



SEPTEMBER 26, 1995

REPORT NO. 95-49(H)

MEMORANDUM FOR DIRECTOR, GOVERNOR'S OFFICE OF APPALACHIA, OHIO
DEPARTMENT OF DEVELOPMENT

SUBJECT: Memorandum Survey Report--Review of Ohio Department of
Development, Appalachian Industrial Re-Training Project, OH-10533-
93, Contract 93-95

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 review 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 was July 1, 1993 through September 30, 1995. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Columbus and Chillicothe, Ohio August 14-16, 1995 and visited a business utilizing grant training funds in Waverly, Ohio on August 17th. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreement, Office of Management and Budget Circulars A-87, A-102, and the ARC Code.

BACKGROUND

ARC Grant OH-10533-93-C2-302-0420 was awarded to the Ohio Department of Development to provide continued support for the Fund for Appalachian Industrial Re-Training (FAIR) project, which funds customized training projects for new and existing employees of businesses in the 29-county region of Appalachian Ohio. The initial ARC grant was for \$250,000 and it was subsequently amended to add another \$250,000. The State of Ohio was to contribute \$500,000 from Ohio Industrial Training Program (OITP) funds. In addition, the OITP required the recipients of subgrants to provide a cost share equal to 50 percent of their claimed costs. The following tasks were to be completed:

- Selection of proposals for individual worker training programs submitted to OITP by businesses in Appalachian Ohio;
- Submission of the selected proposals to ARC for approval; and

- Award of grants, with an effective date no earlier than October 1, 1993, for worker training proposals which have been approved by ARC.

RESULTS

At the time of our visit, the ARC grant period had not ended but the grantee had awarded subgrants totaling \$1,000,000 (50% ARC funds) to 38 businesses in the Appalachian Region. We reviewed supporting documentation in the OITP office in Columbus and at a regional office in Chillicothe, OH. The documentation included invoices from the participating companies, class rosters, attendance sheets, and instructor certifications. No deficiencies were noted regarding the financial records.


However, at the time of our review we noted that one company had claimed \$55,737 in ARC grant funds and an equal amount from OITP, primarily for instructors salaries for one-on-one training. The company's records indicated that the instructors devoted 100 percent of their time (from 240 to 480 hours in some cases) to train one trainee each. The OITP coordinator indicated they had previously expressed concern to the company about whether they were charging an excessive amount of instructor hours for one-on-one training. The company insisted that the instructors devoted all of their time to training and were unable to do their own jobs during the training periods. We discussed the issue with a company representative during our site visit to the company and were told that the time charged was actual time and it was necessary because some of the jobs were very technical and complicated. (We also noted that this company's subgrant with OITP indicated they would create 200 new jobs and they reported an increase of 345.)

The OITP coordinator indicated that their concern about the issue led to the drafting of new OITP funding guidelines that limited the one-on-one training to 40 hours per trainee with any exceptions to be approved by the Director of the Ohio Department of Development. We reviewed a copy of the proposed guidelines and determined that they satisfactorily addressed our concerns with the program.

CURRENT STATUS

We understand that the grantee has requested a time extension from ARC to March 31, 1996, at which time final financial and progress reports should be submitted timely. We also understand that the grantee has requested funding from ARC to continue the program in the next fiscal year.

A response to this report is not necessary.


Hubert N. Sparks
Inspector General