



April 7, 2008

Memorandum for: The Federal Co-Chair
ARC Executive Director

Subject: OIG Report 08-08
Memorandum Report on Review of
Pickens County Board of Education
Carrollton, Alabama
Pickens County Fiber Optic Network to Fayette County
ARC Grant Number: AL-14835-0-I

Attached is the report dealing with the review of compliance with ARC Grant Number:
AL-14835-0-I.

The report contains two recommendations which are considered closed based on ARCs actions based on the draft report. The report is now closed.

ARC additionally noted that it will take steps to put on training for its staff on issues relating to grantee non-compliance with grant agreements and pertinent OMB circulars and in fact has already begun the process by having staff meetings and working with OMB to schedule training sessions.

All 23.23 miles of fiber optic line has been installed and is being used by the county's schools for distance learning classes.

This report is also among the first reports being issued by my office without printed copies in keeping with the move at ARC towards becoming more "green" and performing as many tasks online and electronically as possible.

Clifford H. Jennings
Inspector General

Attachment

**MEMORANDUM REPORT ON REVIEW OF
PICKENS COUNTY BOARD OF EDUCATION
CARROLLTON, ALABAMA**

PICKENS COUNTY FIBER OPTIC NETWORK TO FAYETTE COUNTY

ARC Grant Number: AL-14835-0-I

Grant Period: July 1, 2004 through January 1, 2006

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: 08-08

Date: April 3, 2008

**MEMORANDUM REPORT ON REVIEW OF
PICKENS COUNTY BOARD OF EDUCATION
CARROLLTON, ALABAMA**

PICKENS COUNTY FIBER OPTIC NETWORK TO FAYETTE COUNTY

ARC Grant Number: AL-14835-0-I

Grant Period: July 1, 2004 through January 1, 2006

Prepared By:

**Tichenor & Associates, LLP
Certified Public Accountants
304 Middletown Park Place, Suite C
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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: 08-08

SUBJECT: Memorandum Review Report on Pickens County Board of
Education, Pickens County Fiber Optic Network to Fayette
County, ARC Grant Number: AL-14835-0-I.

PURPOSE: The purpose of our review was to determine if (a) the total funds provided to the Pickens County Board of Education for its Pickens County Fiber Optic Network to Fayette County 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-14835-0-I to the Pickens County Board of Education for the period July 1, 2004 through January 1, 2006. Total grant funding was for an amount not to exceed \$108,000 or 80 percent of actual, reasonable, and eligible project costs. ARC required that the grant be matched with \$27,000 or 20 percent in cash, contributed services, or in-kind contributions, as approved by the ARC. The ARC made two payments totaling \$108,000. ARC closed out the grant after the final payment was made on January 30, 2006.

The purpose of the grant was to provide funds to support a project designed to aid in closing gaps in the Pickens County fiber optic network. The grant underwrote the deployment of 23.23 miles of fiber optic line. The school system has exclusive use of twelve strands of fiber optic service with direct access to Bevill State Community College. By means of the new lines, the College is able to provide a variety of courses including: dual enrollment classes, adult educational programming, workforce training

programs, and other community and economic development programming. The project is part of the ARC's overall goal to assist the region to be able to connect and utilize the Information Highway to promote economic and human resource development.

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 Pickens County Board of Education was in compliance with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Pickens County Board 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 Pickens County Board of Education in Carrollton, Alabama, on December 17, 2007 through December 19, 2007.

A. Incurred Costs

The Pickens County Board of Education's financial records report total program costs of \$135,145 for the period from July 1, 2004 through January 1, 2006. Of these costs, \$108,000 (80%) was attributed to ARC expenditures, with the remaining \$27,145 (20%) attributed to matching and in-kind expenditures.

During the course of the review, we reviewed the direct and matching costs claimed and determined that the funds had been expended as shown in the financial records.

B. Internal Controls

During the course of the review, we reviewed the Pickens County Board 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. Approved Grant Budget

The ARC Grant Agreement: Special Provisions (Part I), Article 5 (Budget) states that "Costs will be determined in general accord with a budget, which the grantee shall submit to the ARC within 30 days after executing this grant agreement. Upon ARC approval, grantee's budget shall be attached to and incorporated into this agreement as Supplement B to Part I, subject to the terms of this grant agreement and to pertinent ARC Code Provisions."

An approved grant budget could not be located in the ARC's files or the grantee's files. However, all work was completed according to the budget that was submitted with the grant application.

✓ Recommendation:

We recommend that, for future grants, the ARC require the Pickens County Board of Education to submit all documentation required under the grant agreement and in the appropriate timeframe.

Grantee's Response:

Pickens County Board of Education stated that with all future grants they will submit all documentation required under the grant agreement to meet the provisions of the ARC Grant Agreement. (See **Appendix A** – Grantee's Response. Also see **ARC's Response**, below.)

2. Completion of Progress Reports

The ARC Grant Agreement: Special Provisions (Part I), Article 3 (Reports) requires the completion of a progress report for each 120-day period as well as a final report upon project completion.

The grantee only submitted three interim progress reports during the eighteen month grant period. These reports were not submitted in 120-day intervals, but rather when extensions were requested from the ARC. A final report was submitted upon project completion.

✓ Recommendation:

We recommend that ARC require the Pickens County Board of Education to complete progress reports in a timely manner on any future ARC grants.

Grantee's Response:

Pickens County Board of Education stated that they will complete reports on future grants in a timely manner as specified in the ARC Grant Agreement. (See **Appendix A** – Grantee's Response. Also see **ARC's Response**, below.)

ARC's Response

ARC concurred with both of our recommendations and notified Pickens County Board of Education that if they apply for funding in the future, strict compliance with the grant agreement will be required.

Additionally, the ARC Programs Operations Division has scheduled a staff meeting to discuss their current grant agreement, issues of grantee non-compliance, and ongoing staff training on pertinent OMB circulars related to ARC grants. (See **Appendix B – ARC's Response.**)

Auditor's Comment

Both ARC and the grantee have agreed to both of our recommendations. Additionally, ARC has agreed to take steps to train its staff on issues relating to grantee non-compliance with grant agreements and pertinent OMB circulars. As a result, our recommendations are considered closed.

C. Program Results

Our review of the Pickens County Board of Education's Pickens County Fiber Optic Network to Fayette County grant indicated that the specific objectives identified in the grant were achieved. All 23.23 miles of fiber optic line has been installed and is being used by the county's schools for distance learning classes.

Tichenor & Associates, LLP

Tichenor & Associates, LLP
Louisville, Kentucky
December 19, 2007

APPENDIX A
GRANTEE'S RESPONSE

PICKENS COUNTY BOARD OF EDUCATION

377 LaDow Center Circle
P.O. Box 32
Carrollton, Alabama 35447

Leonard Duff, Ph.D.
Superintendent

Phone 205-367-2080
Fax 205-367-8404

February 21, 2008

MEMORANDUM

TO: Appalachian Regional Commission (ARC)

FROM: Pickens County Board of Education

RE: Response to Report on Pickens County Board of Education, Pickens County Fiber Optic Network to Fayette County, ARC Grant Number AL-14835-0-I

The following is a response to the two areas of weakness identified by the review performed on December 17, 2007 through December 19, 2007 for ARC Grant Number AL-14835-0-I.

Approved Grant Budget

The ARC Grant Agreement: Special Provisions (Part I), Article 5 (Budget) states that "Cost will be determined in general accord with a budget, which the grantee shall submit to the ARC within 30 days after executing this grant agreement. Upon ARC approval, grantee's budget shall be attached to and incorporated into this agreement as Supplement B to Part I, subject to the terms of this grant agreement and to pertinent ARC Code Provisions". An approved grant budget could not be located in the ARC's files or the grantee's files. However, all work was completed according to the budget that was submitted with the grant application.

Recommendation:

We recommend that, for future grants, the ARC require the Pickens County Board of Education to submit all documentation required under the grant agreement and in the appropriate timeframe.

Response:

With all future grants the Pickens County Board of Education will submit all documentation required under the grant agreement to meet the provisions of the ARC Grant Agreement.

Completion of Progress Reports

The ARC Grant Agreement: Special Provisions (Part I), Article 3 (Reports) requires the completion of a progress report for each 120-day period as well as final report upon project completion

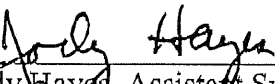
The grantee only submitted three interim progress reports during the eighteen month grant period. These reports were not submitted in the 120-day intervals, but rather when Extensions were requested from the ARC. A final report was submitted upon project completion.

Recommendation:

We recommend that ARC require the Pickens County Board of Education to complete progress reports in a timely manner on any future ARC grants.

Response:

Pickens County Board of Education will complete reports on future grants in a timely manner as specified in the ARC Grant Agreement.



Jody Hayes, Assistant Superintendent

APPENDIX B
ARC'S RESPONSE



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

March 18, 2008

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

RE: Draft Audit on AL-14835 – Pickens County Fiber Optic Network to Fayette County

Dear Mr. Tichenor:

The Appalachian Regional Commission is in receipt of your draft audit on the above referenced project, performed by Matt Mitchell of your staff. The ARC coordinator for the project, Harry L. Roesch, has discussed your findings with the grantee. The project's director, Jody Hayes, has provided a response (see attached) to the recommendations made in the audit, and Mr. Roesch has subsequently discussed the response to the audit recommendations with the grantee.

ARC concurs with both recommendations found in the draft audit, and the Pickens County Board of Education has been notified that if they apply for funding in the future strict compliance with our grant agreement will be required. In addition, a meeting has been scheduled for March 24, 2008 with the ARC Program Operations Division staff to discuss our current grant agreement, issues of grantee non-compliance, and ongoing staff training on pertinent OMB circulars related to ARC grants.

Based on the information that has been submitted by the grantee ARC is satisfied with their response to your specific audit questions.

Sincerely,

Henry B. King, PhD
Director, Program Operations Division

cc: Clifford Jennings
Thomas Hunter
Bonnie Durham
Harry Roesch