
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD
Hagerstown Community College
Hagerstown, Maryland**

**Final Report Number: 19-30
Grant Number: MD-18502**

June 2019

Prepared by:

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June 25, 2019

Appalachian Regional Commission
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Leon Snead & Company, P.C. completed an audit of grant MD-18502 awarded by the Appalachian Regional Commission (ARC) to Hagerstown Community College (HCC). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and (6) the established performance measures were met.

HCC administrative procedures and related internal controls were adequate to administer the activities and funds for the ARC grant. Expenditures charged as direct costs to ARC funds that were tested were adequately supported and allowable. No indirect costs were approved or charged under the grant. Equipment items purchased with ARC funds were in place and accounted for, and purchasing procedures followed were adequate. Grant match funding requirements were being met. Financial reports submitted to ARC were timely, accurate, and in a generally acceptable format. However, interim project progress reports did not contain actual results for the quantitative goals established by the grant documentation. The issues regarding performance reporting and the recommended corrective actions are discussed in the Finding and Recommendations section of this report.

A draft report was provided to HCC on May 31, 2019, for comments. HCC provided a response to the report on June 14, 2019, which is included in this report as an Appendix.

Leon Snead & Company appreciates the cooperation and assistance received from the HCC and ARC staffs during the audit.

Sincerely,


Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant MD-18502 awarded by the Appalachian Regional Commission (ARC) to Hagerstown Community College (HCC). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

Hagerstown Community College (HCC) was founded in 1946. It serves about 15,000 students from local Maryland counties as well as out-of-state students. Its main campus includes a Learning Resources Center (LRC) that provides students a variety of services, programs and support. HCC initiated a renovation project to improve and expand the LRC space and install modern technological equipment. The improved space and technology will support students enrolled in Adult Education, Workforce Training and the Science, Technology, Engineering, Math (STEM) programs. The ARC funding was requested and used for equipment, supplies, and other contractual support needed to furnish the renovated facility and make it operational.

The grant was awarded in 2016 with a period of performance from October 1, 2016 to November 30, 2017, and provided \$500,000 ARC funding. The approved budget required \$714,050 in match funding to meet the total estimated project cost of \$1,214,050. The grant had been amended twice to extend the period of performance, and the current planned completion date was May 31, 2019. At the time of the audit, HCC had reported total project expenditures of \$682,286 and been reimbursed by ARC for \$274,593.

Objectives, Scope, and Methodology

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (5) the matching requirements and (6) the established performance measures were met.

We reviewed documentation HCC provided and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures applicable to the grant to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in accordance with requirements. We reviewed the most recent A-133 or financial statement audit to determine if any issues significantly impacted the ARC grant or planned audit work. We evaluated grant results discussed in interim project reports to determine if the planned performance goals and objectives were met or progress was adequate.

We reviewed \$185,198 of the total \$274,593 expenditures charged to ARC funds to determine if they were adequately supported and allowable. We also reviewed \$278,315 of the \$407,693 total reported matching expenditures to determine if the claimed amounts were adequately supported.

On-site fieldwork was performed at HCC's campus during the period May 6-10, 2019. The preliminary audit results were discussed with HCC officials at the conclusion of the on-site visit. The grantee staff generally agreed with the preliminary results and need to implement corrective actions on the one issue identified.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreement. The audit was performed in accordance with the Government Auditing Standards.

Summary of Audit Results

HCC administrative procedures and related internal controls were adequate to administer the activities and funds for the ARC grant. Expenditures charged as direct costs to ARC funds that were tested were adequately supported and allowable. No indirect costs were approved or charged under the grant. Equipment items purchased with ARC funds were in place and accounted for, and purchasing procedures followed were adequate. Grant match funding requirements were being met. Financial reports submitted to ARC were timely, accurate, and in a generally acceptable format. However, interim project progress reports did not contain actual results for the quantitative goals established by the grant documentation.

Two statistical goals were established for the grant project, a planned output of students served and a planned outcome of students improved, for each of three academic years 2017-18, 2018-19, and 2019-20. HCC data on actual results showed the goals were reasonably met for year 2017-18. The project plan predicted 5,500 students would be served by the renovated LRC and actual results showed 6,544 had used it. It was predicted that the improved facilities would result in 63% of students continuing to the next academic year or graduating and data showed 60% did so. Data for the current 2018-19 period showed actual results on the two goals were substantially below what was projected, but the data was too preliminary to make an accurate assessment. However, management attention is needed to ensure proper reporting on performance results after the grant ends.

The issues regarding performance reporting that require management attention, and the recommended corrective actions, are discussed in the Finding and Recommendations section of this report.

Finding and Recommendations

A. Reporting Performance Measure Results.

The overall project purpose was to provide students with modern space and technology learning tools that would help them be more successful in their classes and successfully complete their education at HCC. ARC policies require every approved grant to have at least one output goal and one outcome goal to provide a quantitative means to assess grant performance and effective use of federal funds. The grant documentation designated performance measures as an output of 5,700 students served and an outcome of 5,700 students improved by the project.

The interim progress reports submitted at the time of the audit did not provide a clear snapshot of actual quantitative results to date compared to the planned goals. The reports did contain narrative about the general progress toward meeting the overall project objectives, but the progress was described in terms of major events, such as beginning renovation, holding the initial grant meeting, and purchasing equipment and supplies, rather than progress in meeting the specific quantitative goals. The narrative in the reports was appropriate and useful. However, the reports must also contain information on the quantitative goals. Including specific information for each planned goal and the related actual results to date would improve the usefulness of the reports in assessing performance.

The actual results provided by HCC showed the two performance goals for the grant were met for 2017-18. Based on data for 2018-19, the actual results were substantially lower than the predicted goals of 5,700 students served and 64% of students persisting or graduating. Data showed 3,913 students served (69% of the goal) and 296 students persisting or graduating (8% vs. the 64% goal). HCC staff explained the data were based on information as of 12/31/2018 and complete information on the two measures will not be available until late summer 2019. Considering that the grant will end soon, and a final ARC report is due before complete data is available, actions are needed to ensure the results on the goals are clearly explained in the report, especially if they are not met, and arrangements are made for providing ARC updated information after the grant ends. ARC project performance guidelines provide that student-related outputs and outcomes can be counted and reported up to three years after the grant ends whenever the results occur after the grant.

Recommendations

HCC should:

1. Establish procedures to ensure that all ARC project reports present and explain actual results compared to the planned results for each established quantitative goal.
2. Consult with the ARC grant program manager to determine how reporting on grant results after the grant ends should be accomplished.
3. Ensure the final grant report fully explains the reason(s) for not fully meeting the 2018-19 performance goals, if that is the case, and coordinate with ARC to decide if any revision to the quantitative goals is appropriate considering the reason(s) identified for not meeting the 2018-19 goals.

Grantee's Response

1. *Establish procedures to ensure that all ARC project reports present and explain actual results compared to the planned results for each established quantitative goal.*

We concur with this in general, although we prefer a slight wording change to clarify that due to the academic calendar, some outcomes will not change over each 120-day period. For example, graduation takes place only twice per year. ARC's reporting guidelines allow that it may be difficult to document outcomes in some interim reports, but that grantees should report progress made to date and predict the likelihood of meeting original targets. Based on the fact that there is a slight difference between "results" and "progress to-date," we concur with a slightly reworded version of this recommendation (see Appendix). Most of the LRC reports were completed by a project director who has since left the college; reports completed after this person left the college followed that person's lead. The former project director was also an executive officer (as in, a dean or vice president who outranks most individuals involved in grants, including the grants director and finance team). The executive officers currently in charge of the project have asked the grants office to help review reports and progress to a greater degree than was allowed by the past project director, and the grants office has readily agreed to do this. Regularly scheduled progress meetings (with the main goal to review grant outcomes) and report reviews will be scheduled. This was actually a return to past practice (prior to the former project director's employment) and is intended to help ensure that quantitative goals are more consistently assessed and reported. In addition, HCC has added a sentence to the grants management manual that specifies that for ARC in particular, each report must document progress to-date (even if there has been no change) for each quantitative goal. The manual already recommended this; the language has been strengthened to say that this must be done and the specific reference to ARC has been added. In addition, an email was already sent to all ARC project directors at HCC to make sure they know that progress to-date on all quantitative goals must be included in each report even if there was no change due to academic calendar timing.

2. *Consult with the ARC grant program manager to determine how reporting on grant results after the grant ends should be accomplished.*

We concur with this recommendation. The project director, grants office, and executive team have been notified that this needs to occur. When we submit our final report for this grant, we will simultaneously ask the ARC program manager to discuss this item with us to determine a plan for this that is acceptable to ARC. We expect this could be as simple as sending a follow-up email with the appropriate data for 2019-2020, to be sent in Fall 2020. This would be in keeping with our outputs and outcomes table as listed in the original grant proposal.

3. *Ensure the final grant report fully explains the reason(s) for not fully meeting the 2018-19 performance goals, if that is the case, and coordinate with ARC to decide if any revision to the quantitative goals is appropriate considering the reason(s) identified for not meeting the 2018-19 goals.*

We concur with this recommendation but would like it to be noted that the data available in early May covered only August-December 2018. The spring 2019 term data were not

available/were provisional at the time of audit. We suggest a minor wording change to emphasize this (see Appendix). The project director and leadership team have been notified that if we do not meet goals, this needs to occur. Such an explanation, if needed, will appear in our final report due at the end of this month.

Auditor's Comments

ARC will determine whether the information provided in the grantee's response is adequate to resolve the finding and close the recommendations.

Leon Snead Company

From: Anne F. Shepard [afshepard@hagerstowncc.edu]
Sent: Friday, June 14, 2019 3:27 PM
To: 'Leon Snead & Company'
Subject: FW: Draft Report - Audit of ARC Grant No. MD-18502
Attachments: Draft Report MD-18502_HCC.docx

Hello! I am sorry for the double email---just wanted to clarify one thing below.

Where I wrote this--- Ensure the final grant report fully explains the reason(s) for not fully meeting the 2018-19 performance goals, if that is the case, and coordinate with ARC to decide if any revision to the quantitative goals is appropriate considering the reason(s) identified for not meeting the 2018-19 goals. We concur with this recommendation but would like it to be noted that the data available in early May covered only August-December 2018. The spring 2019 term data were not available/were provisional at the time of audit. We suggest a minor wording change below to emphasize this. **Steps taken or planned: The project director and leadership team have been notified that if we do not meet goals, this needs to occur. Such an explanation will appear in our final report due at the end of this month.**

I meant to amend that to say this: "Such an explanation, **if needed**, will appear in our final report due at the end of this month."

As you will see in our comments, we are not sure at all that such an explanation will be needed.

Sorry for any inconvenience, and thank you again!

Sincerely,
 Anne Shepard

Anne Flentgen Shepard
 Director of Grants Development
 Hagerstown Community College
 11400 Robinwood Drive, ATC 125F
 Hagerstown, MD 21742
 240-500-2557 phone

From: Anne F. Shepard
Sent: Friday, June 14, 2019 3:22 PM
To: 'Leon Snead & Company' <leonsnead.companypc@erols.com>
Cc: Jennifer M. Felice <jmfelice@hagerstowncc.edu>
Subject: RE: Draft Report - Audit of ARC Grant No. MD-18502

Good afternoon! We are very grateful for the opportunity to provide comments and feedback as well as to state what actions have been taken or are contemplated to implement these recommendations.

Just for reference, I've listed the three recommendations provided by your firm below, along with, as you requested, a brief explanation of whether we concur or do not concur. Corrective steps taken or that we plan to take appear also appear below. We also attached a draft report with our redlined suggestions, as invited by your team:

Establish procedures to ensure that all ARC project reports present and explain actual results compared to the planned results for each established quantitative goal. We concur with this in general, although we

prefer a slight wording change to clarify that due to the academic calendar, some outcomes will not change over each 120-day period. For example, graduation takes place only twice per year. ARC's reporting guidelines allow that it may be difficult to document outcomes in some interim reports, but that grantees should report progress made to date and predict the likelihood of meeting original targets. Based on the fact that there is a slight difference between "results" and "progress to-date," we concur with a slightly reworded version of this recommendation, as shown below. **Corrective steps taken or planned:** Most of the LRC reports were completed by a project director who has since left the college; reports completed after this person left the college followed that person's lead. The former project director was also an executive officer (as in, a dean or vice president who outranks most individuals involved in grants, including the grants director and finance team). The executive officers currently in charge of the project have asked the grants office to help review reports and progress to a greater degree than was allowed by the past project director, and the grants office has readily agreed to do this. Regularly scheduled progress meetings (with the main goal to review grant outcomes) and report reviews will be scheduled. This was actually a return to past practice (prior to the former project director's employment) and is intended to help ensure that quantitative goals are more consistently assessed and reported. In addition, HCC has added a sentence to the grants management manual that specifies that for ARC in particular, each report must document progress to-date (even if there has been no change) for each quantitative goal. The manual already recommended this; the language has been strengthened to say that this must be done and the specific reference to ARC has been added. In addition, an email was already sent to all ARC project directors at HCC to make sure they know that progress to-date on all quantitative goals must be included in each report even if there was no change due to academic calendar timing.

Consult with the ARC grant program manager to determine how reporting on grant results after the grant ends should be accomplished. **We concur with this recommendation.** **Steps taken or planned:** The project director, grants office, and executive team have been notified that this needs to occur. When we submit our final report for this grant, we will simultaneously ask the ARC program manager to discuss this item with us to determine a plan for this that is acceptable to ARC. We expect this could be as simple as sending a follow-up email with the appropriate data for 2019-2020, to be sent in Fall 2020. This would be in keeping with our outputs and outcomes table as listed in the original grant proposal.

Ensure the final grant report fully explains the reason(s) for not fully meeting the 2018-19 performance goals, if that is the case, and coordinate with ARC to decide if any revision to the quantitative goals is appropriate considering the reason(s) identified for not meeting the 2018-19 goals. **We concur with this recommendation but would like it to be noted that the data available in early May covered only August-December 2018. The spring 2019 term data were not available/were provisional at the time of audit. We suggest a minor wording change below to emphasize this.** **Steps taken or planned:** The project director and leadership team have been notified that if we do not meet goals, this needs to occur. **Such an explanation will appear in our final report due at the end of this month.**

I've provided our suggestions for reworded recommendations below; these also include in the attachment with redlining. The intent of each recommendation did not change; we just provided a bit more context.

Establish procedures to ensure that all ARC project reports present and explain actual results or progress made to-date compared to the planned results for each established quantitative goal. ARC's reporting guidelines note the following: "Although it may be difficult to document outcomes (results) at this time [time of interim report], grantees should report progress made to-date and predict the likelihood of meeting original targets." ARC guidelines also state that a summary table of outcomes and achievement of those outcomes should be included in final reports.

Consult with the ARC grant program manager to determine how reporting on grant results after the grant ends should be accomplished.

If grant performance goals are not met for 2018-19, fully explain the reasons for this, and coordinate with ARC to decide if any revision to the quantitative goals is appropriate considering the reason(s) identified for not meeting the 2018-19 goals. *(Note: This wording does not presuppose that goals will fail to be met, as previous wording could lead one to believe, since the clause "if that is the case" appears earlier here than in the original sentence. The casual reader of the original sentence would likely get the impression that there was much cause to think we would fall short of our goals. With only four of twelve months accounted for in the numbers we provided at time of audit, this doesn't seem like a fair assumption. Academic years, as calculated for this grant, run late August through early to mid-August. Data for January-May 2019 were not complete/were provisional at time of audit.)*

Thank you again for this opportunity! If you have any questions regarding our response or would like more information, please feel welcome to let us know.

Hope you have a great weekend,
Anne Shepard

Anne Flentgen Shepard
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