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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL  
AUDIT OF GRANT AWARD**

**Ohio Mid-Eastern Regional Education Services Agency  
Steubenville, Ohio**

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**Final Report Number: 19-41  
Project Number: OH-19204-302-18  
September 30, 2019**

**Prepared By:**

**Bonadio & Co., LLP**  
Certified Public Accountants

September 30, 2019

Appalachian Regional Commission  
Office of Inspector General  
1666 Connecticut Avenue, N.W.  
Washington, D.C. 20009

Bonadio & Co., LLP completed an audit of grant number OH-19204-302-18 awarded by the Appalachian Regional Commission (ARC) to the Ohio Mid-Eastern Regional Education Services Agency for Expanding the Technology Bridge for Appalachian Schools project. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The primary objectives of the audit 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 appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and considered reasonable. The overall grant performance measures were met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the grantee and the ARC staff during the audit.

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## TABLE OF CONTENTS

	Page
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
SUMMARY OF AUDIT RESULTS	2

## **BACKGROUND**

Bonadio & Co., LLP completed an audit of grant OH-19204-302-18 awarded by the Appalachian Regional Commission (ARC) to Ohio Mid-Eastern Regional Education Services (OME-RESA) (grantee). The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

The grant provided \$200,000 in ARC funds and required a match of \$382,300 in non-ARC funds to provide support for Expanding the Technology Bridge for Appalachian Schools project, which replaced critical infrastructure components at the OME-RESA data center and supplies internet service to 50 school districts in 11 Appalachian counties. The grant period of performance was April 12, 2018 to December 31, 2018. Approximately 95% of the grant's budget was appropriated for equipment upgrades and required replacement of other related network items. The major benefits of the project included increasing the available bandwidth for students, allowing for more efficient and effective internet connection, and better security measures to protect sensitive data information. This increased capacity was required to ensure that the districts and the students have secure, reliable technology resources to assist reducing the challenges that rural districts face such as the ever growing bandwidth requirements for online testing, one-to-one initiatives and online course offerings.

## **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 appropriate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. Given the nature of the project's expenses, we selected all equipment expenditures to determine whether the charges were properly supported and allowable and that proper internal controls over the equipment inventory have been implemented. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. In addition, we took a tour of the grantee's IT hub located within their building in Steubenville, OH to review the equipment infrastructure installed with grant funds and perform a physical inventory. We found no irregularities as a result of our testing.

We reviewed grant expenditures for the period of April 12, 2018 to December 31, 2018. During this period, there were total expenses of \$578,994 including \$198,875 of federal expenditures.

The criteria used in performing the audit were ARC grant agreement, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of July 29, 2019 through July 31, 2019, which included on-site work at the grantee's office in Steubenville, Ohio. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

## **SUMMARY OF AUDIT RESULTS**

Overall, the grantee's financial management, administrative procedures and related internal controls were adequate to manage the grant funds received. Based on audit procedures performed, we did not question any costs incurred. All budgeted funds were not expended during the grant period. The budget allowed for \$582,268 however total expenditures amounted to \$578,994, including \$551,582 in equipment expenditures. The expenses tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were generally accomplished. The final report was submitted January 11, 2019.

The outputs and outcomes of the grant were tested by reviewing financial information, internal reports, physical observation and other supporting documentation.

The grantee was able to meet the projected outputs by improving the bandwidth and connectivity for all 57,000 students in the 50 Districts over the 11 counties. Bandwidth was increased from 10,000 Mbps to 40,000 Mbps throughout the Districts served. The grantee also successfully met the projected output of providing better security measures to protect sensitive data information, as evidenced by a week-long period after implementation during which approximately 100,000 threats were blocked and documented.

The projected outcome of 57,000 students improved was successfully reached as there were 62,078 students in 54 districts. The goal of increasing access points by 1,500 was not met yet as only 458 had been added as of May of 2019. The grantee anticipated the number of access points to increase in the next year as districts obtain additional funding to pay for expenditures they incur in the process.