March 7, 2011

TO: Federal Co-Chair
ARC Executive Director

FROM: Clifford Jennings
ARC Inspector General

SUBJECT: Compliance Audit of Kentucky Highlands Investment Corporation Energy, Technology and Services Business Accelerator, ARC Grant KY-15648-07
OIG Report Number, 11-02

GRANTEE: Kentucky Highlands Investment Corporation

The OIG engaged Tichenor & Associates, LLP, Certified Public Accountants, to conduct an audit of a grant made to Kentucky Highlands Investment Corporation. The grant was made for the purposes of providing funding for the development and feasibility testing of a business incubator service which would provide intensive technical assistance to start up businesses.

The grant period covered by the audit was from September 1, 2007 through August 31, 2009. The report had five recommendations; management concurred with three of the recommendations and declined to require the grantee to implement the other two. Since management's action was final, the auditor closed all recommendations.

In connection with the audit of Kentucky Highlands Investment Corporation Energy, Technology and Services Business Accelerator grant, conducted by Tichenor & Associates, LLP, the OIG does not express an opinion on Kentucky Highlands Investment Corporation, Energy, Technology and Services Business Accelerator's activities, internal controls, or conclusions on compliance with laws and regulations. The OIG had no involvement in the review of Kentucky Highlands Investment Corporation Energy, Technology and Services Business Accelerator grant. The OIG's involvement was with Tichenor & Associates, who was contracted to audit and report on grant compliance and other matters as outlined in the report's scope section. Tichenor & Associates is responsible for the attached auditor's report and the opinions, conclusions, and recommendations expressed in the report.

Clifford H. Jennings
Inspector General
Attachment