



## REPORT OF REVIEW

### SOUTH CAROLINA APPALACHIAN COUNCIL OF GOVERNMENTS

#### Library Telecommunications/Computer Network Project

SC-11458-93-I-302-0929

Contract 94-27

January 26, 1994 - June 30, 1996

OIG Report 97-35(H)

March 19, 1997

#### I. INTRODUCTION

##### A. 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.

##### B. SCOPE

Our survey included procedures to review costs incurred and claimed for reimbursement under the grants, as well as costs claimed as matching funds. The initial period of performance for the grant was January 26, 1994 through January 25, 1995, however, it was extended twice to January 25, 1996 and June 30, 1996. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Greenville, South Carolina February 4-7, 1997. 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 and A-102, and the ARC Code.

##### C. BACKGROUND

ARC Grant SC-11458-93-I-302-0929 (contract 94-27) was awarded to the South Carolina Appalachian Council of Governments (SCACOG) to provide funding to assist them with the establishment of a multi-jurisdictional telecommunications/microcomputer network to enhance economic development in six Appalachian Region counties. The network, known as AppNet, was to link libraries in Anderson, Greenville and Spartanburg counties with tech schools in the three counties. AppNet would be linked to TECHNET, a state sponsored network linking both upstate

and downstate tech schools and universities. The project was also to establish a connection to the Internet, enabling the resources of this international network to be made available to AppNet users. Specific tasks to be completed under the grant agreement were:

- 1) Establish a GIS Network, provide training and support;
- 2) Develop an information profile/community analysis of library technology/on-line services;
- 3) Establish library access to state databases;
- 4) Establish AppNet, a rural area network in the South Carolina Appalachian Region with access to Internet, and provide training;
- 5) Develop and implement a plan to market enhanced library services to businesses and the community to promote economic development; and
- 6) Evaluate network use effectiveness in promoting economic development, staff capability in using the network, and the need for additional resources.

The grant was initially awarded for \$62,000 or 50 percent of the actual, reasonable and eligible costs of the project. The grantee was to provide the non-federal share of \$62,000 in cash, contributed services, or in-kind contributions, as approved by ARC. The grant was subsequently increased to \$127,000 with the same amount to be provided as a matching share. At the time of our review, the grantee had received grant funds totaling \$114,300 and \$12,700 was being withheld by ARC pending final closeout. The grantee's final reports indicated that total project costs were \$277,630.91, including ARC costs of \$127,000 (46 percent) and matching costs of \$150,630.91 (54 percent).

## II. SURVEY RESULTS

### A. CLAIMED COSTS

During our review we noted that \$40,856.41 of the grantee's actual project costs were indirect costs. Although the grantee submitted a cost allocation plan to ARC, indirect costs were not specifically provided for in their approved budget. A grant official indicated that her predecessor routinely combined direct and indirect personnel and other costs under the direct costs category in their proposed budgets and when reporting actual expenses. Currently, they list direct and indirect costs separately in proposed budgets. We noted that the approved budget for a subsequent ARC grant includes both direct and indirect costs.

**Recommendation:** We recommend that the grantee contact ARC program officials to obtain approval for indirect costs that were not disclosed in their approved budget.

### B. GRANT OBJECTIVES


The grantee completed the tasks required by the grant agreement including the establishment of a GIS network and a rural area network (AppNet) in the Appalachian Region. AppNet went online May 24, 1995 and successfully connected member sites including the SCACOG, Spartanburg County

Library, Greenville County Public Library, and Anderson County Library, providing access to the libraries of three technical colleges, the Internet, and other state networks. The grantee has continued its marketing efforts, including formal presentations and home pages for the SCACOG and other AppNet members. Two private college libraries were also added to the network and the grantee indicated that additional member sites are planned. A detailed survey of existing and future needs and capabilities was also performed.

The grantee indicated that they have no formal procedures in place to monitor usage of computer terminals in the libraries because of the costs involved, however, the libraries report that the terminals and dial-in telephone lines are constantly busy. The SCACOG's web site consists of over 350 pages and includes regional information, information about services provided by the SCACOG, and economic development databases and other information available through the Economic Development Information System (EDIS). The grantee reported to ARC that their web site has had 175,000 hits since October 1995.

### C. GRANT STATUS

At the time of our review, \$12,700 remained in the ARC grant account; however, we understand that the remaining funds were subsequently paid to the grantee by ARC. The grantee received another grant from ARC to continue the project through June 16, 1997.

  
Hubert N. Sparks  
Inspector General



November 25, 1996

Mr. Robert Strother, Executive Director
South Carolina Appalachian Council of Governments
P. O. Drawer 6668
Greenville, SC 29606

re: ARC Contracts 94-027 and 95-033, Grants
SC-11458-94 and SC-11834-95

Dear Mr. Strother:

This letter provides advance notice of our intention to review the subject grants dealing with a library telecommunications/computer network and Appalachian development support system. I anticipate the work will be performed early in calendar year 1997. However, we will contact you directly to finalize plans.

The review will include testing of the grantee's accounting and internal control systems effecting the grant, a comparison of available accounting records to financial status reports and other reports submitted to ARC, compliance with programmatic requirements of the contract, and results of the project. 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 grant 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,

Handwritten signature of Hubert N. Sparks
Hubert N. Sparks
Inspector General

Handwritten notes: 97-37, 97-38

Enclosure

cc: South Carolina ARC State Alternate