



NOVEMBER 18, 1997

OIG REPORT NO. 98-1(H)

MEMORANDUM: HAROLD J. MCGEE, PRESIDENT, JACKSONVILLE STATE UNIVERSITY, JACKSONVILLE, ALABAMA

SUBJECT: Memorandum Survey Report--Review of Northeast Alabama Manufacturing Technology Consortium, ARC Grant No. AL-11866-95-I-302-0210 (Contract 95-164)

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 the matching share. The initial period of performance was September 21, 1995 through September 20, 1996; however the grant was extended through March 31, 1997. We reviewed the grantee's reports, examined records, and held discussions with grantee officials October 13-14, 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, A-110, and the ARC Code.

BACKGROUND

ARC Grant No. AL-11866-95-I-302-0210 was awarded to Jacksonville State University (JSU) to provide funds for the Northeast Alabama Manufacturing and Technology Consortium (MTC), a cooperative effort between JSU and Anniston Army Depot (ANAD) for a training and technology transfer program to revitalize the manufacturing sector in the twenty-two county quadrant of northeastern Alabama.

ARC funds were to be used for MTC staff and operating expenses and ANAD was to provide a multi-million dollar advanced technology teaching factory and additional facilities to house the technical operations of the MTC. ANAD was also to provide technical personnel. JSU was to provide faculty consultant staff, MTC administrative offices, additional teaching facilities, downlink communications equipment for distance learning/teleconferencing, conference facilities, computer, electronics and other appropriate labs, and library facilities. The grant was for actual, reasonable and eligible project costs, not to exceed \$144,107 (66 percent of project costs). The grantee was to pay

or cause to be paid the non-federal share (34 percent) in cash, contributed services, or in-kind contributions.

Specific tasks to be accomplished were:

- 1) Act as an informational hub, referring firms to appropriate service providers in the Region;
- 2) Utilize the extensive manufacturing technology at ANAD as a teaching factory;
- 3) Provide or coordinate demonstrations, training and education on a wide range of computer aided manufacturing technologies (these include apprenticeship programs, maintenance of informational tools/aids for self instruction, and other formal training programs); and
- 4) Provide technical assistance, on-site assessments of manufacturing processes, and some managerial consulting.

At the time of our visit, the grantee had submitted final payment and progress reports to ARC but they had not received their final payment. Subsequent to our visit, an ARC official indicated that all of the grant funds had been paid to the grantee. A grantee official indicated that their records show they are still due \$12,696.15. ARC and grantee officials were working to resolve the issue as of the date of this report.

RESULTS

Program Review

During the course of the ARC grant, the MTC functioned as a clearing house for manufacturers' problems, worked with local industries to expand their facilities and upgrade processes, planned and promoted a series of training workshops, provided information and assistance related to job and educational opportunities, and obtained funding for training/retraining scholarships. Grantee officials indicated that they initially experienced difficulties in implementing some of the grant work because of the legal oversight of ANAD. Once that barrier was overcome, the MTC assisted one manufacturer in contracting with ANAD to perform specialized machining work on prototype equipment.

The grantee had anticipated that the MTC would be generating revenue by the end of the grant period, but they were unable to assess annual fees to participants because of the legal delays. There was also a conflict of interest issue related to membership in the consortium and they eventually dissolved the consortium in May 1997.

A grantee official indicated that they may not continue all of the initiatives associated with the ARC grant, however, much of the work specified in the grant agreement is currently being done through the JSU Department of Technology. JSU is providing temporary funding for the work but additional


revenue to continue the work is expected to be generated from consulting work, studies and training programs. We discussed the grant with the ARC project coordinator who told us he was aware of the legal difficulties encountered by the grantee during the course of the grant and was satisfied with the grantee's performance.

Financial Review

Prior to our visit, the grantee notified us about some minor discrepancies between the amount of expenditures reported to ARC on interim progress reports and the grantee's accounting records. We understand that the errors on the reports were primarily the result of a previous employee reporting estimated expenditures to ARC before all relevant costs were posted to the accounting records. We verified that the grantee's final expenditure report to ARC agrees with their accounting records.

The grantee claimed project costs of \$236,086.57 including grant costs of \$144,107 and matching costs of \$91,989.57. We tested the claimed costs and no material deficiencies were noted as to the allowability or documentation of the expenses. We noted that the matching share provided by JSU actually totaled \$95,318.87 or \$3,339.30 more than they reported to ARC because they did not claim costs associated with computer equipment that was purchased for use on the grant.

Recommendation: We recommend that the grantee ensure that financial status reports provided to ARC are accurate and verifiable if they receive future ARC grants.


Hubert N. Sparks
Inspector General



November 21, 1997

Mr. Harold J. McGhee, President
Jacksonville State University
700 Pelham Road, North
Jacksonville, AL 36265-9982

re: OIG Report 98-1(H), ARC Grant AL-11866-95


Dear Mr. McGhee:

Enclosed is a copy of our report on the grant dealing with the Northeast Alabama Manufacturing Technology Consortium.

A copy of the report is being provided to the Federal Co-Chairman, ARC Executive Director, and Alabama State Alternate.

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure