



**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.

A handwritten signature in cursive script that reads "Hubert N. Sparks".

Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae

**MEMORANDUM REPORT ON REVIEW OF THE
KENTUCKY DEPARTMENT OF LOCAL GOVERNMENTS
FRANKFORT, KENTUCKY**

**Kentucky Appalachian Community Development Initiative Enhanced
Planning Services Project**

ARC Grant No: KY-13016-I-302-98

May 1, 1998 through February 29, 2000

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: 00-38(H)

Date: August 9, 2000

**MEMORANDUM REPORT ON REVIEW OF THE
KENTUCKY DEPARTMENT OF LOCAL GOVERNMENTS
FRANKFORT, KENTUCKY**

**Kentucky Appalachian Community Development Initiative Enhanced
Planning Services Project**

ARC Grant No: KY-13016-I-302-98

May 1, 1998 through February 29, 2000

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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. 00-38(H)

SUBJECT TO: Memorandum Review Report on Kentucky Department of Local
Governments (DLG), Kentucky Appalachian Community Development
Initiative Enhanced Planning Services Project, Frankfort, Kentucky, ARC
Grant No: KY-13016-I-302-98.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by DLG for its Kentucky Appalachian Community Development Initiative Enhanced Planning Services Project were expended in accordance with the ARC approved grant budgets 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 Grant Number KY-13016-I-302-98 to DLG for the period May 1, 1998 through February 29, 2000. The purpose of the grant was to provide funds to the DLG to engage in comprehensive strategic planning efforts for the distressed communities of Knott County and Letcher County, Kentucky. The efforts were to encourage distressed communities to turn to their heritage and culture in the development of a vision for their economic future.

The ARC grant was for a total of \$240,000, or 80 percent of actual, reasonable and eligible project cost. Local matched funds totaling \$60,000 represented 20 percent of total project funding.

The following specific tasks were to be performed:

1. The Design Team would conduct an inventory analysis of needs through site visits, meetings, interviews and the collection of all available information. This includes the study of a) Infrastructure Development and Improvement, b) Human Resources, c) Job Opportunities, d) Public and Private Sector Collaboration, e) Housing, and f) Tourism Development.
2. The Design Team would develop alternative development strategies, addressing the above components and estimated costs. After presentation to the Community Development Initiative Committee and the Jenkins City Council, a conceptual development strategy would be chosen and further developed.
3. A detailed sequential plan of action would be developed. A draft land use proposal would be coordinated with public and private sector initiatives.
4. The Design Team would proceed with a final plan, including a detailed development strategy which blends public investment opportunities with private sector activities.

SCOPE: We performed a 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 the tasks 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 DLG had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with DLG'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 DLG executive offices in Frankfort, Kentucky on July 24 and July 26, 2000.

A. Incurred Costs

DLG incurred total program costs of \$301,368, of which they claimed and received direct reimbursable costs from May 1, 1998 through February 29, 2000 of \$240,000 from the ARC grant. We reviewed the direct and in-kind costs incurred and determined that the costs claimed by DLG were properly supported, allowable and were expended as reported. However, five of six progress reports required by the grant agreement were not submitted to ARC. This issue is

discussed below.

B. Internal Controls

We determined that the Grantee had the following internal control weakness that affected the accountability of costs or compliance with the terms of the grant agreement:

1. Five of Six Progress Reports Were Not Submitted to the ARC

During the period of the grant, five of six progress reports were not prepared and submitted to the ARC as required by the terms and conditions of the grant agreement.

Grant Agreement, Section 3, Reports, states:

“A progress report for each 120-day period and a final report are required under this agreement.”

The grantee did submit a final report.

RECOMMENDATION:

We recommend that the DLG submit required progress reports for all future projects financed by federal grant funds.

C. Program Results

1. Our review of the DLG, Kentucky Appalachian Community Development Initiative Enhanced Planning Services Project, indicated that all specific tasks identified in the grant award notification, as summarized above, had been achieved.

DISCUSSION:

We discussed the issues with DLG management during an exit conference held on July 26, 2000. Management responded by stating that they were aware that the required project progress reports were not submitted to ARC.

Tichenor & Associates, LLP

TICHENOR & ASSOCIATES, LLP

Louisville, Kentucky

July 26, 2000