



NOVEMBER 20, 1998

OIG REPORT 99-1(H)

MEMORANDUM FOR: TERRY W. BARNES, PRESIDENT, GREATER TRI-CITIES FOREIGN TRADE ZONE, INC., BLOUNTVILLE, TENNESSEE

SUBJECT: Memorandum Survey Report--Tri-Cities Appalachian International Trading Network, ARC Grant TN-12829-98

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 period of performance for the grant was January 1, 1998, through December 31, 1998. We reviewed the grantee's reports, examined records, and held discussions with grantee officials August 31-September 1, 1998. 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 TN-12829-98 was awarded to the Greater Tri-Cities Foreign Trade Zone, Inc. to develop an export assistance center for small and medium sized enterprises in Appalachian Tennessee and Virginia. The Appalachian International Trading Network (AITN) was to provide a regional trade database of information about potential export trade businesses in the project area. AITN was to partner with various local economic development agencies to identify potential export traders and deliver technical assistance to such enterprises. The grant was for actual, reasonable and eligible project costs, not to exceed \$100,000. The grantee was to provide \$31,744 in cash, contributed services, or in-kind contributions.

Specific objectives/tasks to be accomplished included the following:

- 1) Compile industry software, trade links and local industry statistics to create a trading database.
- 2) Develop an internet web page for access to trading database and communications between trading partners.

- 3) Analyze and identify the companies with the greatest export potential in each of the participating counties.
- 4) Develop a comprehensive, company-specific foreign market assessment .
- 5) Assist participating companies to develop an export marketing plan.
- 6) Analyze and identify the industry sector with the greatest export potential in the region.
- 7) Build the capacity in each county to deliver in-depth services to a particular industry sector beyond services currently being provided. Grantee was to conduct extensive research regarding common export opportunities and participate in at least one trade initiative.
- 8) Produce and publish an international trade directory featuring the initiatives of the Greater Tri-Cities Foreign Trade Zone, Inc.

At the time of our visit, the project was ongoing. The grantee had claimed and been paid an advance/progress payment of \$68,199 and \$31,801 remained in the ARC account.

RESULTS

Financial Review

At the time of our on-site review, the grantee's financial records indicated that project expenditures totaled \$85,370.36, including grant costs of \$68,655.40 (78 percent) and matching costs of \$16,714.96 (22 percent). We reviewed documentation supporting ARC and matching costs and noted a discrepancy with one invoice totaling \$16,656.38. The itemized costs added up to \$300 less than the invoice total. Subsequent to our visit, the grantee obtained a corrected invoice from the vendor and provided a copy to us. Cabling costing \$300 was added to the itemized list and the invoice total remained the same.

We also noted that consultant costs of \$18,750 were charged to the project, including \$15,000 to the grant and \$3,750 to match. The grantee indicated in a letter dated August 20, 1997 that the consultant would be responsible for "specific development activities for Tri-Cities, TN/VA, regional initiatives" as indicated by the consultant's letter of May 27, 1997. These activities included developing a sustainable model for the service (Export Market Development Program) to become self supporting.

A memorandum of April 7, 1998 from the consultant to the grantee noted that the consultant would issue a final report to the grantee. The final report was apparently a May 14, 1998 letter to the grantee that provided details about the consultants activities in 1997 and 1998. This letter identified various contacts, interviews and research activities but did not include any specifics about the results

of the activity or project related recommendations nor did it appear to include a development model or plan of action.

The consultant indicated that he completed work under the ARC grant such as "(t)rade association program research...analyzed the regional, national and international research activities...regional networks research ...program research, national databases...export network research." Although the consultant provided a listing of contacts and noted various research activities, and the related resource use, we did not identify any progress or other reports from the consultant that described the results or conclusions of his research or provided project recommendations. The grantee indicated he had verbal discussions with the consultant but no written reports were produced to document nearly 200 hours of work claimed by the consultant.

The grantee indicated they expected to spend all of their ARC funds by grant end on December 31, 1998.


Program Review/Status

The grantee indicated that they were progressing satisfactorily with the work required by the ARC grant agreement. They purchased and installed computer and other equipment and developed an internet web page as planned. They published an international trade directory and co-sponsored or participated in several export seminars.

At the time of our review, we understood that the grantee was working to obtain funding to continue the project after the ARC grant ends. They hoped to obtain another ARC grant as well as funding from a Virginia development district.

RECOMMENDATION

The grantee should assure that any contract or consultant work utilized in connection with future grants is supported by clear identification of the expected products or services and payments are based on completion of agreed to tasks.


Hubert N. Sparks
Inspector General



April 5, 1999

MEMORANDUM FOR The Federal Co-Chairman
ARC Executive Director


SUBJECT: OIG Reports and Request for Information on Unresolved Reports

Enclosed is a copy of our periodic update on expired grants [OIG Report 99-15(H)]. As noted, positive ARC actions have resulted in a continued reduction of open grants and actions to reallocate available funding. The report notes some grants for which additional action appears appropriate.

Also enclosed are the eight reports identified below. In seven cases, no deficiencies needing attention were noted. Report 99-5(H), Mississippi Consolidated Technical Assistance, contains a repeat recommendation pertaining to the timely closing of grants and deobligation of unused funds.

- 99-1(H)—ARC Grant TN-12829-98, Tri-Cities Appalachian International Trading Network
- 99-2(H)—ARC Grant NC-12320-96, Appalachian International Business Center
- 99-4(H)—ARC Grants MS-12324-96/97, Leadership and Civic Infrastructure Initiative Project
- 99-5(H)—ARC Grants MS-7763-95/96/97, Consolidated Technical Assistance
- 99-11(H), ARC Grant SC-12415-96, Science and Math To Go
- 99-12(H), ARC Grant SC-12417-96, Internet Training Facilities
- 99-13(H), ARC Grant SC-12303-96, Adding Rural Counties to AppNet
- 99-14(H), ARC Grant SC-11834-96, Economic Development Information System

Information is requested on the status of recommendations contained in reports 98-24(H), Georgia Revolving Loan Fund, and 98-36(H), Sawmill Center for the Arts.


Hubert N. Sparks
Inspector General

Enclosures

cc: Ms. Judy Rae



**APPALACHIAN
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COMMISSION**

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A New Vision*

Office of the Inspector General

November 23, 1998

Mr. Terry Barnes, Administrator
Greater Tri-Cities Foreign Trade Zone
P. O. Box 1034
Blountville, TN 37617

re: OIG Report 99-1(H), ARC Grant TN-12829-98


Dear Mr. Barnes:

Enclosed is a copy of our report dealing with the subject grant. A response is not requested.

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

The courtesies and cooperation afforded the auditor were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure



**APPALACHIAN
REGIONAL
COMMISSION**

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A New Vision*

Office of the Inspector General

November 23, 1998


Ms. Paula E. Lovett, Grant Program Manager
Grants and Loans
Rachel Jackson State Office Building
320 - 6th Avenue, N., 6th Floor
Nashville, TN 37243-0405

re: OIG Report 99-1(H), ARC Grant TN-12829-98

Dear Ms. Lovett:

Enclosed is a copy of our report dealing with development of an export assistance center for small- and medium-sized enterprises in Appalachian Tennessee and Virginia.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure