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

**Ohio Valley Regional Development Commission
Waverly, Ohio**

**Final Report Number: 16-16
Project Number: OH-707-D-C42-15
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Bonadio & Co., LLP completed an audit of grant number OH-707-D-C42-15 awarded by the Appalachian Regional Commission (ARC) to the Ohio Valley Regional Development Commission (the Commission). 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 expensed 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); and (5) the matching requirements and the goals and objectives of the grant were met.

Overall, the grantee's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. The costs 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 and objectives of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were being accomplished. The overall grant performances measures, with respect to anticipated outputs and outcomes, were adequately met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the Commission 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
OTHER OBSERVATIONS – PERFORMANCE MEASURES	3

BACKGROUND

Bonadio & Co., LLP completed an audit of grant number OH-707-D-C42-15 awarded by the Appalachian Regional Commission (ARC) to the Ohio Valley Regional Development Commission (the Commission). 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 Commission is a regional planning and economic development agency which coordinates federal, state, and local resources to encourage development in 12 southern Ohio counties: Adams, Brown, Clermont, Fayette, Gallia, Highland, Jackson, Lawrence, Pike, Ross, Scioto, and Vinton. Established in 1967 as a not-for-profit corporation, the Commission was designated by the State of Ohio in 1977 as a Regional Planning and Development Organization under Ohio Revised Code Section 1702.01, et.seq, and Section 713.21. The Commission also serves as a Local Development District for the Appalachian Regional Commission and as an Economic Development District for the U.S. Department of Commerce, Economic Development Administration.

ARC grant number OH-707-D-42-15 was awarded to cover the period January 1, 2015 to December 31, 2015. It provided \$209,000 in ARC funds and \$225,000 in non-ARC funds. The majority of the approved total budget was for staff salaries, benefits and indirect costs.

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 expensed as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, where appropriate 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 the goals, objectives and performance measures of the grant were met.

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 reviewed grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that impacted the ARC grant.

The grant budget was \$200,000 in personnel, \$80,000 in fringe benefits, \$19,000 for travel, \$13,800 for new equipment, supplies \$2,000, other costs \$15,880 and indirect charges of \$103,320; total budget was \$434,000. Our audit focus was on personnel costs, fringe benefits, and equipment purchases. We also reviewed the grantee's procedure for allocating indirect charges.

The primary criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, federal cost principles, and audit requirements for federal awards. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of May 3-5, 2016, including on-site work at the Ohio Valley Regional Development Commission in Waverly, Ohio. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

Overall, the Commission's administrative procedures were adequate to manage the grant and funds reviewed. The cost tested were supported and considered reasonable, and we did not question any incurred costs. We found the Commission 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 accomplished. The overall grant performance measures, with respect to anticipated outputs and outcomes, were adequately met for the grant OH-707-D-C42-15, which was completed on December 31, 2015.

Personnel

Personnel are a separate line item on the grant budget (\$200,000) and are also included in the indirect costs of the grant budget. Payroll is done in-house. Timesheets are recorded on excel by each individual employee which are printed off, signed and submitted to the employee's supervisor every two weeks for approval. Approved timesheets are submitted to the finance director for payment. Timesheets are stapled to the employee's pay stub and retained for at least three years. All employees have direct deposit. The Commission has a total of 10 full time employees, 3 directors, 4 program specialists, and 3 support staff. Bonadio & Co. reviewed timesheet reports by employee and vouched 100% of the grantee's W-2 forms issued in 2015.

Fringe Benefits

Fringe benefits are a separate line item on the grant budget (\$80,000) and are also included in the indirect costs of the grant budget. The largest individual fringe benefit is health insurance. The Commission offers health insurance to their employees. Employees pay 15% of their respective premium. Health insurance is provided through Blue Cross & Blue Shield. Bonadio & Co. noted twelve monthly payments in 2015. Payments for health insurance totaled \$59,449. Each employee participates in the Ohio Public Employees Retirement System. The employer match is 14% and employee match is 10% of the gross payroll. Employer portion totaled \$53,669. Bonadio & Co. noted twelve monthly payments in 2015. Another fringe benefit is term life, dental and vision provided by Guardian. Bonadio & Co. noted 12 monthly payments which totaled \$9,229. Total fringe benefits expenses tested was \$122,348 of the total \$154,056; \$131,254 line items per the compiled financial statements and \$22,802 included in indirect costs of the compiled financial statements.

Equipment

The Commission purchased 8 new laptop computers and 1 precision workstation in 2015. The grantee provided the invoice for both purchases. Equipment purchases were within the grant budget. Since the purchases were below \$25,000 it was not necessary to gather competitive bids.

Indirect Costs

The Commission does not have an audited indirect cost percentage. They do have a cost allocation plan. In this plan, the base is salaries and fringe benefits. Costs that cannot be allocated to a specific grant/program are allocated to the indirect pool. The indirect pool is the numerator and the salary and fringe benefits is the denominator (base).

SUMMARY OF AUDIT RESULTS (Continued)

Matching

The grant budget is \$225,000 of non-ARC funds; \$200,000 state and \$25,000 local. The Commission received \$170,000 from the State of Ohio, \$61,585 from the Ohio Public Works Commission and \$120,188 in "membership fees" from the 12 counties served.

Audit Findings

There were no audit findings noted as a result of our procedures.

OTHER OBSERVATIONS – PERFORMANCE MEASURES

- The Commission received and assisted in 26 pre-applications for grants in 2015. Of the 26 pre-applications, 12 were awarded funds. These consisted of 3 state area development projects, 4 federal area development projects, 3 distressed county projects and 2 rapid response projects. Of the 12 projects awarded, the funding sources for 7 of the projects were with Federal funds and these projects were compared to ARC.NET without exception.
- For an administrative fee, the Commission's staff can provide other agencies with application development assistance, environmental review, and project administration for Community Development Block Grants.
- The Commission also consults for the Ohio Public Works Commission; consulting includes receiving, ranking and recommending projects for funding. The Ohio Public Works Commission provides financing for local public infrastructure improvements through both the State Capital Improvement Program and the Local Transportation Improvement Program.