



March 11, 2002

MEMORANDUM FOR The Federal Co-Chairman  
ARC Executive Director

SUBJECT: OIG Reports 02-4(H) and 02-6(H), ARC Grants KY-13528 and  
KY-13173

Enclosed is a copy of the subject reports dealing with a child advocacy outreach project and development of a career center.

Report 02-4(H), dealing with the child advocacy outreach project, identifies \$2,871 in interest earnings that should be offset against claims and \$1,205 for which a determination of the eligibility of the expenditure period is needed and includes a recommendation for future documentation of sole-source contract justifications.

Report 02-6(H), dealing with a career center project, notes that future advances should be deposited in interest bearing accounts.

Hubert N. Sparks  
Inspector General

Enclosures

cc: Ms. Judy Rae

**MEMORANDUM REPORT ON REVIEW OF  
GOODWILL INDUSTRIES OF KENTUCKY  
SOMERSET, KENTUCKY**

**FRESH START COMMUNITY CAREER CENTER PROJECT**

**ARC Grant No.'s: KY-13173 and KY-13173-C1**

**October 1, 1998 through September 30, 2000  
October 1, 2000 through June 30, 2002**

**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: 02-6(H)**

**Date: February 27, 2002**

**MEMORANDUM REPORT ON REVIEW OF  
GOODWILL INDUSTRIES OF KENTUCKY  
SOMERSET, KENTUCKY**

**FRESH START COMMUNITY CAREER CENTER PROJECT**

**ARC Grant No.'s: KY-13173 and KY-13173-C1**

**October 1, 1998 through September 30, 2000  
October 1, 2000 through June 30, 2002**

**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. 02-6(H)

SUBJECT TO: Memorandum Review Report on Goodwill Industries Of Kentucky's,  
Fresh Start Community Career Center, ARC Grant No.'s: KY-13173 and  
KY-13173-C1

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by the Goodwill Industries Of Kentucky for its Fresh Start Community Career Center 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 Number's KY-13173 and KY-13173-C1 to the Goodwill Industries Of Kentucky for the periods from October 1, 1998 through September 30, 2000 and October 1, 2000 through June 30, 2002, respectively. The purpose of the grants were to provide funding to develop a career development center that will train unemployed or underemployed persons for potential full time job placement in the food service industry, recycling industry, and construction trade.

The ARC grant funding for KY-13173 and KY-13173-C1 was for a total not to exceed \$187,928 and \$100,000, respectively of actual, reasonable and eligible project cost. The Grantee shall pay or cause to be paid the non-ARC share of \$234,176 and \$36,200, respectively, in cash, contributed services or in-kind contributions, as approved by ARC.

The specific tasks were:

- Participants in the program will receive intensive career development and placement services, access to vocational evaluation, occupational skills training, job placement and follow-up services for two years.
- Participants will receive assistance from the small Business Administration (SBA) to launch an entrepreneurial venture on their own or in collaboration with other participants.
- The grantee expects to assist 65 participants during the first year of the program and 80 during the second year.
- The grantee projects that 33 participants will be placed in a sustainable job in the first year and 42 in the second year.

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 agreements 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 Goodwill Industries Of Kentucky had complied with the requirements of the grant agreements. In addition, we discussed the program objectives and performance with Goodwill Industries Of Kentucky'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 Goodwill Industries Of Kentucky in Somerset, Kentucky on November 6, 2001 through November 8, 2001.

**A. Incurred Costs:**

The Goodwill Industries Of Kentucky claimed total program costs of \$489,655 for grant KY-13173, of which they claimed direct reimbursable and advance payments from October 1, 1998 through September 30, 2000 of \$187,928 from ARC and in-kind costs of \$301,727. For grant KY-13173-C1, The Goodwill Industries Of Kentucky claimed total program costs of \$376,488 from October 1, 2000 through September 30, 2001, of which they claimed reimbursement of \$29,529 from ARC as of the date of our field work, and in-kind costs of \$346,959. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported for the two grants.

**B. Internal Controls:**

The Grantee Did Not Deposit Advanced ARC Funds Into An Interest Bearing Account.

The grantee received advanced and progress payments of \$109,701 and \$78,227 for the Fresh Start Community Career Center on February 24, 1999 and August 10, 2002 respectively. The

funds were deposited into a non-interest bearing operating account and no interest was earned on the advanced funds.

OMB Circular No. A-110 Subpart C – Post Award Requirements .22 (k) States:

“Recipients shall maintain advances of Federal funds in interest bearing accounts, unless (1), (2) or (3) apply.

- (1) The recipient receives less than \$120,000 in Federal awards per year.
- (2) The best reasonably available interest bearing account would not be expected to earn interest in excess of \$250 per year in Federal cash balances.
- (3) The depository would require an average or minimum balance so high that it would not be feasible within the expected Federal and non-Federal cash resources.”

RECOMMENDATION:

We recommend that the ARC require the grantee to deposit advanced funds into an interest bearing account and reduce reimbursement requests by any future interest earned on ARC funds.

**C. Program Results:**

Our review of the Goodwill Industries Of Kentucky, Fresh Start Community Career Center Grants indicated that the objectives of the grants had been and currently were being met.

*Tichenor & Associates, LLP*  
TICHENOR & ASSOCIATES, LLP  
Louisville, Kentucky  
November 8, 2001