



**REPORT OF REVIEW
ENTERPRISE DEVELOPMENT, INC
OF SOUTH CAROLINA**

Technology Development Incubator

Grant No. SC-10530-94-C3-302-0429
August 1, 1995 - July 31, 1996

OIG Report No. 98-6 (H)
January 12, 1998

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 review included procedures to review costs incurred and claimed for reimbursement under the grant as well as costs claimed as matching funds. The period of performance was August 1, 1995 through July 31, 1996. We reviewed the grantee's reports, examined records, and held discussions with grantee officials August 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-87, A-102, and the ARC Code.

C. BACKGROUND

ARC Grant No. SC-10530-94-C3-302-0429 was awarded to Enterprise Development, Inc. of South Carolina to provide funding for the continued operation of the Center for Applied Technology (CAT) located in Appalachian South Carolina. The CAT is a 30,000 square foot incubator that leases space and provides services to entrepreneurial, technology-based companies with high growth potential. The Center also assists existing companies to acquire innovative technological solutions to manufacturing and product problems and serves as a link between the university and the private sector for technology transfer.

The grant was for \$250,000 or 50 percent of actual, reasonable and eligible project costs. The grantee was to pay or cause to be paid the non-federal share in cash, contributed services, or in-kind

contributions, as approved by ARC. Specific tasks to be accomplished by the grant included the provision of all necessary services, personnel, materials and supplies to maintain and operate a business development incubator serving Appalachian South Carolina. The grantee was to continue to recruit technology-based companies with high-growth potential as tenants for the incubator and to offer them, at a minimum, subsidized cost of space, flexible space, shared support services and basic business consulting.

ARC paid the grantee \$217,713 (50 percent) based on total project costs of \$436,039 and closed out the grant on June 10, 1997.

II. RESULTS

A. FINANCIAL REVIEW

We reviewed a judgmentally selected sample of expenditures charged to the ARC grant and to match. We are questioning three expenditures included in our sample as being unallowable or inadequately documented. The grantee's accounting records indicated that certain meal costs totaling \$398.67 were unallowable grant costs. However, we found that the meal costs were included in the reported matching costs of \$218,326 and in total project costs of \$436,039. We discussed this issue with the grantee and they agreed to deduct the unallowable meal costs from matching and total project costs. Subsequent to our visit, the grantee provided documentation for a registration fee of \$425 that was paid on behalf of an employee who was not charged to the ARC project.

During our review, we noted that supporting documentation for salary costs in our sample totaling \$6,279 were not available for review. The grantee indicated they had time and attendance records for the claimed salary costs related to the March 31, 1996 payroll but that some of their records were still packed as a result of their recent move to new office space and could not be immediately located.


Auditee Action: The grantee subsequently provided supporting documentation/justification for the questioned salary costs of \$6,279 and the \$425 registration fee.

Auditor Comments: The documentation/justification submitted by the grantee in response to our questioned costs for salaries and a registration fee is acceptable. We continue to recommend that the grantee ensure that reported grant and matching expenditures are accurate and that appropriate documentation is available for review if they receive future ARC grants.

B. PROGRAM REVIEW

The grantee provided the personnel, materials and supplies necessary to maintain and operate a business development incubator, the Center for Applied Technology (CAT) in Pendleton, South Carolina, during the grant year. The cost of the incubator space was subsidized for the businesses

and shared support services and basic business consulting were also provided as specified by the grant agreement. Ten businesses occupied space at the CAT during the grant year.


Hubert N. Sparks
Inspector General



January 12, 1998


Mr. Sam Cargill, Director
Community Grants Division
South Carolina Department of Commerce
P. O. Box 927
Columbia, SC 29201

re: OIG Reports 98-5(H) and 98-6(H)

Dear Mr. Cargill:

Enclosed are copies of two small reports. As noted, due to the age of grants and equipment pertaining to Tri-county Technical College, we accepted information provided by officials and did not conduct on-site visual spot checks. Such spot checks would normally be made in cases where the equipment is well within its use expectancy period. Also, we noted the possibility of including newer grants in surveys of equipment use and will let you know if we intend to conduct such spot checks at South Carolina grantees.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosures



January 12, 1998

Ms. Grace McKown, President
Enterprise Development, Inc.
of South Carolina
P. O. Box 1149
Columbia, SC 29202

re: **OIG Report 98-6(H), Grant SC-10530-94**


Dear Ms. McKown:

Enclosed is a copy of our report dealing with a grant for a technology development incubator. As noted, the only open item involves \$398 of questioned meal costs and a deduction of this cost from project costs.

A copy of this report is being forwarded to the Federal Co-Chairman, ARC Executive Director, and South Carolina State Alternate.

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure