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

**Eastern Kentucky Concentrated
Employment Programs
Hazard, Kentucky**

**Final Report Number: 19-15
Project Number: KY-17593 C1 & C2
February 27, 2019**

Prepared By:

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February 27, 2019

Appalachian Regional Commission
Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number KY-17593 C1 & C2 awarded by the Appalachian Regional Commission (ARC) to the Eastern Kentucky Concentrated Employment Programs (grantee) for the Eastern Kentucky Concentrated Employment Programs. 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 expenditures tested were supported and considered reasonable. The overall grant performance measures were met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the grantee 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

BACKGROUND

Bonadio & Co., LLP completed an audit of grant number KY-17593 C1 & C2 awarded by the Appalachian Regional Commission (ARC) to the Eastern Kentucky Concentrated Employment Program, Inc. (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.

Grant C1 provided \$200,000 in ARC funds and required a match of \$368,000 in non-ARC funds to cover the period October 1, 2015 to March 31, 2017. Grant C2 provided \$407,000 in ARC funds and required \$547,956 in non-ARC funds to cover the period of October 1, 2016 to September 30, 2017, with an amendment extending the grant until September 30, 2018. Both grants are to provide support to establish two Kentucky Teleworks Hub locations and assist with connecting trained workers with companies seeking to employ teleworkers. The major benefits of the projects includes promoting the productive and strategic use of telecommunications infrastructure to increase connectivity, to connect trained workers with companies seeking to employ teleworkers and strengthen the local economy.

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 any reported issues affected the ARC grant.

We noted total expenditures of \$568,000 related to the C1 grant from October 1, 2015 to March 31, 2017. During this period, there were \$200,000 of federal expenditures and \$368,000, of non-federal expenditures charged to the grant. We selected a sample of \$189,852, in federal expenditures and \$144,593 of non-federal matching expenditures to determine whether the charges were properly supported and allowable.

We reviewed expenditures of the C2 grant from October 1, 2016 to May 31, 2018. During this period, there were total project expenditures of \$954,956, including \$407,000 of federal expenditures and \$547,956 of non-federal expenditures. We tested a sample of \$162,992, in federal expenditures and \$269,547 of non-federal matching expenditures.

The criteria used in performing the audit were 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards", the ARC code, and the grant agreement. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of September 4, 2018 through September 6, 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. 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 received. Based on audit procedures performed, we 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 grants. In addition, the records and reports indicated that the tasks were accomplished by the end of the grant period. The final report for the C1 grant was submitted April 27, 2017. The final report for C2 was submitted on October 30, 2018.

The outputs and outcomes of the grant were tested by reviewing financial information, internal reports, information provided by the businesses obtaining assistance, news articles, participant case files and other supporting documentation. The projected output for C1 was to serve 100 workers in McKee, Harlan and Lee counties. Our testing noted that 155 jobs were created during the grant period meeting the outcomes goal of 100 jobs created and 100 workers improved. Grant C2 included a projected outcome of 160 workers trained and 200 workers served as an output in Pike and Leslie counties. Through our review of grantee records, we noted 263 jobs created for the grant period. In total, the grants accounted for 418 jobs created.