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

**Southern Alleghenies Planning & Development Commission
Partnerships for Regional Economic Performance (PREP)
Altoona, Pennsylvania**

**Final Report Number: 16-21
Project Number: PA-8304-C33-302-14
July 5, 2016**

Prepared By:

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Appalachian Regional Commission
Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number PA-8304-C33-302-14 awarded by the Appalachian Regional Commission (ARC) to Southern Alleghenies Planning & Development Commission. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant activities.

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 objectives of the grant were met.

Overall, the grantee's financial management and administrative procedures and related internal controls were adequate to manage 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 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 performance measures were mostly met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from Southern Alleghenies Planning & Development Commission and the ARC staff during the audit.

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant number PA-8304-C33-302-14 awarded by the Appalachian Regional Commission (ARC) to Southern Alleghenies Planning & Development Commission (grantee) so they may continue providing technical assistance to small and medium sized enterprises with a focus on providing services to support regional economic vitality and helping local businesses remain competitive. 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.

ARC grant number PA-8304-C33-302-14 was awarded to cover the period July 1, 2014 to June 30, 2015. The grant budget provided \$400,000 in ARC funds and required \$400,000 in non-ARC funds and in-kind services (Federal \$100,981, State \$282,519 and Local \$16,500) for the grantee to provide support for the Partnership for Regional Economic Performance (PREP) program, which is designed to provide for economic development in West-Central Pennsylvania. The grantee serves six transitional counties; Bedford, Blair, Cambria, Fulton, Huntingdon and Somerset. Major components of the PREP program include business development assistance which includes international market development, government procurement, electronic commerce, the tourism industry, and business financing. The grantee also coordinates and promotes business development services and strategic planning and Community development assistance.

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 objectives of the grant were met.

We reviewed the documentation provided and interviewed the grantee's personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated the grantee's 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 whether they were properly supported and submitted in accordance with the requirements. We also obtained the most recent Single Audit report to determine whether there were any issues that impacted the ARC grant.

Of the \$742,091 in expenditures charged to grant PA-8304-C33-302-14, we selected a sample of \$183,967, in expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedure for allocating indirect charges.

The 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 completed during the period of May 24-27, 2016, including on-site work at the Southern Alleghenies Planning & Development Commission in Altoona, Pennsylvania. The audit results were discussed with the grantee's representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the grant funds reviewed. Total expenses amounted to \$742,091 and based on test work results, Bonadio & Co., LLP did not question any costs incurred. The expenses 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 of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished. There were two Outputs for the PREP grant; one exceeded its goal and one fell short. There were seven Outcomes for the PREP grant; three exceeded their goals and four fell short.

The grantee does not have an audited indirect cost percentage. They have a cost allocation plan. The grantee's plan methodology appeared reasonable.

Audit Findings

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

OTHER OBSERVATIONS – PERFORMANCE MEASURES

Outputs

- The grantee exceeded its goal for businesses served of 205 which exceeded the goal of 190 (108%).
- The grantee fell short on business plans. The goal was ten new business plans and the actual was nine (90%).

Outcomes

- Loan funding totaled \$2,365,750 which exceeded the goal of \$1.5 million (158%).
- Leveraged Private Investment funds were \$8,670,692 and the goal was \$4 million (217%).
- Tourism sales were \$6,696,842 and the goal was \$5 million (134%).
- Jobs created totaled 287 which fell short of the goal of 328 (88%).
- Jobs retained were 1,282 and the goal was 1,410 (91%).
- Government sales were \$96 million with a goal of \$133 million (73%).
- Export sales of \$255 million were short of the goal of \$322 million (80%).