

**REPORT ON REVIEW OF
KANAWHA COUNTY SCHOOLS
REGULATORY TRAINING CENTER**

**KANAWHA COUNTY SCHOOLS
REGULATORY TRAINING CENTER**

Grant No. CO-11518

ARC Contract No. 94-50

May 1, 1994 through April 30, 1996

OIG Report 96-34(H)
May 15, 1996

Caution: Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 USC 522 9(b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.

Inspector General
Appalachian Regional Commission
Washington, DC

REPORT ON APPLICATION OF AGREED-UPON PROCEDURES

We have applied the procedures enumerated below to the Appalachian Regional Commission's (ARC) Grant No. CO-11518 with Kanawha County Schools Regulatory Training Center for the period May 1, 1994 through April 30, 1996. These procedures, which were agreed to by the Office of Inspector General of the Appalachian Regional Commission, were performed solely to assist you in evaluating the allowability of costs claimed, whether grant objectives were met, and the current status of the project.

We performed the following procedures:

- Held an entrance conference with the grantee
- Reviewed the grant agreement and any modifications
- Obtained and reviewed payment records and other documents from ARC
- Compared costs reported to ARC by budget category to the general ledger or other records kept by the grantee
- Analyzed cash receipts against current needs, interest earned and remitted, and program income recorded
- Reviewed the allowability of payroll costs, non-personnel costs, and subgrantee costs
- Determined if specific grant objectives were achieved
- Determined if matching/non-federal contribution requirements were met
- Held an exit conference with the grantee

The results of these procedures are discussed in the **RESULTS OF REVIEW** section of this report.

These agreed-upon procedures are substantially less in scope than an examination, the objective of which is the expression of an opinion on payments received and costs claimed under this grant. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Appalachian Regional Commission and the management of Kanawha County Schools Regulatory Training Center and should not be used for any other purpose. Upon acceptance, however, this report is a matter of public record.

M. D. Oppenheim & Company, P.C.

Fairfax, Virginia
May 15, 1996

**REVIEW OF KANAWHA COUNTY SCHOOLS
REGULATORY TRAINING CENTER
CHARLESTON, WEST VIRGINIA**

**Grant No. CO-11518
ARC Contract No. 94-50
May 1, 1994 through April 30, 1996**

April 2, 1996

PURPOSE

The purpose of our review was to determine (1) the allowability of costs claimed under the Appalachian Regional Commission (ARC) Grant No. CO-11518 by the Kanawha County Schools for the Regulatory Training Center, (2) if the grant objectives are being met, and (3) the current status of the project.

SCOPE

We reviewed costs incurred and claimed for reimbursement under Contract No. 94-50. Under the terms of this grant, for the complete and satisfactory performance of this grant agreement, and upon receipt of proper invoices approved by ARC, the Commission shall reimburse the Grantee for the actual, reasonable and eligible costs of the project, as determined and approved by ARC, provided total cost reimbursement payments shall not exceed \$200,000.

The Grantee represented to ARC that there would be contributed to the project \$200,208 in cash, contributed services or in-kind contributions. Grantee shall make a good faith effort to assure the contribution of such amount to this project.

The period of performance for this grant is May 1, 1994 through April 30, 1996. The grant was obligated for \$200,000. As of April 2, 1996, the grantee has drawn down \$132,960. The available balance is \$67,040. However, due to unallowable costs of \$70 being charged to the grant (See Observation #2), only \$66,970 will be available for expenditures (See Exhibit A).

We reviewed reports prepared by the grantee, reviewed the Single Audit report for June 30, 1994 of the Kanawha County Board of Education, examined project records, and held discussions with the Grantee's Project Director, Regulatory Training Center director and the financial staff during the period April 1-2, 1996. As a basis for determining allowable costs and compliance requirements, we used the provisions of the grant agreements, Office of Management and Budget (OMB) Circular A-87, and the Appalachian Regional Commission Code.

BACKGROUND

This grant was approved in conjunction with the regional development initiative to enhance manufacturing competitiveness. The intent of this initiative has been to respond to issues that adversely impact the productivity of Appalachian manufacturing enterprises and that diminish the overall competitiveness of the region. The current primary focus of the initiative is assisting and augmenting the delivery of public and private business assistance services to industry.

In accordance with the initiative, the Commission is funding a series of demonstration projects designed to enhance manufacturing competitiveness in Appalachia. These individual projects are to:

- (1) enhance the flow and use of industry information to firms and service providers, and/or
- (2) improve the design and delivery of worker training.

In each of these demonstration projects, private sector involvement is considered to be critical.

As one of these selected projects, this grant seeks to address the problem of providing regulatory compliance training to manufacturing workers, and in particular, those employed in temporary positions or working as contract laborers.

The objectives of this project are to:

- * establish the Generic Regulatory Compliance Training Center;
- * develop course materials and curriculum for regulatory compliance training;
- * provide training to individuals in regulatory compliance and related areas;
- * maintain centralized records of regulatory training compliance for workers and firms participating in the project;
- * evaluate the effectiveness of the training project from the perspective of firms and workers, service providers, and other partners, and
- * develop and implement a plan to disseminate information about the project to other training institutions, business or technical assistance providers, and other interested parties throughout the Appalachian Region.

RESULTS OF REVIEW

We have reviewed the costs incurred by the Kanawha County Schools, Regulatory Training Center under ARC Contract No. 94-50 for the period May 1, 1994 through April 30, 1996. The results of our review are discussed in the **OBSERVATIONS AND RECOMMENDATIONS** section and in Exhibit A. Contract No. 94-50 established an ARC obligation of \$200,000. The grantee requested and received \$132,960 in progress payments. The available balance totals \$67,040.

Our review disclosed the following observations:

- * Observation 1 - Lack of adequate documentation for in-kind costs.
- * Observation 2 - Unallowable entertainment costs of \$70 for trainee lunches.

OBSERVATIONS AND RECOMMENDATIONS

Observation 1 - Lack of Adequate Documentation for In-Kind Costs

We were unable to specifically identify the matching share of costs provided by the grantee.

The grant agreement states:

In applying for this ARC assistance, Grantee has represented to ARC that there would be contributed to the project \$200,208 in cash, contributed services or in-kind contributions. Grantee shall make a good faith effort to assure the contribution of such amount to this project. Further, Grantee will advise ARC if at any time it appears such matching donation will not be forthcoming for project support. ARC reserves the right to review its commitment to the project in the event such matching donation will not be or is not actually received and to make such adjustments, including reduction, as it deems appropriate.

While we believe that the Regulatory Training Center has incurred in-kind costs of at least \$200,208, they have not kept adequate support for these costs.

Recommendation

We recommend that the Regulatory Training Center gather the documentation needed to support these costs before the end of the period of performance of this grant agreement. This documentation should be available for review by ARC or other auditors.

Observation 2 - Unallowable Entertainment Costs

The Regulatory Training Center purchased lunches for the trainees. The amount incurred was \$69.91. Entertainment costs are unallowable in Federal Grant Regulations.

OMB Circular A-87, section D.4 states:

Entertainment costs of amusements, social activities, and incidental costs relating thereto, such as meals, beverages, lodgings, rentals, transportation, and gratuities, are unallowable.

Recommendation

We recommend that the Regulatory Training Center reduce its final expense report by the \$69.91 of unallowable costs. (See Exhibit A.)

KANAWHA COUNTY SCHOOLS

Grant No. CO-11518

ARC Contract No. 94-50

May 1, 1994 to April 30, 1996

(Unaudited)

SCHEDULE OF CASH PAYMENTS

<u>DATE</u>	<u>PAYMENT TYPE</u>	<u>AMOUNT PAID</u>
12/15/94	Progress	\$ 18,109.90
04/19/95	Progress	31,631.98
06/19/95	Progress	39,785.97
12/01/95	Progress	<u>43,432.42</u>
Total Paid		132,960.27
Total Award		<u>200,000.00</u>
Total Undrawn Balance		<u>67,039.73</u>
Less: Unallowable Costs (See Observation #2)		<u>69.91</u>
AMOUNT AVAILABLE FOR DRAWDOWN		\$ <u><u>66,969.82</u></u>