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

**Southwestern Pennsylvania Commission
Local Development Districts Administration Grant (LDD)
Pittsburgh, Pennsylvania**

**Final Report Number: 17-18
Project Number: PA-708E-C24
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Bonadio & Co., LLP completed an audit of grant number PA-708-E-C24 awarded by the Appalachian Regional Commission (ARC) to the Southwestern Pennsylvania Commission for the Local Development Districts Administration Grant. 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) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) 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 the funds provided under the ARC grant reviewed. The costs tested were supported and considered reasonable. We found that the grantee had an accepted 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 adequately met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from Southwestern Pennsylvania Commission and the ARC staff during the audit.

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant number PA-708-E-C24 awarded by the Appalachian Regional Commission (ARC) to the Southwestern Pennsylvania Commission (grantee) for the Local Development Districts Administration Grant. 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 grantee is a regional planning and economic development agency serving Pittsburgh, Pennsylvania and the surrounding 10-county area. It primarily provides essential services for the region that include developing plans and programs for public investments and fulfilling federal and state requirements for transportation, economic development, and local government assistance programs. Created under the Regional Planning Law of 1956, as amended, it operates as a non-profit governmental entity comprised of about 60 members, including five representatives from each of the 10 counties, five from the City of Pittsburgh, one from the Governor's office, and other state and federal agencies. Members serve multi-year terms and meet every other month. The Commission is also designated by the ARC as the areas' Local Development District (LDD) to help promote the Appalachian Area Development Program goals and objectives. As a LDD, it plays a key role in developing and reviewing projects providing technical assistance to local project sponsors, and recommending priority projects to the state and the ARC.

The Commission established a component unit as a 501(c)(3) organization, called the Southwestern Pennsylvania Corporation, to conduct studies and perform administrative functions necessary for carrying out the Commission's day-to-day operations. This includes implementing the ARC and other programs, providing planning and technical assistance to local communities, and managing the financial and administrative systems.

ARC grant number PA-708-E-C24 was awarded to cover the period January 1, 2016 to December 31, 2016. It provided \$103,000 in ARC funds and a required match of \$103,000 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) internal grant guidelines, including program (internal) controls, where appropriate were adequate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the matching requirements and objectives 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 evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We also obtained the most recent Single Audit report to determine whether there were any issues that impacted the ARC grant.

Of the \$204,554 in expenditures charged to grant PA-708-E-C24, we selected a sample of \$64,672, in expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating indirect charges and the grantee's Single Audit report for any issues which would impact the ARC grant.

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 March 27-30, 2017, including on-site work at the Southwestern Pennsylvania Commission in Pittsburgh, Pennsylvania. The audit results were discussed with grantee 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 ARC grant funds. Total expenses amounted to \$204,554 and based on test work results, Bonadio & Co., LLP did not question any cost incurred. The expenses tested were supported and considered reasonable. We found the grantee had an accepted 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 accomplished. The overall grant performance measures were adequately met for the grant, which was completed on December 31, 2016.

The grantee does not have an audited indirect cost percentage. They use a cost allocation plan that appears to use a reasonable methodology.

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

OTHER OBSERVATIONS – PERFORMANCE MEASURES

- The grantee established as part of the grant application a listing of goals and performance measures which included (1) administration of the PREP program, Regional Export Network, Economic Development Administration, and ARC Administration; (2) submission of 6 ARC Project applications; (3) develop a Comprehensive Economic Development Strategy (CEDs) and further develop the Local Food Supply Chain Analysis in Southwestern Pennsylvania; and (4) provide over 350 instances of technical assistance. The following summarizes actual results compared to the goals noted above:
 - 1) Administration: During our fieldwork we noted the grantee's participation and administration of the PREP, Regional Export Network, Economic Development Administration, and ARC Administration.
 - 2) Submission of ARC Applications: We noted that the grantee reviewed and recommended at least 6 projects including construction projects, non-construction projects, a local access road project, and participation in the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) program.
 - 3) Strategic Plans: We obtained the CEDs report from the grantee noting that the report was released on December 14, 2016 in draft form for public comment. We obtained the meeting minutes of the grantee for the January 2017 meeting, noting the public board discussion. We also obtained the 2015 Local Food Chain Supply Initiative Report and discussed with the Planning and Development Director that they continued to develop this report.
 - 4) Technical Assistance: We obtained and reviewed summary reports detailing the types of assistance provided, noting 472 instances in which assistance was provided. A more in depth narrative of the testing of performance measures related to the assistance provided is presented on the following page.

OTHER OBSERVATIONS – PERFORMANCE MEASURES (Continued)

- Reports obtained from the grantee's management information system demonstrated a mechanism for tracking the assistance provided by the grantee in the areas of government procurement, business financial assistance, and export assistance. We noted 472 instances of assistance provided to a total of 143 different companies or businesses.
- We selected a total of seven instances and reviewed supporting documentation to ensure that the assistance provided met the performance measures of the Grant. We selected two export assistance companies, two government procurement companies, and three business financial assistance companies. Noted the following services provided to the companies selected for detail testing by performance measure:
 - **Export Assistance:** Services provided including helping with attending a global trade show, assisting with work orders related to a Canadian Company, and with export documentation.
 - **Government Procurement:** Services provided included assistance with obtaining certifications and client counseling.
 - **Business Financial Assistance:** Services provided included financial assistance with loan applications, tax credits, and loan closings.