

**MEMORANDUM REPORT ON REVIEW OF
THE PRESBYTERIAN CHILD WELFARE AGENCY
BUCKHORN, KENTUCKY**

Buckhorn Montessori Preschool Expansion

ARC Grant Number: KY-12436-96-I-302-0430

September 1, 1996 through August 31, 1997

CAUTION: *Certain information contained herein is subject to disclosure restrictions under the Freedom of Information Act, 5 U.S.C. 522 (b)(4). Distribution of this report should be limited to Appalachian Regional Commission and other pertinent parties.*

Report Number: 99-8

Date: March 31, 1999

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TO: Appalachian Regional Commission (ARC)
Office of Inspector General (OIG)

FROM: Tichenor & Associates
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman
ARC Executive Director
OIG Report Number 99-8

SUBJECT: Memorandum Review Report on The Presbyterian Child Welfare Agency,
Buckhorn Montessori Preschool Expansion, Buckhorn, Kentucky ARC Grant
Number KY-12436-96-I-302-0430.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by The Presbyterian Child Welfare Agency for its Buckhorn Montessori Preschool Expansion program were expended in accordance with the ARC approved grant budget and did not violate any restrictions imposed by the terms and conditions of the grant; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grant have been met.

BACKGROUND: ARC awarded Grant Number KY-12436-96-I-302-0430 to The Presbyterian Child Welfare Agency for the period September 1, 1996 through August 31, 1997. Total grant funding was for an amount not to exceed \$202,221, or approximately 80 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$50,556 or 20 percent in cash, contributed services, and in-kind contributions, as approved by ARC. ARC made three progress payments totaling \$202,221.

The purpose of the grant was to expand an existing Montessori preschool in Perry County opening up 20 new child care slots for infants and toddlers ranging from 2 weeks to 3 years of age.

The specific tasks of the grant were to:

- Provide full day developmentally appropriate daycare for infants and toddlers;
- Provide parent education to improve parenting skills through both in-home and in-class instruction;
- Provide parents of participating children with case-managed assistance in enrolling in job readiness, academic upgrade, and vocational skills courses in coordination with other existing programs; and
- Promote and publicize the program to employers in the area in an effort to fill vacant jobs with parents of participating children.

SCOPE: We performed a program review of the grant as described in the Purpose above. Our review was based on the terms of the grant agreement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the Buckhorn Montessori Preschool Expansion had been performed, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Grantee had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Grantee personnel. Our results and recommendations are based on these procedures. These review procedures were performed in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at The Presbyterian Child Welfare Agency's offices in Buckhorn, Kentucky on February 22 through 26, 1999.

A. Incurred Costs

The Presbyterian Child Welfare Agency incurred total program cost of \$252,791 and claimed reimbursable costs from September 1, 1996 to August 31, 1997 of \$202,221 and in-kind cost of \$50,570. We reviewed the direct and in-kind cost incurred and determined that, in general, the funds had been expended as reported by The Presbyterian Child Welfare Agency.

B. Internal Controls

1. ARC Funding Reprogrammed Without ARC Approval

The Presbyterian Child Welfare Agency exceeded ARC budgets and reprogrammed ARC funding without formal approval from ARC. \$53,103 was reprogrammed from salaries, fringe benefits, travel, equipment and supplies and moved to the "Other" category. We found no evidence of written approval through a grant amendment authorizing the reprogramming of the funds.

The following amounts were reprogrammed:

Budget Category	Budget Amount	Cost Incurred	Difference
Salaries	\$112,314	\$82,692	(\$29,622)
Fringe Benefits	19,800	13,735	(6,065)
Travel	9,150	8,742	(408)
Equipment	3,225	-	(3,225)
Supplies	20,000	6,217	(13,783)
Other	12,033	65,136	53,103
Indirect Admin.	25,699	25,699	-
Totals	\$202,221	\$202,221	-

OMB Circular A-110, Subpart C, Post Award Requirements, .25, Revision of Budget and Program Plans state:

“(a) The budget plan is the financial expression of the project or program as approved during the award process.

(b) Recipients are required to report deviations from budget and program plans, and request prior approvals for budget and program plan revisions, in accordance with this section.

(f) The Federal awarding agency may, at its option, restrict the transfer of funds among direct cost categories or programs, functions and activities for awards in which the Federal share of the project exceeds \$100,000 and the cumulative amount of such transfers exceeds or is expected to exceed 10 percent of the total budget as last approved by the Federal awarding agency.”

2. Two of Four Quarterly Progress Reports Were Not Submitted to the ARC And The Final Report Was Submitted One Year Late

The Presbyterian Child Welfare Agency did not submit quarterly progress reports to the ARC Project Coordinator for 2 out of 4 quarters the grant was in place. In addition, the final report was submitted twelve months after the end of the grant period.

Grant Agreement Number KY-12436-96-I-302-0430 between the ARC and The Presbyterian Child Welfare Agency, paragraph 2-8.1, Progress Reports. states:

“Grantee shall prepare and submit to the ARC Project Coordinator quarterly progress reports indicating the work accomplished under the agreement to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period.”

Grant Agreement Number KY-12436-96-I-302-0430 between the ARC and The Presbyterian Child Welfare Agency, paragraph 2-8.2, Final Report. states:

“(1) Draft Contents. Within one (1) month after the period of performance, Grantee shall prepare and submit to the ARC Project Coordinator for approval a draft final report of all work accomplished under this agreement including recommendations and conclusions based on the experience and results obtained.”

RECOMMENDATIONS:

We make the following recommendations for the findings above:

1. We recommend that The Presbyterian Child Welfare Agency obtain in writing approval for any future budget modifications.
2. We recommend that The Presbyterian Child Welfare Agency submit quarterly progress reports and the final report within the timeframes specified in the grant agreement for all future projects financed with federal funds.

C. Program Results

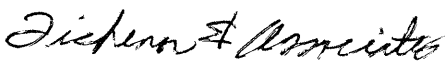
Our review of The Presbyterian Child Welfare Agency, Buckhorn Montessori Preschool Expansion, indicated all specific tasks identified in the grant, and summarized above, had been achieved.

DISCUSSION:

We discussed these issues with The Presbyterian Child Welfare Agency management at an exit conference held on February 26, 1999. Management stated that it emphasized completing the project rather than submitting the required reports. In addition, they stated that the final report was submitted late due to the budget issues identified above.

OTHER:

We provided a copy of the draft report to the Presbyterian Child Welfare Agency management on March 25, 1999. Management responded to our findings and recommendations by stating that for any future ARC awards, they intend to improve dramatically in the submission of the required reports in a timely manner. They did not address the reprogramming of the ARC funds without approval.


TICHENOR & ASSOCIATES
Louisville, Kentucky

February 26, 1999



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Office of the Inspector General

12/22/98

Wynn

Project file data on 3
of the closed ARC
administered grants

KY-12111-95 KY 12288-96, KY 12265-95

I am still trying to track
down the files on the open
grant KY 12436-96 for the
Presbyterian Child Welfare Agency

A. Spake

→ HUBIE - This is Presbyterian Child Welfare,
not 1 of the original 5.

Original 5 are:

- * KY 12432-96
- * KY 13037-986
- * KY 12288-96
- * KY 12828-I-97
- * CO 12265-95
- * Pass Through



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PROJECT ANNOUNCEMENT

202/884-7660

Project No. and Title: Breathitt Montessori Pre-School Relocation/Expansion, Commonwealth of Kentucky, ARC No. KY-12111-95-I-302-0308

Grantee: Presbyterian Child Welfare Agency (PCWA)

County: Breathitt

JUL 31 1995

Funding: ARC: \$170,500 Federal: State: Local: 42,625 Total: \$213,125

WASHINGTON, D.C.--The Appalachian Regional Commission announced today the approval of a \$170,500 grant to the Presbyterian Child Welfare Agency in Buckhorn, Kentucky for the expansion and relocation of the Breathitt Montessori Pre-School Program to Jackson, Kentucky. The target population will be children ages 2 to 5 years. The relocation of the center will allow an additional 20 children to be served, thus increasing the enrollment to 40 children. Twenty of the slots will be reserved for children referred by the Department of Social Services. The remaining 20 slots will be available to the community's parents, at-large, on a sliding fee scale.

The Presbyterian Child Welfare Agency has been providing children's services since 1902.

The total project cost is \$213,125. Local sources will provide \$42,625.