



October 13, 2000

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

SUBJECT: OIG Reports

The following reports are forwarded:

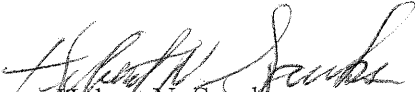
- 00-6(H) NC-7780-76/77 Technical Assistance
- 00-9(H) MD-12355 Export Expansion
- 00-25(H) VA-12337 Leadership and Civic Development
- 00-40(H) WV-12696 Training, Wood Technology Center
- 00-41(H) WV-11311 Mountaineer Food Bank
- 00-43(H) TN-12461 Telecommunications Initiative
- 00-44(H) KY-12872 Training Welfare Recipients
- 00-55(H) NY-12870 Meat Processing Services to Small Producers
- 00-56(H) NY-13307 Technical Assistance to Producers
- 0057(H) NY-13107 Electronic Communications
- 00-59(H) TN-12858 Communication and Technology System
- 00-60(H) CO-12988 Assist Displaced Employees

In most cases, the reviews disclosed no matters needing further attention. Reports and issues for which followup action is appropriate included:

- 00-6(H) —NC-7780, Technical Assistance. Open issues pertain to conference travel, documentation of charges, budgeting process, timely reporting, and deobligations.
- 00-9(H) —MD-12355, Expand Exports through Creation of an International Trade Assistance Center. Open issues pertain to costs questioned by the grantee's independent auditor (\$59,295) and a duplicate payment.
- 00-40(H) —WV-12696, Expand Training and Services Offered at the Wood Technology Center. Open issues pertain to expenditures after the end of the grant period (\$24,685), use of unexpended funds (\$3,220), exceeding line item approved budget, and changes in scope.

- 00-41(H) —WV-11311, Mountaineer Food Bank. Open issues pertain to purchase of equipment not in budget (\$10,693) and exceeding line item budget approval.

The absence of progress reports by grantees was noted in several reports; and while this was not considered a significant issue in the cases noted, consideration could be given to the general issue of quarterly progress reports and/or the need for followup to obtain required reports.


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae

**MEMORANDUM REPORT ON REVIEW OF THE
HARLAN INDEPENDENT SCHOOL SYSTEM
HARLAN, KENTUCKY**

Sunshine School Welfare Parent Empowerment Program

ARC Grant Nos.: KY-12872-I-302-98 and KY-12872-C1-302-99

December 1, 1997 through February 1, 2000

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: 00-44

Date: September 13, 2000

**MEMORANDUM REPORT ON REVIEW OF THE
HARLAN INDEPENDENT SCHOOL SYSTEM
HARLAN, KENTUCKY**

Sunshine School Welfare Parent Empowerment Program

ARC Grant Nos.: KY-12872-I-302-98 and KY-12872-C1-302-99

December 1, 1997 through February 1, 2000

Prepared By:

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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. 00-44

SUBJECT TO: Memorandum Review Report on the Harlan Independent School System,
Sunshine School Welfare Parent Empowerment Program, Harlan,
Kentucky. ARC Grant Nos.: KY-12872-I-302-98 and KY-12872-C1-302-
99.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Harlan Independent School System for its Sunshine School Welfare Parent Empowerment Program were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

BACKGROUND: ARC awarded Grant Numbers KY-12872-I-302-98 and KY-12872-C1-302-99 to the Harlan Independent School System for the period December 1, 1997 through February 1, 2000. The purpose of the grants was to provide funding for training welfare recipients as child care workers in public day care facilities, preschool settings or home-based day care facilities. The program included classroom instruction, site-based training experiences, an individualized remedial program, and parenting skills improvement modules.

The ARC grant funding was for \$180,200, or 80 percent of actual, reasonable and eligible project

cost. The Grantee was to pay or cause to be paid the non-ARC share of \$46,100, or 20 percent in cash, contributed services, or in-kind contributions, as approved by ARC.

The specific tasks were to:

- Implement a demonstration program that will train 12 to 15 welfare recipient parents to become employable child care workers.
- Develop the program to include classroom instruction, site-based experiences, an individualized remedial program, and parenting skills improvement modules.

SCOPE: We performed a program review of the grants as described in the Purpose, above. Our review was based on the terms of the grant agreement and on the application of certain review 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 the Harlan Independent School System had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with the Harlan Independent School System'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 the Harlan Independent School System's offices in Harlan, Kentucky on March 2 through 3, 2000.

A. Incurred Costs

The Harlan Independent School System incurred total program costs of \$225,051, of which they claimed direct reimbursable costs from December 1, 1997 through February 1, 2000 of \$180,089 from ARC. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported by the Harlan Independent School System. However, we determined that funds drawdown had been placed in an interest-bearing account; and, the Grantee did not meet the matching in-kind contribution requirement. These issues are discussed below.

1. Interest Totaling \$534 Was Earned on Federal Funds

All drawdowns of ARC funds by the Harlan Independent School System were placed in an interest-bearing bank account. The Grantee stated that funds were disbursed quickly; therefore, we calculated one month's interest totaling \$534.

Interest earned on advances should be returned to the Federal Treasury.

RECOMMENDATION:

We recommend that ARC require the Harlan Independent School System to return the \$534 in interest earned on federal funds.

2. Local Matching Costs Totaling \$60 Have Not Been Met

The Harlan Independent School System was required to match 20% in cash, contributed services, and in-kind contributions, under the Sunshine School Welfare Parent Empowerment Program. Records provided by the Harlan Independent School System indicated that \$44,962 in cash, contributed services, and in-kind contributions were contributed locally. However, \$45,022 was required to be matched, according to the terms of the grant agreement.

OMB A-110, Subpart C, Post-Award Requirements, .23 Cost sharing or matching, states:

“(a) All contributions, including cash and third party in-kind, shall be accepted as part of the recipient’s cost sharing or matching when such contributions meet all of the following criteria.

- (1) Are verifiable from the recipient’s records.
- (2) Are not included as contributions for any other federally-assisted project or program.”

RECOMMENDATION:

We recommend that the Harlan Independent School System identify an additional \$60 of eligible matching contributions.

B. Internal Controls

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

C. Program Results

Our review of the Harlan Independent School System, Sunshine School Welfare Parent Empowerment Program, indicated that one specific task identified in the grant award notification, as summarized above, had not been achieved as of February 1, 2000. The specific task is discussed below.

1. Train 12 to 15 welfare recipient parents to become employable child care workers. As of

February 1, 2000, only 8 students had been graduated from the Sunshine School Welfare Parent Empowerment Program, and were employable as child care workers. The program is continuing, and 5 to 6 new students were beginning in March, 2000.

RECOMMENDATION:

We recommend that the Harlan Independent School System report to ARC on the specific efforts being made to complete the objective listed in the grant agreement for the training of 12 to 15 welfare recipient parents to become employable child care workers. In addition, we recommend that the Harlan Independent School System notify ARC when this objective is accomplished.

DISCUSSION:

We discussed the issues with the Harlan Independent School System's management during an exit conference held on March 3, 2000. Management responded by stating that this was a difficult program for the students involved. Overall, it has had a positive impact, given the level of poverty in the area. Management stated that they were unaware that interest could not be earned on ARC funds. Because of state guidelines, they did not believe that the monies could be placed in a separate fund. However, they understood the ARC guideline and did not dispute the fact that interest earned should be returned. On the issue of matching funds not being met, management stated that they had more matching funds that were not included in the project records, and that achieving the required amount would pose no problem.

OTHER:

We provided a copy of our draft report to the Harlan Independent School System's management on July 26, 2000. Management responded to our findings and recommendations as follows:

Interest Totaling \$534 Was Earned on Federal Funds

The Harlan Independent School System has reimbursed ARC for the interest earned on advanced funds.

Local Matching Costs Totaling \$60 Have Not Been Met

Sunshine School continues to provide for all the costs of our program, including the salary for the Program Coordinator. From March to the present, costs for just utilities, student training, and food have been \$680.20.

As of February 1, 2000, Only Eight Students Have Graduated

Currently, our program is serving 5 trainees (two of whom came to us as welfare recipients). We

will continue to report to ARC on our progress in reaching our goal of 12-15 graduates.

ADDITIONAL COMMENTS AND RECOMMENDATIONS:

We recommend that the Harlan Independent School System provide supporting documentation to ARC regarding the additional matching costs as noted above. We recommend that ARC require the Harlan Independent School System to continue reporting on the progress toward reaching the goal of 12 to 15 program graduates.

Tichenor & Associates, LLP

TICHENOR & ASSOCIATES, LLP

Louisville, Kentucky

March 3, 2000