

**MEMORANDUM REPORT ON REVIEW OF  
THE FOUNDATION FOR APPALACHIAN OHIO  
NELSONVILLE, OHIO**

**Foundation of Appalachian Ohio**

**ARC Grant No: OH-13223-I-302**

**January 1, 1999 through June 30, 2000**

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**Report Number: 01-25(H)**

**Date: March 29, 2001**

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**January 1, 1999 through June 30, 2000**

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

FROM: Tichenor & Associates, LLP  
Louisville, Kentucky

REPORT FOR: The Federal Co-Chairman  
ARC Executive Director  
OIG Report No.: 01-25(H)

SUBJECT TO: Memorandum Review Report on The Foundation for Appalachian Ohio,  
Foundation of Appalachian Ohio, Nelsonville, Ohio. ARC Grant No: OH-  
13223-I-302.

PURPOSE: The purpose of our review was to determine if (a) the total funds claimed for reimbursement by The Foundation for Appalachian Ohio for its Foundation of Appalachian Ohio Grant were expended in accordance with the ARC approved grant budgets 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 had been met.

BACKGROUND: ARC awarded Grant Number OH-13223-I-302 to The Foundation for Appalachian Ohio for the period January 1, 1999 through June 30, 2000. The purpose of the grant was to provide funds to The Foundation for Appalachian Ohio at Nelsonville, Ohio, to assist in the start-up costs for the Foundation of Appalachian Ohio. Once fully established The Foundation of Appalachian Ohio will cover all 29 counties within Appalachian Ohio. In partnership with other public and private resources, The Foundation for Appalachian Ohio will provide grants and technical assistance to Appalachian Communities addressing economic development, employment, education and training, human services, physical infrastructure and social capital.

The ARC grant was for \$164,300, or 53.5 percent of actual, reasonable and eligible project cost.

The Grantee was to provide local, state and private matching funds totaling \$142,700 in cash, contributed services, or in-kind contributions representing 46.5 percent of total project funding.

The following specific tasks were to be performed:

1. To recruit and train new Board members and the initial staff.
2. The new Board and staff of the Foundation of Appalachian Ohio will establish program priorities and a marketing campaign to attract new donors.

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 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 Foundation for Appalachian Ohio had complied with the requirements of the grant agreement. In addition, we discussed the program objectives and performance with The Foundation for Appalachian Ohio's personnel. Our results and recommendations are based on those procedures and were conducted in accordance with applicable Government Auditing Standards.

RESULTS: The following results were based on our review performed at The Foundation for Appalachian Ohio in Nelsonville, Ohio on November 30 thru December 1, 2000.

#### **A. Matching Funds**

We noted that the required local, state and private match totaling \$142,700 was supported by appropriate documentation showing those funds as non-federal.

#### **B. Internal Controls**

We determined that the Grantee had the following internal control weakness that affected the accountability of costs or compliance with the terms of the grant agreement:

##### 1. Quarterly Progress Reports Were Not Submitted to the ARC

During the period of the grant, quarterly progress reports were not prepared and submitted to the ARC as required by the terms and conditions of the grant agreement. The grantee stated that there was not much activity until July 1999. Therefore, there were no reports submitted until July, 1999 and additional reports were submitted with the drawdown requests.

OMB A-110, Subpart C – Post-Award Requirements, .51 – Monitoring and reporting program performance, states:

“(a) Recipients are responsible for managing and monitoring each project. (b) The Federal awarding agency shall prescribe the frequency with which the performance reports shall be submitted...performance reports shall not be required more frequently than quarterly or, less frequently than annually. (d). Performance reports shall generally contain. (1) A comparison of actual accomplishments with the goals and objective established for the period, the findings of the investigator, or both. (2) Reasons why established goals were not met, if appropriate. (3) Other pertinent information...”

RECOMMENDATION:

We recommend that for future grants, The Foundation for Appalachian Ohio submit reports in accordance with grant agreement provisions.

2. Grant Expenditures Are Not Accounted for Separately

The accounting system maintained by The Foundation for Appalachian Ohio commingled all federal funding and private and public funds into a single bank account.

OMB Circular A-110, Subpart C – Post-Award Requirements, .21 – Standards for financial management systems, states:

“(b) Recipients’ financial management systems shall provide for the following: (1) Accurate, current and complete disclosure of the financial results of each federally-sponsored project or program. (2) Records that identify adequately the source and application of funds for federally-sponsored activities. (3) Effective control over and accountability for all funds, property and other assets. (4) Comparisons of outlays with budget amounts for each award. (5) Written procedures to minimize the time elapsing between the transfer of funds to the recipient from the U.S. Treasury and the issuance or redemption of checks. (6) Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award. (7) Accounting records including cost accounting records that are supported by source documentation.”

RECOMMENDATION:

Since many grant agreements state that grant funds are to be accounted for separately, we recommend a coding system that will account for income and expenses by grant. The

organization must also have the capability to account for revenue and expense in accordance with Generally Accepted Accounting Principles applicable to non-profit organizations, categorizing net assets as unrestricted, temporarily restricted or permanently restricted.

3. Bidding Process Not Documented in Accordance with OMB Circular A-122

We noted that competitive bids were not obtained for services provided by Fred Bartenstein & Associates and the Philanthropic Resource Group. These service providers were selected based on their reputation among the philanthropic giving community. Both service providers provided services in excess of \$25,000.

Article 1 of the General Contract and Administrative Provisions require that all ARC grants for non-profit organizations be administered in accordance with OMB Circular A-122. A-122 says that awards shall be made to the bidder or offerer whose bid or offer is responsive to the solicitation and is most advantageous to the recipient, price, quality and other factors considered. Solicitations shall clearly set forth all requirements that the bidder or offerer shall fulfill in order for the bid or offer to be evaluated by the recipient. Recipients shall, on request, make available for the Federal awarding agency, pre-award review and procurement documents, such as request for proposals or invitations for bids, independent cost estimates, etc.

RECOMMENDATION:

We recommend that the grantee ensure that procurement procedures and documentation for goods/services greater than \$25,000 are in accordance with applicable Cost Circulars.

4. Inadequate Segregation of Duties

The small size of the office precludes preferred segregation of duties. There were only 2 full-time staff during most of the grant period.

RECOMMENDATION:

We recommend that as staff and activity increase, that management segregate duties when practical. We also recommend that the Board of Directors remain involved in the financial affairs of the organization to provide oversight and independent review functions.

**C. Program Results**

Our review of The Foundation for Appalachian Ohio, Foundation of Appalachian Ohio, indicated that all specific tasks indicated in the grant award notification, as summarized above, had been achieved as of June 30, 2000.

DISCUSSION:

We discussed the issues with The Foundation for Appalachian Ohio CEO during an exit conference held on December 1, 2000. She responded that she was not aware of the provisions of A-122. Management was aware of the other issues, but had not been informed by ARC of any problems with the progress reporting.

*Tichenor & Associates LLP*

TICHENOR & ASSOCIATES, LLP

Louisville, Kentucky

December 1, 2000