

**MEMORANDUM REPORT ON REVIEW OF
MOUNT VERNON/ROCKCASTLE COUNTY TOURIST COMMISSION
MOUNT VERNON, KENTUCKY**

Rockcastle County Economic Development Initiative

ARC Grant No: KY-13037-98-I-214

July 6, 1998 through July 12, 1999

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: 99-29 (H)

Date: September 24, 1999

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MOUNT VERNON, KENTUCKY

Rockcastle County Economic Development Initiative

ARC Grant No: KY-13037-98-I-214

July 6, 1998 through July 12, 1999

Prepared By:

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Certified Public Accountants
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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 99-29 (H)

SUBJECT TO: Memorandum Review Report on Mount Vernon/Rockcastle County Tourist Commission, Rockcastle County Economic Development Initiative, Mount Vernon, Kentucky, ARC Grant Number KY-13037-98-I-214.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by Mount Vernon/Rockcastle County Tourist Commission for its Rockcastle County Economic Development Initiative 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-13037-98-I-214 to Mount Vernon/Rockcastle County Tourist Commission on July 6, 1998. Total grant funding was for an amount not to exceed \$400,000, or approximately 52% of actual, reasonable and eligible project cost, whichever was less. ARC required that the grant be matched with \$370,000 or 48% in cash, contributed services, and in-kind contributions as approved by ARC. ARC funding was made available through the United States Department of Agriculture, Rural Housing Service (RHS). The project was to purchase and relocate an historic log cabin village creating 52 new jobs in the area. The 9 original cabins and 3 framed structures, found throughout the Commonwealth of Kentucky, are complete with antiques, tools, and products from the area's cultural heritage. The newly constructed cabins will be reopened on a parcel of land within the Renfro Valley Entertainment Center in order to protect these priceless artifacts and to educate the public through tours and traditional artisan demonstrations including: loom crafters, soap makers, candle makers and wood carvers. The specific tasks were to:

- Purchase and relocate nine log cabins and three framed structures, including antiques;
- Acquire land within the Renfro Valley Entertainment Center to place the purchased structures;

- Hire a qualified professional to manage the overall removal and assembly of the village; and
- Enact a marketing campaign to promote the log cabin village.

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 project announcement and on the application of certain review procedures in accordance with the ARC, OIG Review Program. Specifically, we determined if the Renfro Valley Log Cabin Village had been established, if the accountability over ARC funds was sufficient as required by the applicable Office of Management and Budget (OMB) Circulars, and if the Mount Vernon/Rockcastle County Tourist Commission had complied with the requirements of the grant award. In addition, we discussed the program objectives and performance with Mount Vernon/Rockcastle County Tourist Commission 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 Mount Vernon/Rockcastle County Tourist Commission at Mount Vernon, Kentucky on July 13 through July 15, 1999.

A. Incurred Costs

The Mount Vernon/Rockcastle County Tourist Commission incurred total program cost of \$770,567 and claimed ARC reimbursable costs of \$400,000 and in-kind cost of \$370,567. We reviewed the direct and in-kind cost incurred and determined that, in general, the funds had been expended as reported by the Mt. Vernon/Rockcastle County Tourist Commission.

B. Internal Controls

Quarterly Financial Status and Project Performance Reports Were Not Prepared

During the period of the grant, quarterly Financial Status and Project Performance reports were not prepared and submitted to RHS as required by the terms and conditions of the grant agreement. Also, as of July 15, 1999 a final Project Performance Report had not yet been prepared.

Agreement For Administrative Requirements For Community Facilities Grants, Section 8 states:

“Provide Grantor with such periodic reports as it may require and permit periodic inspection of Grantee’s operations by a designated representative of the Grantor. For grant-only projects, Form SF-269, ‘Financial Status Report,’ and a project performance report will be required of all Grantees on a quarterly basis (due 15 working days after end of each calendar quarter). A final project performance report will be required with the last ‘Financial Status Report.’ The final report may serve as the last quarterly report. Grantees shall constantly monitor performance to ensure that time schedules are being met, projected work by time periods is being accomplished, and other performance objectives are being achieved. The project performance reports shall include, but not be limited to, the following:

- (a) A comparison of actual accomplishments to the objectives established for that period;
- (b) Reasons why established objectives were not met;
- (c) Problems, delays, or adverse conditions which will affect attainment of overall project objectives, prevent meeting time schedules or objectives, or preclude the attainment of particular project work elements during established time periods. This disclosure shall be accompanied by a statement of the action taken or planned to resolve the situation; and
- (d) Objectives and timetables established for the next reporting period."

RECOMMENDATION:

We recommend that Mount Vernon/Rockcastle County Tourist Commission submit a final report to the United States Department of Agriculture Rural Housing Service, and for future grants submit reports in accordance with grant agreement provisions.

C. Program Results

Our review of the Mount Vernon/Rockcastle County Tourist Commission, Rockcastle County Economic Development Initiative, indicated all specific tasks identified in the grant award notification, and summarized above, had been achieved.

DISCUSSION:

We discussed this issue with Mount Vernon/Rockcastle County Tourist Commission management at an exit conference held on July 15, 1999. Management stated the original Director passed away during the middle of the log cabin project. The current Director assumed all of the former Director's duties but was never instructed to prepare quarterly reports. A final project report had not yet been completed at the time of our review.

OTHER:

We provided a copy of our draft report to Mount Vernon/Rockcastle County Tourist Commission on August 11, 1999. Management responded by stating that they did their best to meet all the reporting requirements and any oversights were not intentional. In addition, they stated that a final report has been submitted to the Department of Agriculture, Rural Housing Service.

Tichenor & Associates
TICHENOR & ASSOCIATES
Louisville, Kentucky

July 15, 1999

TICHENOR & ASSOCIATES
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July 1, 1999

Ms. Susan Tomes, Executive Director
Mt. Vernon Rockcastle County
Tourist Commission
P.O. Box 1261
Mt. Vernon, Kentucky 40456

Dear Ms. Tomes:

This letter is to confirm discussions in which we established an entrance conference at 11:00 a.m. E.S.T on Tuesday, July 13, 1999. Our review will be limited to the costs incurred and claimed under the Renfro Valley Log Cabin Village Project, ARC Grant Number KY-13037-98.

The procedures we perform will include an evaluation of the accounting and internal control systems, a comparison of accounting records to the drawdown requests, and compliance with program objectives.

Please call (502) 245-0775 if you have any questions about our review.

Sincerely,



Roger A. LeMaster

Tichenor & Associates

cc: Hubert N. Sparks, Inspector General, Appalachian Regional Commission
Doug Moore, Agricultural Agent, US Department of Agriculture



November 9, 1999


Ms. Peggy Satterly
Program Manager
Department of Local Government
Division of Development Finance
1024 Capital Center Drive
Frankfurt, Kentucky 40601-8024

Re: OIG Reports 99-18(H), 99-19(H) and 99-29(H)

Dear Ms. Satterly:

Enclosed are copies of our reports dealing with the Training Tomorrow's Workforce and Rural Health and Wellness Program projects conducted by Prestonburg Community College and the Rockcastle County Economic Development Initiative.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosures



September 30, 1999

Mr. Glenn Miller, Executive Director
Mount Vernon/Rockcastle
County Tourist Commission
P.O. Box 1261
Mount Vernon, KY 40456

re: OIG Report 99-29(H), Grant KY-13037-98

Dear Mr. Miller:


Enclosed is a copy of our final report dealing with a grant for a project titled Rockcastle County Economic Development Initiative. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract with my office.

We consider the report closed based on the submission of the final project report to the US Department of Agriculture Rural Housing Service.

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

The courtesies and cooperation afforded the auditors were appreciated.

Sincerely,


Hubert N. Spauls
Inspector General

Enclosure