

**MEMORANDUM REPORT ON REVIEW OF  
TENNESSEE QUALITY AWARD, INC.  
NASHVILLE, TENNESSEE**

**Tennessee Quality Award Alliance Global Market Development Phase II**

**ARC Grant Number: TN-12315-97**

**September 1, 1997 Through August 31, 1998**

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**Report Number: 99-27 (H)**

**Date: August 31, 1999**

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September 1, 1997 Through August 31, 1998

Prepared By:

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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 No. 99-27 (H)

SUBJECT: Memorandum Review Report on Tennessee Quality Award, Inc.,  
Nashville, Tennessee, ARC Grant Number TN-12315-97.

**PURPOSE:** The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Tennessee Quality Award, Inc., for the Tennessee Quality Award Alliance Global Market Development Phase II were expended in accordance with the ARC approved grant budgets and did not violate any restrictions imposed by the terms and conditions of the grants; (b) the accounting, reporting and internal control systems provided for disclosure of pertinent financial and operating information; and (c) the objectives of the grants had been met.

**BACKGROUND:** ARC awarded Grant Number TN-12315-97 to Tennessee Quality Award, Inc. for the period September 1, 1997 through August 31, 1998. Total grant funding was for an amount not to exceed \$174,376 or 80 percent of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant to be matched with \$43,594, or 20 percent in cash, contributed services, and in-kind contributions, as approved by ARC.

The purpose of this grant was to promote and accelerate the economic well being of the State of Tennessee by fostering quality awareness and education, recognizing significant achievements and sharing winning strategies and best practices among companies and organizations utilizing the Malcolm Baldrige Criteria. In FY 1996, TQA expanded the authority of the Board to include international trade development; and, specifically, to serve as the deliverer of export readiness services to companies located in Appalachian Tennessee. Tennessee Quality Award

was to perform the following specific tasks:

1. Establish a baseline of data regarding companies currently involved in exporting;
2. Identify competencies necessary for export success;
3. Identify foreign market potentials for businesses not currently exporting;
4. Development of marketing plans;
5. Assess potential export organizations against criteria for success;
6. Undertake a "gap" analysis of businesses;
7. Develop a program for training, technical assistance and services;
8. Measure impacts of program against baseline data;
9. Modify program as appropriate to achieve program objectives;
10. Prepare a marketing awareness program for use by the State Department of Commerce and other service providers;
11. Implement a multi-tiered readiness improvement tool;
12. Recruit and train volunteer assessors of export readiness (from businesses assisted);
13. Deliver training and technical assistance to current and potential exporters; and
14. Deliver linkages with other public and private sector entities to expand export capabilities.

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 procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the tasks listed above 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 Tennessee Quality Award, Inc. had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with Tennessee Quality Award personnel. Our results and recommendations are based on those 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 Tennessee Quality Award offices, in Nashville, Tennessee on June 14 and June 15, 1999.

**A. Incurred Costs**

Tennessee Quality Award, Inc. incurred total program costs of \$190,949 of which they claimed direct reimbursable costs from September 1, 1997 through August 31, 1998 of \$137,560, and in-kind costs of \$53,389. We reviewed the direct and in-kind costs incurred and determined that, in general, the funds had been expended as reported and were used for the ARC program as described.

**B. Internal Controls**

We reviewed the internal controls in place for recording, accumulating and reporting costs under the grant as well as the internal controls surrounding the implementation of the program. We determined that the systems of internal control were adequate for reporting and disclosure of pertinent financial data. Also, the controls in place appear adequate to ensure that questioned costs are not an issue for future grants.

**C. Program Results**

Our review of The Tennessee Quality Award Project indicated all specific tasks identified in the grant, and summarized above, had been achieved.

DISCUSSION:

We discussed these issues with The Tennessee Quality Award, Inc.'s management during the exit conference held on June 15, 1999.

OTHER:

We provided a copy of our draft report to Tennessee Quality Award, Inc.'s management on August 12, 1999. Management responded by stating that they concurred with the draft report.

*Tichenor & Associates*

TICHENOR & ASSOCIATES  
Louisville, Kentucky  
June 15, 1999



BUILDING PARTNERSHIPS  
FOR CONTINUOUS IMPROVEMENT

Marie B. Williams  
President

August 27, 1999

Mr. Roger LeMaster  
TICHENOR & ASSOCIATES  
Certified Public Accountants  
303 Middletown Park Place, Suite 3  
Louisville, Kentucky 40243

Re: Draft Report on Review of ARC Grant No. TN-12315-97 Tennessee Quality Award  
Alliance - Global Market Development, Phase II

Dear Mr. LeMaster:

I am in receipt of your August 12, 1999 correspondence and draft report on the above  
referenced Appalachian Regional Commission (ARC) grant. This letter is to confirm that I  
concur with the findings detailed and fully support the draft.

I appreciated working with you and your colleague. The professionalism and knowledge of  
Tichenor & Associates' staff was clearly evident. Thank you.

Sincerely,

Marie B. Williams  
President

Mbw/