



JULY 25, 1997

OIG REPORT NO. 97-21(H)

MEMORANDUM FOR: BOB ARNOLD, COMMISSIONER, KENTUCKY  
DEPARTMENT OF LOCAL GOVERNMENT, FRANKFORT,  
KENTUCKY

SUBJECT: Memorandum Survey Report--Kentucky Appalachian Task Force  
Strategic Planning Initiative

### 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 initial period of performance was April 1, 1995 through September 30, 1996; however, the grant period was extended through December 31, 1996 to allow the grantee to complete all of the proposed project activities. 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-87, A-102, and the ARC Code.

### BACKGROUND

ARC Grant No. CO-12039-95-I-302-0328 was awarded to the Kentucky Department of Local Government (DLG) to provide funds for further development and implementation of the Kentucky Appalachian Task Force program. The Task Force's final report recommended a series of actions designed to strengthen community-based strategic planning and improve cooperation among state, local and regional development agencies. The ARC grant indicated that part of the grant work would be performed through the University of Kentucky Appalachian Center. The following specific tasks were to be completed:

- 1) Continue the collaboration among citizens and service providers in twelve program areas established by the Task Force;
- 2) Expand the assessment of existing and new program models;
- 3) Sustain public participation in the planning process; and

- 4) Begin to implement specific project recommendations including those regional initiatives authorized by the Commission in civic leadership and telecommunications.

The ARC grant was for \$300,000 (\$200,000 area development funds and \$100,000 from the Co-Chairman's fund), or 72.4 percent of actual, reasonable and eligible project costs, whichever is less. The grantee was to provide a non-federal share of \$114,632 (27.6 percent) in cash, contributed services, or in-kind contributions, as approved by ARC. The matching share was to apply only to the area development funds (\$200,000). At the time of our visit, the grantee had claimed and received grant funds totaling \$218,163.24 and \$81,836.76 remained in the ARC account.

## RESULTS

### Program Review

The grantee and the University of Kentucky Research Foundation entered into a Memorandum of Agreement in which the Foundation agreed to further develop and implement the Kentucky Appalachian Task Force program as specified in the ARC grant. We visited with participating staff at the University of Kentucky Appalachian Center and reviewed pertinent program records. We determined that the scope of work specified by the grant agreement had been completed.

During the grant period, the Kentucky Appalachian Development Institute (KADI) and the citizen-based Appalachian Program Advisory Council (APAC) were established as recommended by the Task Force. Working teams focused on several multidisciplinary areas, including Telecommunications, Tourism, Families and Children, and Civic Leadership and a special leadership program was established to train participants from Area Development Districts and community-based organizations to design and implement civic leadership projects.


### Financial Records

We found that all of the expenses being charged to the ARC grant were incurred by the University of Kentucky Research Foundation/Appalachian Center or its subcontractors. The Foundation submits claims to DLG for reimbursement and, subsequently, DLG submits reimbursement requests to ARC. We reviewed a sample of expenditures incurred by the Foundation and charged to their ARC grant account to determine if they were allowable and properly documented. We also reviewed pertinent financial records at DLG. We noted that some of the project expenses incurred by the Foundation had been reimbursed by DLG but had not been claimed to ARC. At the time of our visit, we were informed that DLG was completing final progress and financial reports. No deficiencies were noted as to the allowability or documentation of project costs charged to the ARC project.

### Project Status

As noted above, final progress and financial reports had not been submitted to ARC at the time of our on-site visit although the grant period ended December 31, 1996 and the scope of work had been completed. We understand that personnel changes at DLG were the primary reason for the delay.

**Recommendation:** We recommend that the grantee submit the final progress and financial reports to ARC project personnel. We also recommend that the grantee ensure that final progress and financial reports applicable to future ARC grants are completed within 60 days of the end of the grant period as specified in grant agreements.

  
Hubert N. Sparks  
Inspector General



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*Office of the Inspector General*

October 3, 1997

MEMORANDUM FOR THE FEDERAL CO-CHAIRMAN

SUBJECT: OIG Reports 97-22(H), 97-28(H), 97-40(H), and 97-65(H)

Enclosed are reports dealing with grants to: 1) Economic Planning and Development Council of Pennsylvania in connection with the statewide manufacturing marketing network program, 2) Maryland Department of Transportation for design work in connection with the C&O Canal Development Project and 3) Pennsylvania Northern Tier Industry and Education Consortium for a work force development project. Also, a summary report of visits to three West Virginia J-1 physician locations is provided.

The conditions noted pertaining to limited record availability, a final report, improved progress reporting, separation of matching funds, and subrecipient monitoring can be resolved between the grantees and ARC program staff.

A handwritten signature in cursive script that reads "Hubert N. Sparks".

Hubert N. Sparks  
Inspector General

Enclosures



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October 3, 1997

Mr. Ron Kuleck, President  
Economic Planning and Development  
Council of Pennsylvania  
208 N. Third Street, Suite 120  
Harrisburg, PA 17101

re:   OIG   Report   97-22(H)  
      ARC Grants PA-11568-94/95


Dear Mr. Kuleck:

Enclosed is a copy of our final report on grants for the statewide manufacturing marketing network program. The work was performed by auditors from Tichenor and Associates, C.P.A., under contract with my office. Although a response is not requested, action should be initiated to separate matching contributions for different grants and to ensure monitoring of subrecipient entities by the administering agency.

A copy of this report is being provided to the Federal Co-Chairman, ARC Executive Director, Pennsylvania State Alternate, and some participating entities.

The courtesies and cooperation provided the auditors were appreciated.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure



March 26, 1997

Ms. Peggy Satterly, Program Manager  
Division of Development Finance  
Department of Local Government  
1024 Capitol Center Drive  
Frankfort, KY 40601-8024

re: ARC Grants KY-0779-94/95 and CO-12039-95

Dear Ms. Satterly:


Per our conversation, we have scheduled a review of the subject grants for the week of April 21, 1997. Jo Ann Brenner of my staff will contact you directly in the near future to finalize plans.

The review will include testing of the grantee's accounting and internal control systems effecting the grants, a comparison of available accounting records to financial status reports and other reports submitted to ARC, compliance with programmatic requirements of the contracts, and results of the projects. The auditor will review and utilize other available audit reports to the maximum extent deemed possible in order to avoid duplication of efforts. Essentially, the work will review available information on the status of the grants and the use of grant funds in line with ARC grant requirements.

We have included an internal control questionnaire and request that you have it completed and available for our review. Although it contains numerous questions, some of which may not apply to your organization, it will provide us with needed background information about your controls, policies, and accounting system.

Please call me if you have any questions.

Sincerely,

  
Hubert N. Sparks  
Inspector General

Enclosure