



March 25, 2002

OIG REPORT 02-26 (H)

**MEMORANDUM FOR: JERRY R. SIZEMORE  
EXECUTIVE DIRECTOR  
CENTRAL APPALACHIA EMPOWERMENT  
ZONE OF WEST VIRGINIA**

**SUBJECT:** Memorandum Survey Report  
Review of CAEZ Entrepreneurial Development Project  
CO-12620

**PURPOSE**

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if the grant objectives were met and (3) to determine the current status of the project.

**SCOPE**

Our survey included procedures to review costs incurred and claimed for reimbursement under the grant, as well as costs claimed as matching funds. The period of performance for the grant was December 23, 1996 to December 31, 2000. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Clay, West Virginia, on March 14, 2002. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget (OMB) Circulars A-87 and A-102, and the ARC Code. Audit work was performed in accordance with Government Auditing Standards.

**BACKGROUND**

ARC Grant CO-12620 was awarded to the Central Appalachia Empowerment Zone (CAEZ) of West Virginia to provide funds for a three-year entrepreneurial training program to create new business opportunities in the CAEZ counties of Braxton, Clay, Fayette, Nicholas and Roane.

The total project cost was \$167,750. The ARC grant was for \$65,000 (39%) and the grantee was to pay or cause to be paid the non-federal matching contribution of \$102,750 (61%).

The Business Development Coordinator resigned in March 1999 and the grantee was not able to find another qualified staff person to take over the responsibilities of the grant. There had also been a turnover of several Executive Directors. The current Executive Director informed ARC last November 2001 that despite attempts to revitalize the program the grantee could not complete the grant projects.

## **RESULTS**


### **Financial Review**

During our visit, we reviewed the grantee's accounting records, including invoices and supporting documentation for the grant costs charged to the project. Claimed costs were supported by the grantee's accounting records and no deficiencies were noted as to the allowability of the expenses or the adequacy of the documentation for the expenditures we reviewed. The grantee appears to have met their requirements for matching funds.

The grantee's last reimbursement request, dated December 28, 1999, claimed total costs of \$94,118, which included grant costs of \$45,064 (48%) and matching costs of \$49,054 (23%). A progress report was received at that time. The grant was closed January 14, 2002, with \$19,936 deobligated.

### **Program Review**

The grantee was able to accomplish parts of the grant by conducting business seminars, developing and distributing a brochure, establishing a revolving loan program and increasing entrepreneurial awareness within the community.

  
Hubert N. Sparks  
Inspector General