all ACCESS Distance Learning grant recipients (not just the ARC sites) to the form used by State Monitoring Teams in monitoring a school system. This monitoring will include checking invoices, inventory of equipment, and seeing the room and equipment setup. The present monitoring form is being reworked to include the monitoring of the ACCESS sites. In addition to the State Monitoring of the grant recipients, the Project Manager, Mrs. Cynthia Ham, along with two other SDE ACCESS staff, John Halbrooks and Meg Lowry, will conduct a site visit, in our assigned regions, to ensure that the equipment is in place and is being used as it was intended. This information will be included in the 120 day reports.

Cindy

Cynthia B. Ham, Distance Learning Specialist
ACCESS Distance Learning/Technology Initiatives
5351 Gordon Persons Building
P. O. Box 302101
Montgomery, AL 36130-2101
Phone: 334-242-9594
Fax: 334-353-5886

3/19/2007