



November 9, 1999

MEMORANDUM FOR: FEDERAL CO-CHAIRMAN AND ARC EXECUTIVE DIRECTOR

FROM: HUBERT N. SPARKS INSPECTOR GENERAL

SUBJECT: OIG Reports 99-19(H), 99-24(H), 99-31(H), 99-32(H) and 99-41(H) Grant Nos. KY-11586-94, TN-12930-98, OH-12622-97, OH-12727-97 and NC-12345-97

The reviews covered projects dealing with rural health and wellness, entrepreneurial initiative, facilities planning, telecommunications equipment and leadership development training.

Open issues pertain to (1) the support for \$76,917 in matching contributions for the rural health and wellness project conducted by Prestonburg Kentucky Community College; (2) year end adjustments to indirect costs for the technology 2020 entrepreneurial initiative; (3) submission of reports, contractor selection process and expenditures prior to the grant period by The Wilds in connection with a facilities planning project; and (4) return of \$8,992 in unspent funds and supporting documentation for \$189,000 in matching contributions by Ohio University Southern Campus for a telecommunications project.

Enclosures

cc: Judy Rae



Memorandum

To: Hubert N. Sparks, Inspector General File
From: Thomas M. Hunter, Executive Director *TMH*
Date: March 2, 2000
Subject: OIG Report 99-31 (H), Grant OH-12622-97
 Facilities Master Planning Project, (The Wilds, Inc.)

This memo responds to the above referenced OIG report, as distributed by October 8, 1999 letter to Mr. Dan Ritchey, Project Director.

The report identifies three issues requiring action from ARC in order to close the project review. These issues are 1) costs incurred prior to the grant period, 2) the process used to select contractors, and 3) the submission of quarterly reports.

ARC staff has reviewed the costs incurred by The Wilds, Inc. prior to the grant start date and has determined that these costs will be allowed. The activities in question were included in the project's approved budget and scope.

Commission staff accepts the grantee's explanation that contracts were awarded to Jones & Jones Architects and Robert W. Teater & Associates because of their expertise and knowledge of the project, and the need to create a consistent vision for the project. ARC approves the grantee's use of these firms and waives the requirement to competitively procure the activities.

Commission staff accepts the status reports submitted to date by the grantee as sufficient and will not require additional documentation on the project's progress.

If Commission staff can be of additional assistance regarding this matter, please let me know.

*CK
HG*



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Office of the Inspector General

*To Mally
1/3*

October 8, 1999

Mr. Dan Ritchey, Project Director
The Wilds, Inc.
1400 International Road
Cumberland, OH 43732

re: OIG Report 99-31(H), Grant OH-12622-97

Dear Mr. Ritchey:

Enclosed is a copy of our report dealing with a planning grant in connection with The Wilds, Inc. The work was performed by auditors with Tichenor and Associates, C.P.A., under contract with my office.

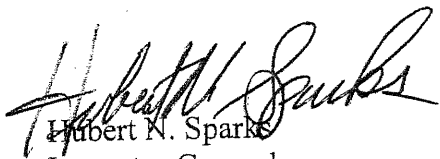
As noted, the report contains three issues that need to be resolved with and/or by ARC program staff prior to closing this review. These issues involve costs incurred prior to the grant period, the process used to select contractors, and the submission of quarterly reports.

We will followup with ARC staff within 60 days to determine the status of these issues.

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

The courtesies and cooperation afforded the auditors were appreciated.

Sincerely,


Hubert N. Sparks
Inspector General

Enclosure

**MEMORANDUM REPORT ON REVIEW OF
THE WILDS, INC.
CUMBERLAND, OHIO**

Facilities Master Planning Project

ARC Grant Number: OH-12622-97-I-302-1210

January 1, 1997 through February 28, 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: 99-31(H)

Date: September 30, 1999

MEMORANDUM REPORT ON REVIEW OF
THE WILDS, INC
CUMBERLAND, OHIO

Facilities Master Planning Project

ARC Grant Number: OH-12622-97-I-302-1210

January 1, 1997 through February 28, 1999

Prepared By:

Tichenor & Associates
Certified Public Accountants
303 Middletown Park Place, Suite E
Louisville, Kentucky 40243

TICHENOR & ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS and MANAGEMENT CONSULTANTS

303 MIDDLETOWN PARK PLACE, SUITE E
LOUISVILLE, KENTUCKY 40243

PARTNERS

WILLIAM R. TICHENOR
JONATHAN D. CROWDER
JAMES M. ANDERSON

BUSINESS: (502) 245-0775
FAX: (502) 245-0725
E-MAIL: TICHENORKY@AOL.COM

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 99-31(H)

SUBJECT: Memorandum Review Report on The Wilds, Inc., Cumberland, Ohio, Grant
Number OH-12622-97-I-302-1210.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by The Wilds, Inc. for its Facilities Master Planning 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 OH-12622-97-I-302-1210 to The Wilds, Inc. for the period January 1, 1997 through February 28, 1999. Total grant funding was for an amount not to exceed \$250,000, or approximately 71% of actual, reasonable and eligible project costs, whichever was less. ARC required that the grant be matched with \$102,500 or 29% in cash, contributed services, and in-kind contributions, as approved by ARC. ARC made six advance/progress payments to The Wilds, Inc. totaling \$250,000.

The purpose of this grant was to develop architectural renderings for the Master Plan and engineering costs for assessing animal housing standards, lodging, food services and visitor facility compliance; perform a preliminary utility study of water, sewer, electric and gas needs; conduct a transportation (vehicular and pedestrian) plan and cover coordination and administration costs associated with the planning activities.

The following specific tasks were to be performed:

1. Preliminary Design and Architectural Renderings
 - Comprehensive Master Plan of Wilds Preserve
 - Pictorial Drawings of building and layout of program areas, e.g. Main Visitor Center Complex
 - Portable displays for presentation and discourse
 - Schematization of building sites and transportation (pedestrian and vehicular) flow studies
2. Preliminary Utility Studies
 - Including service of water, sewer, electric and gas
3. Consultations
 - Primarily with architects and engineers for items such as animal housing standards, and lodging, food service, and other visitor facility compliance
4. Planning Facilitation/Administration
 - Includes coordination of planning activities and hiring consultants

SCOPE: We performed a 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 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 Wilds, Inc. had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with The Wilds, Inc. 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 Wilds, Inc.'s offices in Cumberland, Ohio on July 13 through July 15, 1999.

A. Incurred Costs

The Wilds, Inc. claimed total program costs of \$352,975, and claimed ARC reimbursable costs from January 1, 1997 through February 28, 1999 of \$250,000 and in-kind cost of \$102,975. We reviewed the direct and in-kind costs claimed and determined that, in general, the funds had been expended as reported. However, \$24,158 of costs claimed were incurred prior to the effective date of the grant

agreement. These costs are discussed below.

Prior to the Effective Date of the Grant, \$24,158 of Costs Were Incurred

The Wilds, Inc. secured the services of Feinknopf Macioce Schappa Architects to provide direction and preliminary development study of the Master Plan process and initial concepts. From June 1, 1996 through December 31, 1996, \$24,158 was incurred and charged to the ARC grant in June 1997. ARC Grant OH-12622-97-I-302-1210 between the ARC and The Wilds, Inc. was effective beginning January 1, 1997 and was to be completed by February 28, 1999. Also, The Wilds, Inc. could not locate a formal written agreement with Feinknopf Macioce Schappa Architects.

ARC General Contract and Administrative Provisions, Article 14, Records Requirements, Audit, Adjustments, and Refunds paragraph (2) states:

"All disbursements shall be for obligations incurred, after the effective date, in the performance of this contract, and shall be supported by contracts, invoices, vouchers, and other data, as appropriate, evidencing the disbursements."

B. Internal Controls

We identified the following internal control weaknesses that affected compliance with the terms of the grant agreement:

1. Service Contracts Were Not Competitively Bid And Did Not Contain All Required Provisions

The Wilds, Inc. entered into two contracts to complete the tasks as required by the ARC grant agreement. These contracts were with Jones & Jones Architects for the design and management of the Master Project Plan, and Robert W. Teater & Associates for strategic planning and development, fundraising assistance, financial management and business planning and for profit development. The Wilds, Inc. could not provide evidence that the contracts were competitively bid and the contracts did not contain all provisions as required by OMB Circular A-110.

ARC General Contract and Administrative Provisions, Article 5, Contracting Procedures states:

"In contracting for services and/or purchasing equipment under this contract, Contractor shall assure that (1) all contracting shall be at prices and on terms most advantageous to the Contractor and to the project; and (2) all interested parties shall have a full and fair chance at doing business with the Contractor. Contractor shall arrange for all contracting through competitive bidding, or, if permitted by state law, other negotiating and contracting procedures that will assure compliance with (1) and (2) above."

OMB Circular A-110, Subpart E, Post-Award Requirements, .48-Contract Provisions, paragraph (4)(a), states:

“Contracts in excess of the small purchase threshold shall contain contractual provisions or conditions that allow for administrative, contractual, or legal remedies in instances in which a contractor violates or breaches the contract terms, and provide for such remedial actions as may be appropriate.”

Further, OMB Circular A-110, Subpart E, Post-Award Requirements, .48-Contract Provisions, paragraph (4)(b), states:

“All contracts in excess of the small purchase threshold shall contain suitable provisions for termination by the recipient, including the manner by which termination shall be effected and the basis for settlement. In addition, such contracts shall describe conditions under which the contract may be terminated for default as well as conditions where the contract may be terminated because of circumstances beyond the control of the contractor.”

2. Quarterly Progress Reports Were Not Submitted to ARC

The Wilds, Inc. did not submit six quarterly reports to the ARC Project Coordinator during the period of January 1, 1997 through February 28, 1999. The Wilds, Inc. did submit an annual and final report as required by the grant agreement.

ARC General Contract and Administrative Provisions, Article 4, Reports. (1) Progress Reports states:

"Contractor shall prepare and submit to the ARC Project Coordinator, progress reports indicating the work accomplished under the contract to date, any problems encountered and ameliorative actions taken, and a forecast of work for the next report period."

C. Program Results

Our review of The Wilds, Inc. and the Facilities Master Planning Project indicated all specific tasks identified in the grant, and summarized above, had been achieved.

DISCUSSION:

We discussed these issues with the Grantee's management during the exit conference held on July 15, 1999. Management responded by stating because of their discussions with the ARC Project Director and their knowledge that the project was underway, these costs would be allowable. Management stated that the Jones & Jones contract was not competitively bid due to the diverse and highly specialized services required. They felt that Jones & Jones was the only firm that could handle all

aspects of the project and involvement of the one firm would bring about a unified vision for The Wilds, Inc. Also, management was not aware of all provisions that were required to be in the contracts. They also stated that the former Project Director may have the quarterly status reports in his files.

OTHER:

We provided a copy of our draft report to The Wild's, Inc.'s management on September 20, 1999. Management responded to our findings and recommendations as follows:

According to Mr. Ritchey, he discussed the work performed by Feinknopf, Macioce, Schappa Architects prior to the actual grant start date with the Director and Associate Director, Ohio Governor's Office of Appalachia and with someone from the ARC. The work involved the preparation of topographical and other planning documents that needed to be loaded into a CAD program.

While the noted architectural contracts were not formally bid, there have been a number of architectural /planning firms who have either done work for us, were familiar with the project, or were known to us through previous experience or other similar projects. We selected Jones and Jones because of their particular expertise and success with similar projects. Teater and Associates has provided distinct services to this project for many years.

I have included several periodic reports made by the Project Director – we submitted reports only when we also submitted invoices/requests for advances.

ADDITIONAL COMMENTS AND RECOMMENDATIONS:

We recommend that ARC review the cost incurred by The Wilds, Inc. prior to the grant start date and determine if the costs should be allowed. We recommend that The Wild's, Inc. obtain approval from ARC for any contract not competitively procured and to include all the required and necessary provisions in the contracts and ARC ensure that The Wild's, Inc. submits required quarterly status reports.


TICHENOR & ASSOCIATES
Louisville, Kentucky

July 15, 1999



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Office of the Inspector General

October 27, 1998

Mr. Dan Ritchey, Project Director
The Wilds, Inc.
14000 International Road
Cumberland, OH 43732

re: ARC Grant OH-12622-97, Facilities
Master Planning

Dear Mr. Ritchey:

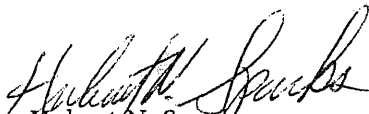
This letter provides advance notice of our intention to review the subject grant during FY 1999. However, we will contact you directly to finalize plans.

The review will include testing of the grantee's accounting and internal control systems effecting the grant, a comparison of available accounting records to financial status reports and other reports submitted to ARC, compliance with programmatic requirements of the contract, and results of the project. The auditor will review and utilize other available audit reports to the maximum extent deemed possible in order to avoid duplication of efforts. Essentially, the work will review available information on the status of the grant and the use of grant funds in line with ARC grant requirements.

We have included an internal control questionnaire and request that you have it completed and available for our review. Although it contains numerous questions, some of which may not apply to your organization, it will provide us with needed background information about your controls, policies, and accounting system.

Please call me if you have any questions.

Sincerely,


Hubert N. Sparks
Inspector General

614-228-3274

250,000

Enclosure

cc: Ohio ARC State Alternate

Project Payment Record

As of 03/03/1999

Project Number: 12622 Suffix: 0 Phase: I State: OH FY: 1997

Project Title: Facilities Master Planning

Grantee: The Wilds Inc

Effective Date: 01/01/1997

Expiration Date: 02/28/1999

Project Coordinator: TheobalM

Retention:

Status: Open

Item #	Date	Transaction	Notes	Amount (\$)	Balance
	05/30/1997	OBLIG		250,000.00	
1	06/03/1997	ADVANCE		-50,000.00	
2	09/20/1997	ADVANCE		-10,000.00	
3	12/17/1997	ADVANCE		-43,790.00	
4	02/04/1998	ADVANCE		-53,522.00	
5	06/05/1998	ADVANCE		-67,688.00	
				Balance:	\$25,000.00



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October 8, 1999

Mr. Dan Ritchey, Project Director
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Cumberland, OH 43732

re: OIG Report 99-31(H), Grant OH-12622-97

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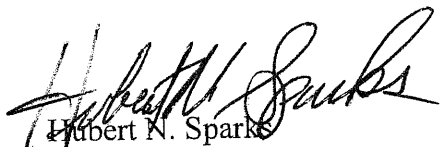
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Sincerely,


Hubert N. Sparks
Inspector General

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