



REPORT OF REVIEW

JAMESTOWN COMMUNITY COLLEGE JAMESTOWN, NEW YORK

Advanced Manufacturing Resource Center

NY-11070-93-C1-302-0409

(Contract 94-24)

January 1, 1994 - September 30, 1995

OIG Report 97-44(H)

August 13, 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 grant as well as costs claimed as matching funds. The initial period of performance was January 1, 1994 through December 31, 1994; however, it was extended to September 30, 1995. We reviewed the grantee's reports, examined records, and held discussions with grantee officials in Jamestown, New York, June 17-18, 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-21 and A-110, and the ARC Code.

C. BACKGROUND

ARC Grant NY-11070-93-C1-302-0409 (contract 94-24) was awarded to Jamestown Community College to provide funds for the continuation of an Advanced Manufacturing Resource Center (AMRC) at the college. Specific tasks to be completed under the grant agreement include:

- 1) Assist small businesses to more effectively use their existing labor and equipment;
- 2) Assist small businesses in the selection and implementation of processes requiring new equipment purchases;

- 3) Provide support to technical assistance projects including the development of written documentation for new processes and equipment;
- 4) Provide seminars and workshops in advanced technologies to companies in Chautauqua and Cattaraugus counties service area in order to update knowledge of technological advancements and to assist them in strategic planning for future technological needs; and
- 5) Make available its computers and machinery to local manufacturers to test a process, computer program or type of equipment before making a purchase or implementation decision.

The grant was for \$74,650 or 33.9 percent of actual, reasonable and eligible project costs of the project. The grantee was to provide the non-Federal share of \$145,832 in cash, contributed services, or in-kind contributions, as approved by ARC. ARC paid the grantee \$36,031 (27.3 percent) based on reported project costs of \$132,151 and closed out the grant on June 19, 1996.

II. RESULTS

Program Review

During the project period, training and technical assistance were provided to eleven companies and 91 people received training through the Engineering Breakfast Informational Series. Company projects included the development of ISO 9000 documentation, analyzing and developing computer systems and software, total quality management programs, and water conservation. The grantee indicated that the absence of a permanent AMRC director to market the program for the last year of the grant period resulted in fewer projects being implemented than initially planned and in their inability to use more than half of the available grant funds. In addition, we understand that downsizing at JCC resulted in more of the consultant work being done by local personnel rather than JCC staff as anticipated.

Financial Review

We reviewed the grantee's financial records including invoices and other supporting documentation for claimed grant expenditures totaling \$36,031 and matching costs of \$96,120. As noted above, the grantee spent less than half of the approved grant funds.

During our review, we noted that the combination of ARC grant funds and receipts from participating companies exceeded the actual cost of consultants in some cases. We understand that the extra money generated was considered to be administrative fees to help offset expenses at the AMRC after the ARC funds were consumed. For example, a consultant's services were billed at \$45 per hour but the ARC grant and the participating company were charged \$48 per hour. In another case, a consultant billed JCC at the rate of \$20 per hour. The grantee charged \$6.60 per hour (one-third)


to the ARC grant and billed the participating company \$15.00 per hour (totaling \$21.60 per hour).

We discussed this issue with the grantee's project director and were told that the income was generated with the knowledge and agreement of ARC program staff in order to help the AMRC become self-supporting. We were unable to locate written documentation that ARC approved this practice, although we do not dispute the grantee's understanding of this issue. Subsequent to our on-site review, the grantee provided documentation indicating that the total match for consultants was \$65,290.67 (including administrative fees) instead of the \$60,726 they claimed to ARC. Although we did not determine the amount of program income earned by the grantee for this purpose, it is not believed to be a substantial amount. No other significant matters were noted relating to the allowability of other expenses or the adequacy of the supporting documentation.

Recommendation: We recommend that the grantee identify the source of program income if they obtain future ARC grants and obtain written approval from ARC program personnel for its use.

Project Status

The Western New York Technology Development Center (WNYTDC) moved to the Jamestown Community College campus subsequent to the end of the ARC grant. The WNYTDC had been doing work similar to the AMRC and the two organizations had worked together to share information and avoid duplication of their efforts. A permanent director for the AMRC was never hired and the grantee indicated that companies needing some of the services previously provided by the AMRC are currently referred to the WNYTDC.


Hubert N. Sparks
Inspector General



November 25, 1996

Ms. Sylvia L. Stenander, Deputy Director
Business and Industry Center
Jamestown Community College
525 Falconer Street
Jamestown, NY 14701

re: ARC Contract 94-024, Grant NY-11070-94

Dear Ms. Stenander:

This letter provides advance notice of our intention to review the subject grant dealing with the advanced manufacturing resource center. I anticipate the work will be performed in the spring of 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 note: 97-44

Enclosure

cc: New York ARC State Alternate