

MEMORANDUM REPORT ON REVIEW OF THE
TENNESSEE DEPARTMENT OF
ECONOMIC AND COMMUNITY DEVELOPMENT

Consolidated Technical Assistance

ARC Grant Nos: TN-7783-93-C14-302-0406
and TN-7783-94-C15-302-0323
July 1, 1993 through June 30, 1995

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Report Number: 96 - 1(H)

Date: October 10, 1995

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TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates, CPAs
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REPORT FOR: The Federal Co-Chairman
ARC Executive Director

SUBJECT: Memorandum Review Report, 96-1(H) Tennessee Department of
Economic and Community Development. Program and Cost Incurred
Review - July 1, 1993 through June 30, 1995; ARC Grant Numbers TN-
7783-93-C14-302-0406 and TN-7783-94-C15-302-0323.

PURPOSE: The purposes of our review were to determine that (a) all funds were expended in conformity with the approved budget and did not contravene any restrictions imposed by the terms and conditions of the grant, (b) the accounting, reporting and internal control systems provide for disclosure of pertinent financial and operating information, and (c) the objectives of the grant were being accomplished.

BACKGROUND: The Tennessee Department of Economic and Community Development (Grantee) is a division of the Tennessee state government which serves as the central point of contract for an assortment of state, federal and technical assistance programs geared toward promoting local development. The Grantee is responsible for the coordination of the program including project reviews, development of project information and recommendations to the Governor.

ARC awarded Grant No. TN-7783-93-C14-302-0406 to the Grantee for the period July 1, 1993 through June 30, 1994, and Grant No. TN-7783-94-C15-302-0323 for the period July 1, 1994 through June 30, 1995. The purpose of the grants was to provide continued funding for the consolidated technical assistance program in Appalachian Tennessee in fiscal years 1994 and 1995, respectively. This program was designed to emphasize activities which would enhance the attractiveness of Appalachian communities for development and the sound management of

all available resources to attain the objectives of Tennessee's Appalachian Program -- preservation of jobs, creation of new employment, and increasing family income.

The fiscal year 1994 ARC grant was for the lessor of \$186,300 or 50 percent of actual, reasonable and eligible project costs, and the fiscal year 1995 ARC grant was for the lessor of \$196,600 or 50 percent of actual, reasonable and eligible project costs. The remaining project costs were to be paid by the State from non-Federal resources. As of the date of our review, ARC payments totaled \$186,099 under the fiscal year 1994 grant and \$74,709 under the fiscal year 1995 grant.

Based on our review of the grant agreements, we determined that the objectives of the grants consisted of three components:

A. Community Preparedness

- (1) Provide an inventory of small communities in Tennessee that have a minimum threshold of preparedness for economic development, especially manufacturing.
- (2) Develop a positive "can-do" attitude among community leaders.
- (3) Provide public recognition of communities which have made the effort to become better prepared for economic development.
- (4) Assign Community Development Specialists to work with local leadership to satisfy the requirements for certification under the Governor's Three Star Program.

B. Program Management

Provide program management for the ARC programs in Appalachian Tennessee including the identification and development of projects, construction of the annual Tennessee Project Package, pursuit of alternative federal and state funding programs to supplement ARC funds, and monitoring of all ongoing ARC projects.

C. Economic Report

Prepare the Economic Report to the Governor.

SCOPE: Our survey was based on a review of the grant agreements between ARC and the Grantee and on the application of certain agreed-upon procedures previously discussed with the ARC OIG. In summary, we ensured that the objectives listed above were met, the accountability over ARC funds was sufficient as required by the OMB circulars and the Grantee complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Grantee personnel. Our results and recommendations are based on those procedures.

RESULTS: The following results were based on our review:

A. Incurring Costs

We determined that the costs claimed by the Grantee were properly supported, allowable and were used for the continuation of the Consolidated Technical Assistance program. We reviewed the prior review report prepared by the ARC OIG and determined that the Grantee had implemented policies and procedures to assure that the kinds of costs questioned in the prior review had not been claimed in fiscal years 1994 and 1995.

B. Internal Controls

We determined that the accounting system was adequate for accumulating and reporting allowable costs for a Federal cost reimbursable grant.

C. Grant Objectives

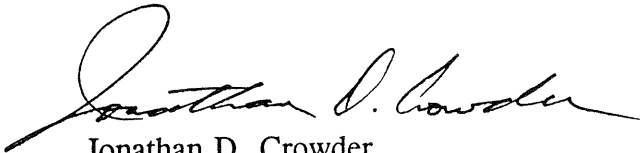
The Grantee appeared to be working toward accomplishing the specific tasks identified in the approved grant agreement. The overall objective of the grant, as stated above, was the preservation of employment, the creation of new employment, and the increase of family income. Based on our review of the final status report for fiscal year 1994 and the semi-annual status report for the fiscal year 1995 grant, we did not note any program results which addressed these objectives.

The Grantee continued to work with Communities in the Appalachian region to enable the communities to become certified under the Three-Star Award Program or to meet the minimum threshold of preparedness for economic development. However, the status reports did not indicate that certification under either of the programs had led to the preservation or creation of employment. We further discussed the program with the Grants Program Manager who indicated that there had been measurable results due to the program. However, these results had not been included in the status reports submitted to ARC.

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RECOMMENDATIONS:

We recommended that the Grantee include measurable program objectives in the grant applications and also report all program accomplishments in the status reports submitted semi-annually to ARC. We recommend that ARC use the reported results in assessing the appropriate level of funding for future Technical Assistance grants.



Jonathan D. Crowder
TICHENOR & ASSOCIATES
Woodbridge, Virginia
August 8, 1995