

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

Breathitt Montessori Pre-School Relocation/Expansion

ARC Grant Number: KY-12111-95-I-302-0308

July 1, 1995 through September 30, 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: 99-9

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 99-9

SUBJECT: Memorandum Review Report on The Presbyterian Child Welfare Agency,
Breathitt Montessori Pre-School Relocation/Expansion, Buckhorn, Kentucky
ARC Grant No: KY-12111-95-I-302-0308.

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 Breathitt Montessori Pre-School Relocation/Expansion project 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-12111-95-I-302-0308 to The Presbyterian Child Welfare Agency for the period July 1, 1995 through September 30, 1997. Total grant funding was for an amount not to exceed \$170,500, or approximately 80 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$42,625 or 20 percent in cash, contributed services, and in-kind contributions, as approved by ARC. ARC made five progress payments totaling \$170,500.

The purpose of the grant was to relocate and expand the Breathitt Montessori Pre-School to Jackson, Kentucky. The relocation of the center will allow an additional 20 children to be served, increasing the enrollment to 40 children.

The specific tasks of the grant were to:

- operate a Montessori Preschool for approximately forty children;
- provide meals and snacks daily; and
- provide transportation to and from school for up to fifteen 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 Breathitt Montessori Pre-School Relocation/Expansion project 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 costs of \$258,392 and claimed direct reimbursable costs from July 1, 1995 to September 30, 1997 of \$170,500 and in-kind costs of \$87,892. Total in-kind costs were \$45,267 greater than the required in-kind costs according to the grant agreement. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported by The Presbyterian Child Welfare Agency.

B. Internal Controls

1. Six of Nine Quarterly Progress Reports Were Not Submitted to ARC and The Final Report was Submitted Six Months Late

The Presbyterian Child Welfare Agency did not submit quarterly progress reports to the ARC Project Coordinator for 6 out of 9 quarters the grant was in place. In addition, the final report was submitted six months after the end of the grant period.

Grant Agreement Number KY-12111-95-I between the ARC and The Presbyterian Child Welfare Agency paragraph 2-7.1 Progress Reports, states:

“Grantee shall prepare and submit to the ARC Project Coordinator, in three copies, 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-12111-95-I between the ARC and The Presbyterian Child Welfare Agency paragraph 2-7.2 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, three copies of a draft final report of all work accomplished under this agreement including recommendations and conclusions based on the experience and results obtained.”

2. Matching Costs Were Not Properly Reported to ARC

The Presbyterian Child Welfare Agency did not properly report \$41,266 in additional matching funds contributed to the project in excess of the required match. The Presbyterian Child Welfare Agency was required to provide \$42,625 or 20% in-kind costs of the total project cost of \$213,125. The total project cost was \$258,392 and included an additional \$45,267 contributed by The Presbyterian Child Welfare Agency. We recognize that this did not effect payments under the agreement. However, this information is useful on behalf of the grantor for future projects. The following actual cost were incurred:

CATEGORY	FEDERAL	MATCH	TOTAL
Salaries	\$117,322	7,489	\$124,811
Fringe Benefits	17,678	14,435	32,113
Travel	6,000	3,115	9,115
Equipment	2,000	2,000	4,000
Supplies	4,100	18,293	22,393
Other	4,456	29,673	34,129
Sub-total	151,556	75,005	226,561
Indirect	18,944	12,887	31,831
Total	\$170,500	\$87,892	\$258,392

OMB Circular A-122, Attachment A, A. Basic Considerations, states:

“1. Composition of total costs. The total cost of an award is the sum of the allowable direct and allocable indirect costs less any credits.”

RECOMMENDATIONS:

We make the following recommendations for the findings above:

1. We recommend that The Presbyterian Child Welfare Agency submit quarterly progress reports and final reports within the timeframes specified in the grant agreement for all future projects financed with federal funds.

2. We recommend that The Presbyterian Child Welfare Agency report the actual total project costs and actual matching funds contributed for all future grants.

B. Program Results

Our review of The Presbyterian Child Welfare Agency, Breathitt Montessori Pre-School Relocation/Expansion Project, 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 as the most important aspect. They stated that they knew that additional matching funds had been contributed but did not report the additional matching funds since they did not think it was necessary.

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 reporting of the actual matching costs contributed to the project.



TICHENOR & ASSOCIATES
Louisville, Kentucky

February 26, 1999

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Februuary 16, 1999

Mr. Jerry Cantrell, Executive Director
Presbyterian Child Welfare Agency
One Buckhorn Lane
Buckhorn, Kentucky 41721-9989

Dear Mr. Cantrell:

This letter is to confirm discussions in which we established an entrance conference at 9:00 a.m. on Monday, February 22, 1999. Our review will be limited to the costs incurred and claimed under the Buckhorn Montessori Preschool Expansion, Grant Number KY-12436-96; the Montessori Preschool Relocation/Expansion, Grant Number KY-12111-95-I; and, the Buckhorn Leadership Initiative, Grant Number KY-12288-96.

The Procedures we perform will include and evaluation of the accounting and internal control systems, a comparison of accounting records to financial status reports, compliance with program requirements and the results of the projects.

I have enclosed a listing of information needed to complete the review. Please call if you have any questions about our review.

Sincerely,



Roger A. LeMaster

Tichenor & Associates

cc: Hubert N. Sparks, Inspector General
Appalachian Regional Commission