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APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL  
AUDIT OF GRANT AWARD

Kentucky Valley Educational Cooperative (KVEC)  
Hazard, KY

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Final Report Number: 19-12  
Project Number: KY-18607-16  
January 8, 2019

Prepared By:

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Certified Public Accountants

January 8, 2019

Appalachian Regional Commission  
Office of Inspector General  
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Bonadio & Co., LLP completed an audit of grant number KY-18607-16 awarded by the Appalachian Regional Commission (ARC) to the Kentucky Valley Educational Cooperative (grantee) for the Appalachian Technology Initiative (ATI) project. 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 expended 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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The overall grant performance measures were adequately met or were likely to be met by the end of the grant period.

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

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## **BACKGROUND**

Bonadio & Co., LLP completed an audit of grant number KY-18607-16 awarded by the Appalachian Regional Commission (ARC) to the Kentucky Valley Educational Cooperative (grantee). 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 grant provided \$500,000 in ARC funds, required a match of \$125,000 in non-ARC funds, for the period of August 1, 2016 through June 30, 2018. An amendment was approved on April 25, 2018 to extend the period of performance through September 30, 2018. The Appalachian Technology Initiative (ATI) project is designed to build complete college and career pathways for high school students in non-medical STEM fields of study such as engineering, computer science, aviation, and aerospace in Appalachian Kentucky. The grant funds provided for equipping innovation laboratories, computer laboratories, and other hands-on educational settings.

## **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 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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

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 examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent Single Audit report to determine whether there were any reported issues that affected the ARC grant.

We reviewed expenditures of the grant from August 1, 2016 to July 31, 2018. During this period, there were \$442,361 of federal expenditures and \$125,000 of non-federal expenditures charged to the grant. We selected a sample of \$291,586 in federal expenditures and \$102,125 of non-federal matching expenditures to determine whether the charges were properly supported and allowable.

The criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, 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 September 12, 2018 through September 14, 2018, which included on-site work at the grantee's office in Hazard, Kentucky. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

## SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the grant funds reviewed. 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. Matching requirements of the grant were satisfied.

The performance measures included in the progress reports appear to be have been met or likely will be met by the end of the grant period. We were able to verify that the grantee built complete pathways in the non-medical STEM fields of computer science, aviation and aerospace engineering in accordance with grant objectives. The pathways include a detailed curriculum and potential career titles upon successful completion. We also noted that the grantee was also able to meet the projected outputs of creating four innovation labs accessible to students across district boundaries. Lastly, the grantee reported that the projected goal of increasing student participation in non-medical STEM fields by 20% per year was exceeded. Student enrollment increased from 250 computer science students to 600 from 2016 to 2017. In aerospace/aviation, enrollment increased from 70 students in 2016 to 150 in 2017.