

Office of Inspector General

*Report Prepared by Leon Snead & Co., PC
Audit of Grant Award - To Fletcher Group, Incorporated
(FGI).*

Grant Number PW-19462



**Appalachian
Regional
Commission**

Office of Inspector General

Audit Report: 21-13

August 12, 2021



Office of Inspector General

August 12, 2021

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink, reading "Philip Heneghan", is placed to the right of the "FROM:" line.

SUBJECT: Audit Report 21-13 – Fletcher Group, Incorporated

This memorandum transmits the Leon Snead & Co. PC, report for the audit of costs charged to grant number PW-19462, to the Fletcher Group, Incorporated project per its agreement with the Appalachian Regional Commission. 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.

Leon Snead & Co. PC, is responsible for the attached audit report and the conclusions expressed in this report. The auditors did not issue any recommendations in this report.

We do not express any opinion on the conclusions presented in Leon Snead & Co., PC audit report. To fulfill our responsibilities, we:

- Reviewed 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, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated issuance of the audit report.

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



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August 10, 2021

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-19462 awarded by the Appalachian Regional Commission (ARC) to the Fletcher Group, Incorporated (FGI). The audit was conducted during the period of May 20 through June 21, 2021. 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.

We determined that FGI had adequate processes and procedures for managing and accounting for the expenditures and matching funds charged to the ARC grant. However, its financial management procedures did not fully comply with 2 CFR 200.305 requirements for payments. We discussed this matter with FGI officials, and they revised the procedures to include appropriate guidance for making payments. Consequently, the issue was resolved and the recipient was in compliance at the conclusion of the audit. We did not identify any other matters that require management attention or action.

FGI had made significant progress towards achieving the planned performance outputs and outcomes for the grant. Achievements at the time of the audit are shown on page two of the report. It appears that FGI will meet its performance goals by the end of the project date, which is currently December 31, 2022.

A draft report was issued to the recipient for comments on June 29, 2021. We did not receive a reply from the recipient and therefore we are issuing the report in final without the benefit of their comments.

Sincerely,


Leon Snead & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number PW-19462 awarded by the Appalachian Regional Commission (ARC) to Fletcher Group, Incorporated (FGI). 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 grant provided ARC funding for the Recovery, Hope, Opportunity and Resiliency (RHOAR) program. The program will return real hope and a life free of addiction with meaningful employment to persons in recovery. RHOAR will add new jobs and have a significant economic impact throughout the Kentucky Appalachian region. It will enhance opportunities for education and training for individuals in recovery. RHOAR will create a well-trained workforce and expand economic opportunity through workforce development, social enterprises and entrepreneurship in collaboration with educational institutions.

The grant was approved on February 21, 2019 and initially covered the period of January 1, 2019 to December 31, 2021. The grant was amended on January 21, 2021 to revise the project end date to December 31, 2022. The grant provided \$1,677,529 of ARC funding and required \$419,383 in non-ARC matching funds. FGI had received and expended \$756,775 in ARC funding and the FGI's actual matching contribution was \$186,076 as of April 23, 2021. The project is still ongoing.

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 goals were met.

We reviewed documentation provided by FGI and its accounting contractor, RDM Associates to obtain an overall understanding of the accounting system, and general operating procedures and controls. We also interviewed FGI and RDM Associates officials to obtain an overall understanding of grant activities. We reviewed project performance and financial reports to determine if they were submitted to ARC in accordance with requirements. We reviewed the recipient's most recent financial statement audit report to identify any issues impacting the ARC grant and our audit.

We reviewed and tested \$519,046 of ARC funds and \$95,186 of matching funds that had been charged to the grant. Our review did not identify any unallowable or questioned cost charges.

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.

The fieldwork was performed during the period of May 20, 2021 through June 21, 2021. FGI is a "virtual company", and most employees work from home and are located in 10 different states

throughout the Country. Consequently, the review was performed via teleconferences; individual telephone conversations; and the use of a "SharePoint" file. FGI provided LSC access to the information and documents needed to perform the review via the SharePoint file. The preliminary results were discussed with FGI and RDM Associates officials at the conclusion of the field work.

Summary of Audit Results

We determined that FGI had adequate processes and procedures for managing, administering and accounting for the direct expenditures and matching funds charged to the grant and recording data related to the overall goals of the grant.

Initially, FGI's financial management policies and procedures did not fully comply with 2 CFR 200.305 requirements for payments. We discussed this matter with FGI officials, and they revised their current financial management policies to include appropriate guidance for making payments. Consequently, this issue was resolved during the performance of the review. We did not identify any other matters that require management attention or action.

As shown in the following comparison, FGI had made significant progress towards achieving the planned performance outputs and outcomes for the grant. The current project end date is December 31, 2022 and it appears that FGI will meet or exceed the planned performance outputs and outcomes.

Schedule of Planned vs. Actual Performance Outputs and Outcomes as of April 30, 2021

Performance Outputs	Planned	Actual
Patients Served	300	293
Performance Outcomes		
Patients Improved	300	240
Jobs Created	104	37

A draft report was issued to the recipient on June 29, 2021 with a request for comments by July 6, 2021. We did not receive a response and the report is issued without the recipient's comments.