



FEBRUARY 28, 1996

OIG REPORT NO. 96-21(H)

MEMORANDUM FOR DR. JOHNNY L. HARRIS, PRESIDENT, J. F. DRAKE STATE TECHNICAL COLLEGE, HUNTSVILLE, ALABAMA

SUBJECT: Memorandum Survey Report--Review of Onan Corporation Employee Training Program, ARC Grant AL-11340-93 (Contract 93-85)

PURPOSE

The purposes of our review were (1) to determine the allowability of the costs claimed under the ARC grant, (2) to determine if 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 June 30, 1995. We reviewed the grantee's reports, examined records, and held discussions with grantee officials January 29-30, 1996. We also met with project personnel from the Onan Corporation and toured its Huntsville plant in Appalachian Alabama. 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-21 and A-110, and the ARC Code.

BACKGROUND

ARC Grant No. AL-11340-93-I-302-0403 was awarded to the J. F. Drake State Technical College to provide customized training for approximately 325 current and newly hired employees of the Onan Corporation in Huntsville, Alabama. The grantee was to coordinate the provision of all personnel, facilities, supplies, and equipment necessary to provide the training for Onan although much of the training was to be provided at the work site by in-house personnel and outside consultants.

The grant was for the lesser of \$200,000 or 58 percent of actual, reasonable, and eligible project costs. The grantee was to pay or cause to be paid the non-Federal share of \$150,000 (42 percent) in cash, contributed services, or in-kind contributions as approved by ARC.

RESULTS

A. CLAIMED COSTS

At the time of our review, the grantee provided documentation to support claimed grant expenditures of \$179,989.17. Of that amount, \$104,900 had been claimed for salary and benefits

and \$33,700 had been claimed for equipment. No deficiencies were noted as to the allowability of the expenditures or the adequacy of the documentation.

The grantee reported a non-Federal contribution of \$211,832.23 although only \$150,000 was required by the grant agreement. We reviewed documentation provided to support the matching costs including \$141,000 for instructors' wages and travel and instruction materials. We noted that the matching costs provided by the Onan Corporation included \$2,560 for the hourly cost of an in-house instructor whose full-time salary and benefits were charged as a grant or matching expense for the same period. A representative of the Onan Corporation indicated that the instructor costs were inadvertently charged to the non-Federal contribution along with other in-house trainers. Because the grant funds were substantially overmatched, this condition is not material. The grantee and the Onan Corporation official indicated that this condition would not recur if they received future ARC grants.

B. GOALS AND OBJECTIVES

The grant agreement indicated that customized training would be provided for 325 Onan employees in 24 separate employee training classes. Approximately 11,400 employee hours of classroom work was expected to be provided. At the end of the 2-year grant period, 545 employees had been trained in 70 separate classes. Employee hours of training totaled 16,400 (a 43-percent increase.)

C. PROJECT STATUS

The grantee reported that they are continuing to work with the Onan Corporation to provide additional customized training.


Hubert N. Sparks
Inspector General