



**APPALACHIAN
REGIONAL
COMMISSION**

*A Proud Past,
A New Vision*

Office of the Inspector General


August 16, 2000

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director
ARC General Counsel

SUBJECT: OIG Reports 00-27(H), 00-32(H), 00-37(H), 00-38(H), and 00-49(H);
Grants KY-12421, AL-12306, KY-13127, KY-13016, and KY-12300

Enclosed are reports dealing with grants for an enhanced 911 system, a leadership development project, equipment for the Challenger Learning Center, strategic planning, and women in leadership.

The primary issue relates to grant AL-12306 Youth Leadership Incubator and the use of funds on pre-and post-student testing and surveys, which were not identified in the project scope, at the expense of activities intended to evaluate the project impact in schools, homes, churches, and communities and institutionalize the program at Auburn University.


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae

**MEMORANDUM REPORT ON REVIEW OF THE
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
LEXINGTON, KENTUCKY**

Challenger Learning Center of Kentucky

ARC Grant No: KY-13127-I-302-98

July 1, 1998 through June 30, 1999

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom on 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: 00-37 (H)

Date: July 25, 2000

**MEMORANDUM REPORT ON REVIEW OF THE
UNIVERSITY OF KENTUCKY RESEARCH FOUNDATION
LEXINGTON, KENTUCKY**

Challenger Learning Center of Kentucky

ARC Grant No: KY-13127-I-302-98

July 1, 1998 through June 30, 1999

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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 No. 00-37 (H)

SUBJECT TO: Memorandum Review Report on the University of Kentucky Research
Foundation, Challenger Learning Center of Kentucky, Hazard, Kentucky.
ARC Grant No: KY-13127-I-302-98.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the University of Kentucky Research Foundation for its Challenger Learning Center of Kentucky initiative 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) the objectives of the grant had been met.

BACKGROUND: ARC awarded the University of Kentucky Research Foundation Grant Number KY-13127-I-302-98 for the period July 1, 1998 through June 30, 1999 to purchase computer and related equipment for the implementation of the Challenger Learning Center of Kentucky. The Center is to be one of thirty centers in the nation and the first one located in a rural area. The purpose is to encourage long-term interest in math, science and technology and to motivate students to pursue careers in these fields. The Challenger Learning Center of Kentucky will operate under the direction of Hazard Community College and a Challenger Learning Center

Board of Directors.

The specific tasks were to:

1. Purchase the required high tech simulation equipment to establish the Challenger Learning Center of Kentucky.
2. The CLCK curriculum and mission activities will be completed by 8,000 sixth grade students in the initial year.
3. There will be 250 teachers trained in curriculum development for CLCK.
4. There will be a projected 10% increase in Kentucky Academic Testing Scores (KATS) in the math/science area for the 8,000 participating sixth grade students when they are tested in the eighth grade. At least 125 of the trained teachers will show improved KATS scores for their math/science classes that participate.

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 procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if tasks 1 – 3 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 University of Kentucky Research Foundation had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the University of Kentucky Research Foundation's personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at Hazard Community College offices in Hazard, Kentucky on April 5, 2000, and University of Kentucky offices in Lexington, Kentucky on April 6, 2000.

A. Incurred Costs

The University of Kentucky Research Foundation incurred total program costs of \$880,796, of which they claimed direct reimbursable costs from July 1, 1998 through June 30, 1999 of \$700,000 and in-kind costs of \$180,796. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported by the University of Kentucky Research Foundation.

B. Internal Controls

We did not identify any internal control weakness that could have affected the accountability of costs or compliance with the terms of the grant agreement.

C. Program Results

Our review of the University of Kentucky Research Foundation, Challenger Learning Center of Kentucky, indicated all specific tasks identified in the grant award, and summarized above, had been achieved, except for task number 4, which will be completed at a future date when the results are available. We calculated that approximately 8,033 students had completed the CLCK curriculum and mission activities and 337 teachers had completed training during the initial year. This exceeded the goal of 8,000 students and 250 teachers completing the curriculum during the initial year.

DISCUSSION:

We discussed these issues with the University of Kentucky Research Foundation's management during an exit conference held on April 6, 2000. We explained the report finalization process. Management had no other specific comments.

TICHENOR & ASSOCIATES, LLP
Louisville, Kentucky
April 6, 2000