

Office of Inspector General

Report Prepared by Leon Snead & Company, P.C.

Audit of Grant Award – Maysville Community & Technical College

Grant Number - PW-18770



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 21-02

October 2, 2020



Appalachian
Regional
Commission

Office of Inspector General

October 2, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit of Grant Award – Maysville Community & Technical College
Report Number 21-02

This memorandum transmits the Leon Snead & Company, P.C. report for the audit of costs charged by Maysville Community & Technical College per its agreement with the Appalachian Regional Commission for Grant Number PW-18770. 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

Leon Snead & Company, P.C. 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 Leon Snead & Company, P.C.'s audit report. To fulfill our responsibilities, we:

- Reviewed Leon Snead & Company, P.C. 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 Leon Snead & Company, P.C., as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Leon Snead & Company, P.C.; 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 28, 2020

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

Leon Snead & Company, P.C. completed an audit of grant number PW-18770 awarded by the Appalachian Regional Commission (ARC) to the Maysville Community & Technical College (MCTC), located in Maysville, Kentucky. 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); (5) the matching requirements; and (6) the established performance measures were met.

The audit indicated that the recipient's financial management and administrative procedures and related internal controls were adequate to manage its ARC grant funds. The costs tested were supported and reasonable. Also, based on available data, it appears that the grant recipient will meet its performance goals regarding the enrollment and graduation of students with drone training, but the performance measure of students with drone training finding jobs or being placed in internships was not measurable. However, the Chief Business Officer stated that MCTC and Southern West Virginia Community and Technical College (SWVCTC) plan to compile and report jobs and internship data at the conclusion of the grant.

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

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number PW-18770 awarded by the Appalachian Regional Commission (ARC) to Maysville Community & Technical College (MCTC), located in Maysville, Kentucky. 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.

ARC awarded \$1,290,000 to MCTC and required a matching contribution of \$609,692 for an estimated project cost of \$1,899,692. The original period of performance for the grant was January 1, 2017 through December 3, 2018, but was subsequently extended by a grant amendment through December 31, 2020. The allowable percentage breakout of ARC to non-ARC funding for the overall project was 68% ARC funds and 32% non-ARC recipient matching funds.

ARC awarded the grant to MCTC to provide drone training to students at MCTC, which included the Maysville, Kentucky and three other campuses in the Kentucky Community & Technical College System, as well as five locations of Southern West Virginia Community and Technical College (SWVCTC). MCTC added drone training to their Lineman program and SWVCTC added drone training to its Information Technology (IT) program in order to add value and assist students with finding jobs in Northeast Kentucky and Southern West Virginia.

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.

At the time of our audit, MCTC had claimed \$735,582 of incurred costs against ARC grant funds and recorded \$582,452 in matching contributions from MCTC and SWVCTC. We reviewed expenditures totaling \$628,874 charged to the ARC funds and 100% charged to the match contributions to determine whether the charges were properly supported and allowable. The claimed amount represents costs incurred through August 31, 2019, of which \$630,405 had been reimbursed. MCTC requested the remaining claimed amount of \$105,176 on September 30, 2019 but the reimbursement had not been made.

MCTC recorded and accounted for the income and expenses associated with the ARC grant in its accounting system. We interviewed the Chief Business Officer and the Director of Sponsored Projects Accounting 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 to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed documentation provided by MCTC and SWVCTC and compared it with ARC and Federal Grant requirements. For cost transactions, we verified the amounts recorded in the general ledger with the supporting documentation. We also reviewed the three most recent annual financial statement audit reports and the approved indirect cost rate

agreements for the period January 1, 2017 through December 31, 2020 to identify any issues that could significantly impact the ARC grant costs and this audit.

The on-site fieldwork was performed at MCTC in Maysville, Kentucky on August 24-26, 2020. The preliminary audit results were discussed with the Chief Business Officer, the Director of Sponsored Projects Accounting for the Kentucky Community and Technical College System, and the Director of Workforce Solutions during the on-site visit, and the Chief Business Officer and the Director of Workforce Solutions at the conclusion of the on-site visit.

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 Generally Accepted Government Auditing Standards.

Summary of Audit Results

Overall, MCTC's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant audited. The ARC and recipient-matched costs tested were supported and reasonable. There were no questioned costs that resulted from our tests of costs incurred and costs claimed under the grant.

However, the project and financial reports submitted to ARC were sometimes not received by ARC and not received in a timely manner. The Chief Business Officer and the Director of Sponsored Projects Accounting stated that they had problems with uploading the required reports and documents to ARC's website: ARC.net.

Proposed performance measures were for enrollment of 100 students in courses that offered drone training, of which 70 would successfully complete the courses, and 36 graduates would find jobs or be placed in internship positions.

The colleges' records indicated that 182 students enrolled in courses with drone training during the period May 1, 2017 through August 31, 2019, and 167 of these students graduated during that same period. Accordingly, we concluded that the success of students enrolling and completing drone training exceeded expectations.

At the time of our site visit, information on those graduates that found jobs or were placed in internship positions was not available. As a result, we were unable to measure the success of the job placement program. However, the Chief Business Officer stated that MCTC and SWVCTC plan to compile and report jobs and internship data at the conclusion of the grant.

Finding and Recommendation

Financial Reporting

The project and financial reports submitted to ARC were sometimes not received by ARC and sometimes not received in a timely manner. The Chief Business Officer and the Director of Sponsored Projects Accounting stated that they had problems with uploading the required reports and documents to ARC's website: ARC.net. The Chief Business Officer said that although they thought that the first several required SF-270 and progress reports had been submitted timely, the ARC Project Coordinator requested and they submitted another report containing summary data for several prior reports. In addition, the Director of Sponsored Projects Accounting stated that they have been unable to upload the required reports to ARC.net for the last year or more.

Recommendation

We recommend that MCTC and ARC work together to resolve the problems that MCTC has been having with uploading the required SF-270s and Progress Reports.

Grantee's Response

MCTC complied with the Appalachian Regional Commission (ARC) reporting requirement deadlines as cited in table below. Reports were required by the end of the following month after each four-month period of grant operation resulting in three reports each calendar year. Comprehensive reports were submitted as requested by sponsor. Originally, ARC had requested that reports be submitted on ArcNet but then problems with the ArcNet system required that reports be sent by email rather than through the ArcNet program.

PW-18770 Financial Report Submission (1/1/17 – 4/30/20)

#	Report Begin Date	Report End Date	Submit Date	Submitted by	Via	Comments
1	1/1/17	4/30/17	5/31/17	B. Campbell	ArcNet	
2	5/1/17	8/31/17	9/29/17	B. Campbell	Email	
3	9/1/17	12/31/17	1/30/18	B. Campbell	ArcNet	
4	1/1/18	4/30/18	6/7/18	L. Whisnant	Email	
5	5/1/18	8/31/18	9/27/18	L. Whisnant	Email	
6	9/1/18	12/31/18	2/1/19	N. Johnson	Email	
**	5/1/18	12/31/18	2/6/19	N. Johnson	Email	Sponsor requested comprehensive report covering previous reporting periods
7	1/1/19	4/30/19	5/31/19	N. Johnson	Email	
8	5/1/19	8/31/19	9/30/19	N. Johnson	Email	
9	9/1/19	12/31/19	1/29/20	N. Johnson	Email	
10	5/1/19	4/30/20	6/4/20	N. Johnson	Email	Sponsor requested comprehensive report covering previous reporting periods

Auditor's Comments

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

MCTC Audit Response to ARC Audit of Grant Award PW-18770

September 23, 2020

Recommendation

We recommend that MCTC and ARC work together to resolve the problems that MCTC has been having with uploading the required SF-270s and Progress Reports.

Response

MCTC complied with the Appalachian Regional Commission (ARC) reporting requirement deadlines as cited in table below. Reports were required by the end of the following month after each four-month period of grant operation resulting in three reports each calendar year. Comprehensive reports were submitted as requested by sponsor. Originally, ARC had requested that reports be submitted on ArcNet but then problems with the ArcNet system required that reports be sent by email rather than through the ArcNet program.

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