

Office of Inspector General

Report Prepared by Bonadio & Co., LLP

Audit of Grant Award – Hocking College Appalachia RISES Program

Grant Number - PW-18726



Appalachian
Regional
Commission

Office of Inspector General

Audit Report: 20-21

September 28, 2020



Appalachian
Regional
Commission

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September 28, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit of Grant Award – Hocking College Appalachia RISES Program
Report Number 20-21

This memorandum transmits the Bonadio & Co., LLP report for the audit of costs charged by Hocking College per its agreement with the Appalachian Regional Commission for Grant Number PW-18726. The objective of the audit was to determine if costs claimed were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were met, not met, or not likely to be met.

OIG Oversight of the Audit

Bonadio & Co., LLP is responsible for the attached audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Bonadio & Co., LLP's audit report. To fulfill our responsibilities, we:

- Reviewed Bonadio & Co., LLP approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with Bonadio & Co., LLP, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Bonadio & Co., LLP; and
- Coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact me at 202-884-7675.

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September 22, 2020

Appalachian Regional Commission
Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number PW-18726 awarded by the Appalachian Regional Commission (ARC) to Hocking College (grantee) for the Appalachia is Revitalizing an Industry-ready Skilling Ecosystem for Sustainability (RISES) program. The audit was performed to assist the Office of Inspector General in carrying out 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 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. Matching cost requirements were met and the costs tested were generally supported. The projected outputs and outcomes were not met.

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

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant number PW-18726 awarded by the Appalachian Regional Commission (ARC) to Hocking College (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 was awarded to cover the period November 1, 2016 to May 1, 2018. It provided \$1,422,965 in ARC funds and a required a match of \$672,000 in non-ARC funds to provide support for the Appalachia RISES program, which is designed to prepare dislocated workers and other unemployed groups for jobs in five fields: Advanced Energy, Automotive Technology, Petroleum Technology, Welding, and Transportation. The majority of the approved total budget was for equipment expenditures. Hocking College will partner with Tri-County Career Center to provide workers with a pathway from entry level welding to advanced welding. Washington County Career Center will provide CDL training in conjunction with Hocking. Hocking and Stark State College will offer a degree in Petroleum Technology. In addition, Hocking will collaborate with the New Lexington Public Schools to offer welding and CDL credentials to high school students upon graduation.

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. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent Single Audit report to determine whether there were any reported issues that affected the ARC grant.

Of the \$2,095,882 in total expenditures charged to the grant, we selected a sample of \$1,177,407, in expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs to the grant.

The criteria used in performing the audit were ARC grant documents, the grant approval, 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*. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The fieldwork was completed during the period of September 17, 2018 through September 19, 2018, which included on-site work at the grantee's office. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the grant funds reviewed. Total expenditures amounted to \$2,095,882, including the non-federal contribution of \$672,919.

We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. The grantee had an anticipated outcome that three new academic programs will be implemented in the areas of advanced welding, Commercial Driver's License (CDL), and petroleum technologies.

The grantee also has outputs and outcomes related to students served, credentials obtained, and students employed. Specifically, the projected output is 437 students served. The projected outcome is 306 students received an industry-recognized credential or associates degree and 306 students will obtain a job in the field in which they trained. Our review of the grantee data showed that 92 students were enrolled at the end of the grant period on May 1, 2018, with 62 students enrolled in the welding program, 5 in CDL, 8 in automotive Technology, 2 in Advanced Energy and 15 in Petroleum Technology.

The grantee cited the students' ability to access funding for tuition as a significant barrier. In addition, there were equipment purchases of \$521,954 reported in the final period of the grant, indicating that a significant amount of the funded equipment was not available for students during the majority of the grant. The grantee has not met the goals yet but believes that they will now that the programs exist and the equipment to support the programs has been purchased.

Observations

- 1) Over 70% of the grant's expenditures occurred from July 1 – April 30, 2018. The grantee experienced delays related to hiring instructors, obtaining state approvals, renovating facilities and obtaining the necessary equipment. As a result of the delays in establishing the programs and purchasing the equipment, the projected output of 437 students served was not achieved, with only 35 students enrolled in 2017 and 57 students in 2018. Only 14 students had completed a program at the end of the grant period.
- 2) Of the 92 students enrolled in the program, only two were West Virginia residents. The two students enrolled after the grant period ended at the Washington Career Center which started their training program in June of 2018. Although the grantee attempted to reach potential students in West Virginia through advertising on billboards and local media, there was no coordination with local officials in West Virginia.