



Office of Inspector General

Appalachian Regional Commission

Audit of Grant Award to The Consortium for Entrepreneurship Education Grant Number PW-19727

Report Prepared by Castro & Co, LLC

Report Number 23-20

July 17, 2023

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, Suite 718
Washington, D.C. 20009



Office of Inspector General

Appalachian Regional Commission

July 17, 2023

TO: Brandon McBride, Executive Director

FROM: Philip M. Heneghan, Inspector General 

SUBJECT: Audit Report 23-20 – The Consortium for Entrepreneurship Education

This memorandum transmits the Castro & Company, LLC report for the audit of costs charged to grant number PW-19727 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 reasonable, supported, and fairly represented to the Commission.

Castro & Company, LLC, 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 the audit report. To fulfill our responsibilities, we:

- Reviewed the 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 the issuance of the audit report.

The auditors made seven recommendations in the report. Within the next 30 days, please provide me with your management decisions describing the specific actions that you will take to implement the recommendations.

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



**Appalachian Regional Commission
Performance Audit Report
of Grant No. PW-19727**

**For the period from September 1, 2019 to July 31, 2022
Awarded to the Consortium for Entrepreneurship Education**

**Prepared for the Appalachian Regional Commission
Office of Inspector General**

July 13, 2023

Final Report

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Executive Summary

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, NW; Suite 700
Washington, DC 20009

Castro & Company, LLC (Castro & Co) conducted a performance audit of Grant Number PW-19727 awarded by the Appalachian Regional Commission (ARC) to the Consortium for Entrepreneurship Education (the Grantee or EntreEd) with a grant performance period of September 1, 2019 to July 31, 2022. The audit was conducted at the request of the ARC Office of Inspector General to assist it in its oversight of ARC grant funds.

The objectives of the performance audit were to determine whether: (1) grant 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 guidelines, including program (internal) controls, were adequate and operating effectively; (4) accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements); (5) matching requirements were met; and (6) the reported performance measures were fair and reasonable.

We determined that EntreEd's financial management, administrative procedures, and internal controls were not adequate to account for the funds provided under the ARC grant due to the matters described in Findings 01, 02, 03, and 04 described in **Appendix A – Findings and Recommendations**.

We discussed the results of this performance audit with the Grantee's management at the conclusion of our fieldwork. The Grantee's response has been included as **Attachment 1 – The Consortium for Entrepreneurship Education's Response** to this report.

Castro & Co appreciates the cooperation and assistance received from the Grantee and ARC staff during this performance audit.

Castro & Company, LLC

Alexandria, VA
July 13, 2023

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency, representing a unique partnership of Federal, state, and local governments. ARC-funded programs are used to support education and job training; health care; water and sewer systems; housing; highway construction; and other essentials of comprehensive economic development. ARC grants are made to a wide range of entities including local development districts, state ARC offices, state and local governments, educational establishments, nonprofit organizations, and for a variety of economic development projects. Castro & Company, LLC (Castro & Co) was contracted by the ARC's Office of Inspector General (OIG) to perform the audit of Grant No. PW-19727 awarded to the Consortium for Entrepreneurship Education (the Grantee or EntreEd) for the grant performance period from September 1, 2019 to July 31, 2022.

ARC awarded Grant No. PW-19727 to EntreEd to provide funding for a collaborative effort between EntreEd, the EdVenture Group, the National Association for Community College Entrepreneurship, the National Center for Resource Development, and local community college and education agency partners to create a future workforce of entrepreneurs that will help foster innovative and a thriving entrepreneurial culture. The project will reach seven Appalachian states, 52 Appalachian counties, and a potential 75 rural school districts, of which 47 will be new school districts which did not participate during phase 1 of this initiative. The project will expand practices from EntreEd's previously awarded Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) grant, America's Entrepreneurial Schools and Colleges (AESC).

The original period of performance for Grant No. PW-19727 covered the period from September 1, 2019 to August 31, 2021 but was subsequently extended to July 31, 2022. The grant agreement provided a budget of \$1,431,549 in ARC funds and required non-ARC matching funds of \$364,369 but the non-ARC matching funds were subsequently increased to \$402,850 for a total final project cost of \$1,834,399. The allowable percentage breakout of ARC to non-ARC funding for the project was 78% ARC funds to 22% matching funds.

We obtained the ARC Form SF 270, *Request for Advance or Reimbursement*, for the period covering May 1, 2022 to July 31, 2022 that identified cumulative total ARC costs of \$1,274,969 (71%) and non-ARC matching costs of \$526,165 (29%) for a total project cost of \$1,801,134.

Objectives, Scope, and Methodology

Castro & Co was engaged by the ARC OIG to conduct a performance audit of EntreEd to determine compliance with the requirements of the ARC Grant No. PW-19727 for the grant period from September 1, 2019 to July 31, 2022.

The budgeted amounts for the grant are presented in Exhibit A below:

Exhibit A: Schedule of Grant Budget			
Category	Federal Amount	Non-Federal Amount	Total
Personnel	\$ 555,000	\$ -	\$ 555,000
Fringe Benefits	\$ -	\$ 40,000	\$ 40,000
Travel	\$ 29,000	\$ -	\$ 29,000
Supplies	\$ 20,000	\$ -	\$ 20,000
Contractual	\$ 386,280	\$ 161,200	\$ 547,480
Other	\$ 373,100	\$ 201,650	\$ 574,750
Indirect	\$ 68,169	\$ -	\$ 68,169
Total	\$ 1,431,549	\$ 402,850	\$ 1,834,399

The objectives of our audit were to determine whether the Grantee used grant funding from the ARC in accordance with its ARC grant agreement and complied with financial management requirements, specifically to determine whether:

- Program funds were managed in accordance with the ARC and Federal grant requirements;
- Grant funds were expended as provided for in the approved grant budget;
- Internal grant guidelines, including program (internal) controls, were adequate and operating effectively;
- Accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements);
- Matching requirements were met; and
- Reported performance measures were fair and reasonable.

The scope of this audit includes those costs addressed in EntreEd’s system that specifically apply to ARC such as personnel, fringe benefits, travel, supplies, contractual, other, and indirect costs. We conducted this performance audit from September 2022 to July 2023 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 audit was conducted using the applicable requirements contained in Title 2 U. S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the ARC Code, and the Grant Agreement.

To meet the audit objectives, our overall methodology included the following:

- Obtaining an understanding of the Grantee’s internal controls and documenting key controls over payroll, cash disbursements, cash receipts, procurement, travel, supplies, and match costs through reviews of policies and procedures, prior audit reports, organization charts, inquiry of the Grantee’s management and other available documentation, assessing

control risk, and determining the extent of testing needed based on the control risk assessment;

- Considering fraud risk through a team fraud brainstorming session and inquiries of the Grantee’s management about their understanding of the risks of fraud related to grant awards, programs and controls the Grantee has established to mitigate specific fraud risks, and whether management is aware of any allegations of fraud or suspected fraud;
- Selecting a sample of expenditures based on materiality calculated using Government Accountability Office (GAO)/Council of the Inspectors General on Integrity and Efficiency (CIGIE) Financial Audit Manual (FAM) sections 230.01 through 230.13 and auditing, on a test basis, evidence supporting the grant funds were expended during the grant period, were properly supported and allowable under both Federal and ARC requirements;
- Testing match costs to determine whether match requirements were met, were properly supported and allowable under both Federal and ARC requirements;
- Conducting interviews with the Grantee to evaluate the Grantee’s processes for accurately tracking and reporting on the grant performance measures.

Grantee’s Response to Audit Results

Our audit results were discussed with Dr. Toi Hershman, Chief Executive Officer for EntreEd, Ms. Melinda Tucker, CAAS Manager for Suttle & Stalnaker, and Ms. Amber Ravenscroft, Director of Innovation for The EdVenture Group, during the exit conference on July 12, 2023. EntreEd concurred with our results. EntreEd’s reactions have been incorporated into the report and a copy of EntreEd’s response, in its entirety, can be found in **Attachment 1** of this report.

Summary of Results

Castro & Co’s procedures determined that EntreEd’s financial management, administrative procedures, and internal controls were not adequate to account for the funds provided under the ARC grant due to the matters described in Findings 01, 02, 03, and 04 described in **Appendix A**. Grant funds were expended as provided for in the approved grant budget.

The Grantee’s internal guidelines, including program (internal) controls, were not adequate and operating effectively. We noted the Grantee had a Board Policy Manual that included general fiscal policies and operation procedures which we did not consider adequate for administering the grant as described in Findings 01, 02, and 04.

Accounting and reporting requirements were implemented in accordance with accounting principles generally accepted in the United States of America (or other applicable accounting and reporting requirements), including ARC requirements, except for the matters described in Findings 01, 02 and 03. We questioned \$6,690 of ARC funded costs and \$148,597 of non-Federal match funds as a result of unsupported costs claimed.

The Grantee had a total of \$1,268,279 in ARC costs and \$377,568 in non-ARC matching costs; therefore, we determined the Grantee met the match requirements as of July 31, 2022. These

matching funds were properly supported and allowable under both Federal and ARC requirements except for the \$6,690 of ARC funded costs and \$148,597 in non-ARC matching costs questioned as a result of Findings 01 and 02.

We also determined that the Grantee implemented effective policies and procedures to accurately capture, record, and report grant performance measures. Based on our review of the Grantee's procedures, the performance results reported to ARC were fair and reasonable.

The Exhibit B below presents costs claimed by the EntreEd and costs recommended as a result of the audit.

Exhibit B: Schedule of Claimed and Audit Recommended Costs							
	Claimed		Questioned Cost		Audit Recommended		
Category	Federal	Non-Federal	Federal	Non-Federal	Federal	Non-Federal	Total
Personnel	\$ 555,000	\$ -	\$ -	\$ -	\$ 555,000	\$ -	\$ 555,000
Benefits	\$ -	\$ 66,466	\$ -	\$ 11,573	\$ -	\$ 54,893	\$ 54,893
Travel	\$ 28,072	\$ -	\$ 884	\$ -	\$ 27,188	\$ -	\$ 27,188
Supplies	\$ 20,000	\$ -	\$ 5,370	\$ -	\$ 14,630	\$ -	\$ 14,630
Contractual	\$ 351,782	\$ 257,699	\$ -	\$ 137,024	\$ 351,782	\$ 120,675	\$ 472,457
Other	\$ 262,763	\$ 202,000	\$ 436	\$ -	\$ 262,327	\$ 202,000	\$ 464,327
Indirect	\$ 57,352	\$ -	\$ -	\$ -	\$ 57,352	\$ -	\$ 57,352
Total	\$1,274,969	\$ 526,165	\$ 6,690	\$ 148,597	\$ 1,268,279	\$ 377,568	\$ 1,645,847

Appendix A – Findings and Recommendations

Finding 01: Duplicate Non-ARC Matching Funds Claimed

Condition:

As part of our procedures, Castro & Company, LLC (Castro & Co) obtained a list of transactions from the Consortium for Entrepreneurship Education (the Grantee or EntreEd) for non-ARC matching cost expenditures incurred totaling \$526,165 for the grant period from September 1, 2019 to July 31, 2022. We performed a reconciliation of the list of non-ARC matching cost transactions and total cumulative costs reported on the ARC Form SF 270, *Request for Advance or Reimbursement*, for the period covering May 1, 2022 to July 31, 2022; however, Castro & Co identified a total of \$40,522 in duplicate transactions related to Benefit costs in the amount of \$11,573 and Contractual costs in the amount of \$28,949 that were also claimed under Other costs. EntreEd confirmed the costs were mistakenly recorded twice.

Criteria:

2 CFR Part 200.306, *Cost sharing or matching*, states,

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

- (1) Are verifiable from the non-Federal entity's records;
- (2) Are not included as contributions for any other Federal award.

Cause:

EntreEd did not have adequate policies and procedures in place to ensure accurate tracking of expenditures incurred during the grant period of September 1, 2019 to July 31, 2022.

Effect:

Failure to ensure that the financial records for ARC funded and non-ARC matching costs used to prepare reimbursement requests were correct resulted in inaccurate reporting to ARC in the amount of \$40,522.

Recommendations:

We recommend:

1. The Grantee revise its current policies and procedures to include the tracking of grant expenditures incurred and properly reconciling costs for accurate reporting to ARC.
2. The Grantee revise the final ARC Form SF 270, *Request for Advance or Reimbursement*, to exclude duplicate costs in the amount of \$40,522 from the total non-Federal match funds.

Grantee's Response:

The accountant had incorrectly reported the \$40,522 (\$11,572.37 Match - Benefits and \$28,948.95 Match - Contractual). That amount was charged to Benedum and GKVF grants, as pointed out.

However, the accountant later adjusted the amount to include the total match amount but neglected to remove the \$40,522 amount. Therefore, the match would need to be adjusted to remove the

\$40,522. As you stated in your email from January 4th, 2023, the error must be reported, and the non-Federal cost share should be adjusted to \$485,643.48, down from \$526,164.80. EntreEd will submit a revised report reflecting that change.

EntreEd is currently updating policies and procedures to include better tracking of grant expenditures incurred.

EntreEd will revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude duplicate costs in the amount of \$40,522 from the total non-Federal match funds.

Auditor's Response:

EntreEd concurred with the finding; therefore, no further comment is necessary.

Finding 02: Unsupported ARC Funded and Non-ARC Match Funded Questioned Cost

Condition:

As part of our procedures, we reviewed supporting documentation submitted for ARC funded and non-Federal matching costs incurred during the grant period. EntreEd claimed the following costs; however, under 2 CFR Title 2 Subtitle A Chapter II Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (the Uniform Guidance or 2 CFR Part 200), these costs incurred were deemed unsupported ARC funded and non-Federal matching costs.

For ARC funded costs, we noted:

- For (1) one of (3) three travel samples tested, the Grantee was not able to provide supporting receipts and documentation for lodging costs of \$709 and conference registration cost of \$175 which resulted in questioned costs of \$884.
- For (1) one of (3) three supplies samples tested, the Grantee was not able to provide an itemized or detailed invoice listing the expenditures and supplies purchased to determine whether the costs claimed were necessary to achieve the grant project goals which resulted in questioned costs of \$5,370.
- For (1) one of 11 other cost samples tested, the Grantee was not able to provide the supporting receipt for meal costs totaling \$436.

For non-Federal matching funds, we noted for (7) seven of (8) eight contractual cost samples tested, teacher salary costs claimed were based on the Grantee's estimate of an average teacher salary and time spent for course completion; however, the Grantee was not able to provide documentation to support how the Grantee came up with the estimate of the average teacher salary which resulted in questioned costs of \$108,075.

Criteria:

2 CFR 200.306, *Cost sharing or matching*, states:

(b) For all Federal awards, any shared costs or matching funds and all contributions, including cash and third-party in-kind contributions, must be accepted as part of the non-Federal entity's cost sharing or matching when such contributions meet all of the following criteria:

(1) Are verifiable from the non-Federal entity's records;

(4) Are allowable under subpart E of this part;

(j) For third-party in-kind contributions, the fair market value of goods and services must be documented and to the extent feasible supported by the same methods used internally by the non-Federal entity.

2 CFR 200.334, *Retention requirements for records*, states:

Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report...

2 CFR 200.403, *Factors affecting allowability of costs*, states:

Except where otherwise authorized by statute, costs must meet the following general criteria in order to be allowable under Federal awards:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (g) Be adequately documented.

The *EntreEd Policy Manual*, states:

Persons traveling on behalf of the organization, with approval of the President and Treasurer, or their designee, may be reimbursed for authorized travel expenses as follows:

1. Actual hotel sleeping room expenses, receipt required, at venues approved in advance by the President and Treasurer or their designee...
6. Miscellaneous expenses as reasonable and customary and with proper documentation. Receipt required for individual items over the threshold amount to be determined from time-to-time by the Board of Directors.

Cause:

EntreEd did not have adequate controls in place to ensure unsupported costs incurred were excluded from the claimed ARC funded and non-Federal matching expenses.

Effect:

The absence of adequate controls prevented EntreEd from identifying and removing unsupported costs and ensuring compliance with the grant requirements prior to requesting reimbursements from ARC. Therefore, ARC could require the Grantee to reimburse ARC for total questioned costs in the amount of \$6,690 for ARC funded costs claimed and exclude total questioned costs in the amount of \$108,075 from the total non-Federal match funds reported.

Recommendations:

We recommend:

3. The Grantee revise its current policies and procedures to ensure that costs claimed are adequately supported in accordance with the regulations.
4. The Grantee revise the final ARC Form SF 270, *Request for Advance or Reimbursement*, to exclude total questioned costs in the amount of \$6,690 from the total ARC funded amount and \$108,075 from the total non-Federal match funds.

Grantee's Response:

The EntreEd traveler is unable to locate [lodging costs of \$709 and conference registration cost of \$175] in its credit card account.

Hocking College is unable to provide the backup documentation for this invoice due to staff turnover. This was an EntreEd Event held at the college and the costs were for event space, faculty time, and food.

EntreEd is unable to locate [meal costs totaling \$436] in its credit card account.

We used a calculation of five percent of an average teacher's salary from 2019. Even in 2023 the average is in line with this calculation. The grant was approved with our estimated calculation, but we do not have a separate specific documented artifact for this.

As per recommendations:

EntreEd is currently revising its current policies and procedures to ensure that costs claimed are adequately supported in accordance with the regulations.

EntreEd will revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude total questioned costs in the amount of \$6,690 from the total ARC funded amount and \$108,075 from the total non-Federal match funds.

Auditor's Response:

EntreEd concurred with the finding; therefore, no further comment is necessary.

Finding 03: Insufficient and Untimely Quarterly Progress Reporting

Condition:

As part of our procedures, we reviewed interim and final Performance Progress Reports (PPR) submitted by EntreEd during the grant period from September 1, 2019 to July 31, 2022. We noted the following quarterly reporting issues:

- In six (6) instances, the Grantee provided quarterly narratives but was unable to provide the PPR cover pages showing the date the PPRs was submitted to ARC; therefore, we were unable to determine whether the PPRs were submitted within 30 days of the report ending date.
- In one (1) instance, the Grantee submitted the PPR after the 30 days from the close of the reporting period as required by ARC.

Criteria:

The ARC *Grant Administration Manual for ARC Non-Construction Grants*, dated February 2020, states,

Reports

Reporting Intervals

The reporting period begins with the start date of the grant agreement. ARC requires interim progress reports every 120 days or every four months and a final report at the end of your project's period of performance. Reports are due no later than 30 days after the close of a reporting period.

Required Content for All Reports

Both interim and final reports must include:

1. ARC-PPR Performance Progress Report (ARC cover page). This form is available on ARC's web site at <https://www.arc.gov/funding/forms.asp>. Box 8 of the PPR should be marked as 'interim' or 'final' as applicable.
2. The Performance Narrative - The performance narrative is listed in section 10 of the ARC-PPR but should be attached as a separate document.
3. Standard Form 270–Request for Advance or Reimbursement; and
4. An ARC Reimbursement and Payment Advance Request Worksheet that summarizes actual expenditures by approved budget line items.

Cause:

EntreEd did not have adequate controls in place to ensure quarterly PPRs were submitted in accordance with ARC reporting requirements.

Effect:

Without adequate controls to ensure timely and complete quarterly reporting, inaccurate financial and performance information may be reported to ARC.

Recommendations:

5. We recommend the Grantee revise its current policies and procedures to ensure PPRs including coversheets and narratives are submitted to ARC no later than 30 days after the close of a reporting period.

Grantee's Response:

This finding is correct. EntreEd is currently revising its current policies and procedures to ensure PPRs including coversheets and narratives are submitted to ARC no later than 30 days after the close of a reporting period.

Auditor's Response:

EntreEd concurred with the finding; therefore, no further comment is necessary.

Finding 04: Lack of Written Policies and Procedures

Condition:

As part of our procedures, we reviewed the Grantee's written policies and procedures for applicable grant activities and noted EntreEd did not have written procedures for determining the allowability of costs and procurement standards under the Uniform Guidance.

We also noted that EntreEd did not have written timekeeping policies and procedures in place to track, review, and approve employees' time charged to the ARC Grant Number PW-19727. We obtained payroll reports and records from EntreEd and noted personnel costs claimed per pay period were based on the annual salary amount; however, EntreEd did not have timesheets or an approval process in place to ensure the time charged to the ARC Grant Number PW-19727 was accurately reported and claimed. The Grantee stated that due to the small size of the organization, written policies and procedures were developed as needed.

Criteria:

2 CFR 200.302, *Financial management*, states,

(b) The financial management system of each non-Federal entity must provide for the following:

(5) Comparison of expenditures with budget amounts for each Federal award.

(7) Written procedures for determining the allowability of costs in accordance with subpart E of this part [§§ 200.400 – 200.476] and the terms and conditions of the Federal award.

2 CFR 200.318, *General procurement standards*, states,

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section, for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in §§ 200.317 through 200.327.

Cause:

The Grantee stated that due to the small size of the organization, written policies and procedures were developed as needed. In addition, the Grantee stated consideration is given to making prudent purchases as a routine practice, but formal procedures have not yet been developed.

Effect:

Without written policies and procedures in place, the Grantee is unable to ensure costs claimed for Federal funding conform to the grant agreement terms and Federal regulations.

Recommendations:

6. We recommend the Grantee develop policies and procedures for procurement and determining the reasonableness, allocability and allowability of costs incurred as required by the Federal regulations.
7. EntreEd develop written timekeeping policies and procedures and implement a process for ensuring personnel time charged to the ARC grant is tracked, reviewed, and approved prior to requesting reimbursements from ARC.

Grantee's Response:

This feedback is correct. However, as we are moving forward, EntreEd is actively working to develop a timekeeping/billable hours system. For instance, for our Appalachian Entrepreneurship Academy contract, we have days and time allotted for our staff. EntreEd recently established a QuickBooks online account with our accountant and CFO to better manage our grants, revenues, and time tracking.

Auditor's Response:

EntreEd concurred with the finding; therefore, no further comment is necessary.

Attachment 1 – The Consortium for Entrepreneurship Education’s Response



Dr. Toi Elizabeth Hershman
CEO, EntreEd
301-616-8727
toi@entre-ed.org

July 12, 2023

Castro & Company, LLC
1635 King Street
Alexandria, VA 22314
(703) 229-4440

Subject: The Consortium for Entrepreneurship Education’s (EntreEd) Response to Castro & Company, LLC’s Performance Audit of Grant Number PW-19727

The Consortium for Entrepreneurship Education’s (EntreEd) Response takes no exception to and agrees with Castro & Company, LLC’s findings presented in the audit report of Grant Number PW-19727 for the period from September 1, 2019 through July 31, 2022.

EntreEd, however, would like to briefly address some of the audit findings as follows:

Finding 01: Duplicate Non-ARC Matching Funds Claimed

As part of our procedures, Castro & Company, LLC (Castro & Co) obtained a list of transactions from the Consortium for Entrepreneurship Education (the Grantee or EntreEd) for non-ARC matching cost expenditures incurred totaling \$526,165 for the grant period from September 1, 2019 to July 31, 2022. We performed a reconciliation of the list of non-ARC matching cost transactions and total cumulative costs reported on the ARC Form SF 270, Request for Advance or Reimbursement, for the period covering May 1, 2022 to July 31, 2022; however, Castro & Co identified a total of \$40,522 in duplicate transactions related to Benefit costs in the amount of \$11,573 and Contractual costs in the amount of \$28,949 that were also claimed under Other costs. EntreEd confirmed the costs were mistakenly recorded twice.

The reported non-ARC match cost of \$526,165 included \$40,522 for transactions that duplicated claimed costs.

Response:

The accountant had incorrectly reported the \$40,522 (\$11,572.37 Match - Benefits and \$28,948.95 Match - Contractual). That amount was charged to Benedum and GKVF grants, as pointed out.

However, the accountant later adjusted the amount to include the total match amount but neglected to remove the \$40,522 amount. Therefore, the match would need to be adjusted to remove the \$40,522. As you stated in your email from January 4th, 2023, the error must be reported, and the non-Federal cost share should be adjusted to \$485,643.48, down from \$526,164.80. EntreEd will submit a revised report reflecting that change.

EntreEd is currently updating policies and procedures to include better tracking of grant expenditures incurred.

EntreEd will revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude duplicate costs in the amount of \$40,522 from the total non-Federal match funds.

Finding 02: Unsupported ARC Funded and Non-ARC Match Funded Questioned Cost

For ARC funded costs, we noted:

- *For (1) one of (3) three travel samples tested, the Grantee was not able to provide supporting receipts and documentation for lodging costs of \$709 and conference registration cost of \$175 which resulted in questioned costs of \$884.*

Response: The EntreEd traveler is unable to locate this amount of cost in its credit card account.

- *For (1) one of (3) three supplies samples tested, the Grantee was not able to provide an itemized or detailed invoice listing the expenditures and supplies purchased to determine whether the costs claimed were necessary to achieve the grant project goals which resulted in questioned costs of \$5,370.*

Response: Hocking College is unable to provide the backup documentation for this invoice due to staff turnover. This was an EntreEd Event held at the college and the costs were for event space, faculty time, and food.

- *For (1) one of 11 other cost samples tested, the Grantee was not able to provide the supporting receipt for meal costs totaling \$436.*

Response: EntreEd is unable to locate this amount of cost in its credit card account.

- *For non-Federal matching funds, we noted for (7) seven of (8) eight contractual cost samples tested, teacher salary costs claimed were based on the Grantee's estimate of an average teacher salary and time spent for course completion; however, the Grantee was not able to provide documentation to support how the Grantee came up with the estimate of the average teacher salary which resulted in questioned costs of \$108,075.*

Response:

We used a calculation of five percent of an average teacher's salary from 2019. Even in 2023 the average is in line with this calculation. The grant was approved with our estimated calculation, but we do not have a separate specific documented artifact for this.

As per recommendations:

EntreEd is currently revising its current policies and procedures to ensure that costs claimed are adequately supported in accordance with the regulations.

EntreEd will revise the final ARC Form SF 270, Request for Advance or Reimbursement, to exclude total questioned costs in the amount of \$6,690 from the total ARC funded amount and \$108,075 from the total non-Federal match funds.

Finding 03: Insufficient and Untimely Quarterly Progress Reporting

As part of our procedures, we reviewed interim and final Performance Progress Reports (PPRs) submitted by EntreEd during the grant period from September 1, 2019 to July 31, 2022. We noted the following quarterly reporting issues:

- *In six (6) instances, the Grantee provided quarterly narratives but was unable to provide the PPR cover pages showing the date the PPRs was submitted to ARC; therefore, we were unable to determine whether the PPRs were submitted within 30 days of the report ending date.*
- *In one (1) instance, the Grantee submitted the PPR after the 30 days from the close of the reporting period as required by ARC.*

Response:

This finding is correct. EntreEd is currently revising its current policies and procedures to ensure PPRs including coversheets and narratives are submitted to ARC no later than 30 days after the close of a reporting period.

Finding 04: Lack of Written Policies and Procedures

As part of our procedures, we reviewed the Grantee's written policies and procedures for applicable grant activities and noted EntreEd did not have written procedures for determining the allowability of costs and procurement standards under the Uniform Guidance. We also noted that EntreEd did not have written timekeeping policies and procedures in place to track, review, and approve employees' time charged to the ARC Grant Number PW-19727. We obtained payroll reports and records from EntreEd and noted personnel costs claimed per pay period were based on the annual salary amount; however, EntreEd did not have timesheets or an approval process in place to ensure the time charged to the ARC Grant Number PW-19727 was accurately reported and claimed. The Grantee stated that due to the small size of the organization, written policies and procedures were developed as needed.

Response:

This feedback is correct. However, as we are moving forward, EntreEd is actively working to develop a timekeeping/billable hours system. For instance, for our Appalachian Entrepreneurship Academy contract, we have days and time allotted for our staff. EntreEd recently established a QuickBooks online account with our accountant and CFO to better manage our grants, revenues, and time tracking.

Sincerely,



Dr. Toi Elizabeth Hershman
CEO, EntreEd, The National Consortium for Entrepreneurship Education