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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Southwest Virginia Alliance for Manufacturing, Inc.  
Abingdon, Virginia**

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**Final Report Number: 19-17  
Grant Number: PW-18778  
March 2019**

**Prepared by:**

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Leon Snead & Company, P.C. completed an audit of grant number PW-18778 awarded by the Appalachian Regional Commission (ARC) to the Southwest Virginia Alliance for Manufacturing (SVAM), Incorporated. The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

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 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 (6) the established performance measures were met.

Overall, SVAM's administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. Financial and project performance reports were submitted to ARC timely and accurately. We determined SVAM had an adequate process in place for obtaining and recording data related to the overall goals of the grant.

Leon Snead & Company appreciates the cooperation and assistance received from the SVAM and ARC staffs during the audit.

Sincerely,

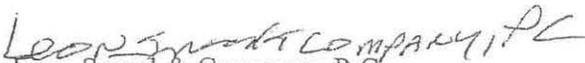
  
Leon Snead & Company, P.C.

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## **Background**

Leon Snead & Company, P.C. completed an audit of grant number PW-18778 awarded by the Appalachian Regional Commission (ARC) to the Southwest Virginia Alliance for Manufacturing (SVAM), Incorporated. The audit was conducted at the request of the ARC Office of Inspector General to assist the office in its oversight of ARC grant funds.

The purpose of grant PW-18778 is to provide technical assistance to coal supply chain manufacturers. The scope of work includes promoting regional collaboration in pursuit of redefining the image of manufacturing with young people, their parents, their educators and policy makers in a way that increases the number of young adults pursuing careers in manufacturing; and initiating efforts to better align educational and workforce training resources with the most current and pressing demands of the region's industry. The three major elements of the project include: (1) business outreach, aided by the Coalfield Cluster Mapping project; (2) network analysis; and (3) targeted business technical assistance.

The period of performance for grant PW-18778 is January 1, 2017 through March 31, 2019. The total projected costs are \$2,099,052. Matching funds include \$200,000 provided by the Southwest Virginia Workforce Development Board; \$141,402 provided by the New River/Mount Rogers Workforce Development Board; \$150,000 provided by the GenEdge Alliance; and \$300,000 from the State of Virginia. The total matching contributions for the project are \$791,402.

## **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 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 (6) the established performance measures were met.

ARC grant funds of \$837,209 had been drawn down and \$584,110 had been expended as of December 31, 2018. We reviewed \$357,591 of ARC grant funds that were drawn down, expended and reimbursed and \$68,087 of the matching costs provided for the project.

We reviewed documentation SVAM provided and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures to determine if they complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in accordance with requirements. We reviewed the most recent consolidated financial audit to identify any issues that significantly impacted the ARC grant and the grant audit. We reviewed matching funds documentation to determine if requirements were met. We evaluated grant results discussed in the final project progress reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the SVAM office in Abingdon, Virginia during the period of January 21, 2019 through January 25, 2019. The preliminary audit results were discussed with SVAM officials at the conclusion of the on-site visit.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreement. The audit was performed in accordance with the Government Auditing Standards.

### **Summary of Audit Results**

Overall, SVAM's administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. Financial and project performance reports were submitted to ARC timely and accurately. We determined SVAM had an adequate process in place for obtaining and recording data related to the overall goals of the grant.

Specific performance measures as of January 23, 2019 for grant PW-18778 were:

- 116 businesses out of a projected 158 had been provided indirect services.
- 35 businesses out of a projected 58 had been provided direct services.
- 1 new business out of a projected 10 had been created.

Direct services were on-site training classes, technical assistance and consulting services provided to specific manufacturing organizations. Direct services were "targeted" to the specific needs of an individual manufacturer. Indirect services including conducting discussion forums, round tables and providing information, advice and general assistance to regional manufacturers in order to increase awareness of the need for and opportunities in the manufacturing sector. Indirect services were not targeted to a specific manufacturing organization.

We determined that SVAM had not developed written procedures for payments and determining the allowability of costs as required by 2 CFR.200.302, Financial Management. However, SVAM revised its Fiscal Management Policy and Procedure to adequately address this matter. SVAM's corrective actions were completed during the on-site visit. We did not find any additional areas requiring management attention and action.