

96-69

Date: October 29, 1996

To: Hubert N. Sparks
Inspector General
Appalachian Regional Commission

From: M.D. Oppenheim & Company, P.C.
Fairfax, VA

Subject: Memorandum Letter on Concord College, Athens WV
Grant Nos. CO-10704-90-I-302-0823 (Contract 90-130)
CO-10704-91-C1-302-0429 (Contract 91-86)
CO-10704-92-C2-302-0617 (Contract 92-135)
CO-10704-93-C3-302-0514 (Contract 94-3)

As you requested, this memorandum letter is being submitted to summarize our observations made during our site visit to Concord College, Athens WV, on September 9-11, 1996. This visit was made in conjunction with our review of the Appalachian Regional Commission's Tourism Program to determine:

1. if the grant project objectives were met;
2. if any measurable results could be identified which contribute to the objective of promoting tourism, and
3. the current status of the tourism projects funded by these grants.

Our report on the overall Tourism Program will be submitted separately.

SCOPE

These grants were awarded to Concord College to assist in the development of Appalachian tourism as part of the region's economic development. The earlier grants funded the startup and planning of the Appalachian Tourism Research and Development Center (ATRDC) located at Concord College. The later grants were awarded to continue and expand the tourism activities of the Center. The objectives of the funding to the Center were to:

1. serve as a catalyst for and focus of regional cooperative efforts;
2. provide a forum for the exchange of ideas, approaches and strategies among entrepreneurs and other interested parties within the Region;
3. act as a clearinghouse for tourism development needs and resources;
4. develop and coordinate research on and for the Appalachian tourism industry;

5. provide or facilitate access to direct technical assistance;
6. provide a vehicle for the dissemination of tourism information and material;
7. provide or facilitate access to educational programs and services for the tourism industry of the region, and
8. serve as a regional/tourism development demonstration project.

The effective dates and funding levels of the grants are as follows:

<u>ARC Grant Number</u>	<u>Grant Period</u>	<u>Funding</u>
CO-10704-90-I-302-0823	8/15/90-6/30/91	\$ 100,000
CO-10704-91-C1-302-0429	7/1/91-6/30/92	350,000
CO-10704-92-C2-302-0617	7/1/91-6/30/93	400,000
CO-10704-93-C3-302-0514	7/1/94-11/30/94	<u>400,000</u>
		<u>\$ 1,250,000</u>

These grants to Concord College represent 22.5% of the total \$5,565,378 grant funding invested by ARC in its Tourism Program between 1990 - 1996.

Because a financial review of the three earliest Concord College grants (listed above) was performed by your office [OIG 93-9 (H)] in 1993 and the final Concord College grant was audited in 1994, we did not review the financial records or determine the allowability of costs claimed under these grants. We requested a copy of the 1994 audit report, which Concord College could not locate at the time of our visit, and were told a copy would be forwarded to us. The report has not been received.

The following individuals were involved in the grants over the four years or are responsible for Concord College's tourism efforts since the end of the last grant. Our observations are based on discussions with:

Jerry L. Beasley
 President
 Concord College

Dr. Rene Campbell
 Former Executive Director
 ATRDC

Dr. Doug Machesney
 Vice President for Development
 Concord College

Ms. Nancy McGhehee
 Former Assistant and Interim Director
 ATRDC

Tim Oxley
Director, Center for Economic Action
Concord College

Elizabeth Webb
Grants Accountant
Concord College

Dr. Tom Witt
Bureau of Business Research
West Virginia University

Mr. William Reeves
Director, Office of Sponsored Programs
West Virginia University

BACKGROUND

There were specific tasks related to the first three Concord College grants, which concerned the startup and planning of the ATRDC. These included:

1. forming and convening an Advisory Board drawn from leaders in the tourism field;
2. conducting research activities including a) the development of profiles of travel, tourism, and attractions; b) a description of the economic impact of tourism; c) an analysis of primary markets and areas of potential growth; d) creation of a basis for measuring and evaluating long-term impacts of investments, and e) development of the capability for future research on the industry and its impact;
3. conducting educational activities for local tourism officials and community leaders;
4. providing technical assistance to communities, tourism organizations and individuals;
5. conducting a search for a permanent director of the Center, and
6. acquiring the necessary equipment, supplies and tourism-related materials.

As a subgrantee, the West Virginia University Bureau for Economic Research received a substantial portion (approximately 30%) of the grant funding to do research designed to provide for the expansion, updating, and maintenance of travel and tourism data bases, known as the Appalachian Travel Resources Information System (ATRIS).

Funding under Grant No. CO-10704-93-C3-302-0514 was to expand the activities of ATRDC into the specific areas of education, research, and technical and information dissemination. Examples of the tasks related to this grant included offering hospitality training/job skills workshops ("One Visitor at a Time"), developing a workshop to educate communities on the benefits of tourism ("Tourism: Your Passport to Success"), hosting an annual tourism conference (Partnerships '93), and providing technical assistance to counties on strategic planning.

In 1993, an audit performed by your office identified numerous findings in the areas of financial

management and grant administration related to the three earliest grants. One finding indicated that future funding for the ATRDC had not been secured. As a result, a subsequent grant was awarded contingent upon the continued good-faith efforts of the Grantee to satisfactorily resolve the outstanding audit issues and requiring a special report be submitted detailing a plan for obtaining funding from sources other than ARC. In November 1993, Concord College submitted an Income Development Plan.

OBSERVATIONS

The following observations were made as a result of our site visit to West Virginia:

1. Operations Ceased without ARC Funding

Due to the lack of funding, the programs initiated under these grants ceased when the grant period ended. Today, the ATRDC physically consists of a small sign in the window of a college building, which currently houses the Center for Economic Action. The ATRDC library is one shelf of textbooks, many outdated periodicals, and several videos. There are some boxes of workshop materials and several boxes of files stored in the basement.

In May 1994, six months before the grant ended, the ATRDC Director left Concord College. The Assistant Director then assumed responsibility for the Center, but after returning to school in September, only worked part-time for the ATRDC. According to the Director of the Center for Economic Action (who is now responsible for tourism projects at Concord College), the ATRDC secretary completed her work on the last day of the grant period (November 30, 1994) and left, leaving the files, equipment, and supplies as is. West Virginia University indicated they learned in August 1994 that the grant funding would not be extended. Consequently, as of the end of the grant period, the ATRIS databases ceased to be supported and were "boxed up."

2. Future Funding Not Obtained

Although the Grantee did submit a written Income Development Plan, sufficient program income was not generated to sustain the project. Revenue from workshops and conferences earned comparatively small amounts. According to the Former ATRDC Director and Assistant Director, there was a perception that, if the workshops were supported by the Federal government, individuals should not have to pay for them. They also stated that marketing strategic planning assistance to communities never succeeded, because communities could not afford it or may have already had a strategic plan in place. In addition, the ATRDC Director left six months after the Income Development Plan was submitted. The project began to wind down after that.

3. Different Agendas

There appears to have been differing agendas held by the key parties involved with the project: ARC, Senator Byrd's office, and Concord College. ARC wanted the ATRDC to target tourism development throughout the Appalachian region. Senator Byrd's office had a primary interest in the State of West Virginia, and Concord College was interested in

local tourism development and making a name for itself. With only three staff, the perspective of the ATRDC personnel was they didn't have the manpower to adequately serve the entire region. Recognizing, however, that ARC was funding the project, the Commission's objectives took precedence over sometimes conflicting interests. The ATRDC Director stated that she directed significant energy to managing the resulting public relations issues.

From the outset of the project, it was determined that Concord College and West Virginia University would work together on this initiative. This set up an interesting dynamic with the larger school functioning as the subgrantee. WVU personnel stated that they felt they were better equipped to handle a regional project of this size and also did not believe that Concord College adequately marketed ATRIS' products. ATRDC staff concurred because they had limited staffing and lacked adequate systems at Concord College to manage the grants.

In summary, the Former ATRDC Director stated that the program showed promise and accomplished many of its objectives, but there was just too much baggage for the project to succeed.

4. Compliance Not a Priority

In 1993 ARC-OIG reported several findings concerning financial management and grants administration at Concord College. While there have been some improvements, we found that financial management and grants administration are still not adequate three years later. (OIG Report 97-8 [H] reports our observations based on our evaluation of financial records for Grant No.CO-11895-95-I-302-0314). There was a general perception at Concord College that Federal regulations are burdensome. Consequently, compliance does not appear to be a priority. The Former ATRDC Director also stated that compliance was an on-going issue between her and the college throughout the grant years.

5. No Comments from College President

The President of Concord College spoke to us briefly by phone. When asked for his evaluation and insights concerning the ATRDC project, he stated he would like to "organize his thoughts" and call back in a few days. He did not call.

6. Lack of Involvement from College Faculty

The ATRDC did not receive much support from the Travel Industry Management (TIM) faculty at Concord College. Dr. Bill Ryan, a professor in the Department, served as interim director of the ATRDC before Dr. Rene Campbell. However, after she was hired, the faculty never became significantly involved. Several individuals we spoke to, including the Vice President for Development, indicated there was ill-feeling over the fact that Dr. Campbell made more money than the faculty members. Whatever all the reasons may have been, the ATRDC remained a separate entity and never was incorporated into the TIM program.

7. Final Payment to West Virginia University

West Virginia University issued a final invoice to Concord College for \$50,937. According to the ARC Project Coordinator, the October 21, 1994 audit report on Grant No. CO-10704-93-C3-302-0514 indicated that Concord College still had cash on hand of \$20,316 and \$49,673.45 remaining to be drawn down from ARC under the grant. Concord College told ARC they did not have enough cash to pay WVU and requested a final payment so the grant could be closed. ARC agreed to disburse \$30,121 to enable Concord College to pay WVU \$50,937. ARC then deobligated \$19,552.45, the remaining grant funding. However, instead of paying WVU the \$50,937 owed, Concord College only paid \$30,121. WVU personnel indicated they were told there were no more funds available under the grant. They decided to "cut their losses" and close the project out.

As indicated before, we did not evaluate the financial records at Concord College related to this grant because an audit had been performed. (This is the audit report Concord College could not locate at the time of our site visit and did not send later.) Between October 21, 1994 and November 30, 1994, the end of the grant period, the program had ended and only the ATRDC secretary remained working full-time. Any expenses incurred during those weeks would have been minimal. It is doubtful that the remaining expenses were \$20,316.

8. Property Purchased with Grant Funds

ARC-OIG specifically requested that we follow-up on the property acquired under the grants. All of the equipment (computers, printer, etc.) is currently being used by the Center for Economic Action. Concord College provided us with a letter received from ARC which stated that the equipment may remain with the grantee because its value was under \$5,000 per unit.

9. Program Outcomes

ATRDC personnel stated that the hospitality workshops and Partnership Conferences were the most successful programs accomplished by the ATRDC. While the workshop, "Train the Trainer", was designed to help individual states to run hospitality workshops throughout the region, most states preferred to have ATRDC personnel present them. This limited the number of workshops that could be presented. A Partnership Conference '93 was very successful, but the conference scheduled for the fall of 1994 was canceled by ARC. ATRDC personnel believe these conferences were very effective in promoting tourism, but the conferences ended when the funding ended.