

Office of Inspector General

Report Prepared by Leon Snead & Company, P.C.

Audit of Grant Award – City of Pikeville, Kentucky



Office of Inspector General

APPALACHIAN REGIONAL COMMISSION

Audit Report: 20-08

April 6, 2020



April 6, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

A handwritten signature in blue ink, reading 'Philip M. Heneghan'.

SUBJECT: Audit of Grant Award – City of Pikeville, Kentucky
Report Number 20-08

This memorandum transmits the Leon Snead & Company, P.C. report for the audit of costs charged by the City of Pikeville, Kentucky per its sponsored agreement with the Appalachian Regional Commission. The audit reviewed \$409,749 from the Commission and matching funds of \$3,756,304. The objective of the audit was to determine if costs claimed by the City of Pikeville were allowable, allocable, reasonable, and in conformity with the Commission's award terms and conditions and Federal financial assistance requirements. In addition, the audit determined whether the performance measures were met, not met, or not likely to be met.

OIG Oversight of the Audit

Leon Snead & Company, P.C. is responsible for the attached audit report and the conclusions expressed in this report. We do not express any opinion on the conclusions presented in Leon Snead & Company, P.C.'s audit report. To fulfill our responsibilities, we:

- Reviewed Leon Snead & Company, P.C.'s approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings with Leon Snead & Company, P.C., as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Leon Snead & Company, P.C.; and
- Coordinated issuance of the audit report.

We thank your staff for the assistance that was extended to the auditors during this audit. If you have any questions regarding this report, please contact me at 202-884-7675.

Attachment



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& COMPANY, P.C.**

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April 6, 2020

Appalachian Regional Commission
Office of the Inspector General
1666 Connecticut Avenue, N.W.
Washington, DC 20009

Leon Snead & Company, P.C. completed an audit of grant number KY-18327 awarded by the Appalachian Regional Commission (ARC) to the City of Pikeville, Kentucky (the City). 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.

The ARC expenditures of \$409,749 and the match of \$3,756,304 tested for the grant were allowable and properly supported. The grantee's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The grantee exceeded its required match contributions by about \$300,000. Financial and project performance reports were submitted to ARC timely and accurately. The grantee had an adequate process in place for obtaining and recording performance data related the project.

The Broadband Technology Center was completed, it was fully equipped and operating. Students had been attending classes at the center since August 2019. At the time of our audit, the project was ongoing and the grantee has one year after project completion to fully achieve the required performance outcomes and outputs. The information provided by the grantee indicates that the grantee has exceeded the required performance outcomes and outputs for the project.

Leon Snead & Company appreciates the cooperation and assistance received from the City 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 KY-18327 awarded by the Appalachian Regional Commission (ARC) to the City of Pikeville, Kentucky (the City). 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.

ARC awarded \$500,000 to the City and the grant required matching contributions of \$4 million, and had an estimated completion date of December 31, 2019. The matching contributions included \$2,278,000 from the U.S. Economic Development Administration (EDA), \$500,000 from a Community Development Block Grant from the State of Kentucky and \$1,222,000 of local funds from Big Sandy Community and Technical College (BSCTC). The estimated project cost is \$4.5 million. The U.S. Department of Housing and Urban Development (HUD) is the Basic Agency while the Kentucky Office of Governor, Department of Local Government (DLG) serves as the Fiscal Agent.

At the time of the audit, the grantee was waiting for approval of a time extension through June 30, 2020. The project was physically completed, but the final payment request and the final project performance report had not yet been submitted.

The City worked in partnership with BSCTC to construct the Broadband Technology Center to house the Kentucky Regional Telecommunications Installation and Maintenance Training program at the BSCTC campus. The two-story, 15,000 square foot training facility includes classroom space, lab space and a high-bay training area. The City, BSCTC, and their partners will utilize the new facility to offer specialized, targeted workforce training in order to meet the demand for skilled workers in the telecommunications and broadband sector. The training program is designed to grant certifications in telecommunications installation and maintenance with options to continue into a degree program.

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 funding of \$459,320 had been expended and matching contributions were \$4,298,704. We reviewed \$409,749 of the ARC expenditures and \$3,759,304 of the match to determine whether they were properly supported and allowable.

We reviewed documentation provided by the grantee 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 evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at BSCTC during the period of March 9 through 13, 2020. The audit results were discussed with BSCTC officials at the conclusion of the visit.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, the grant agreement and the Memorandums of Understanding between the City and its partners. The audit was performed in accordance with the Generally Accepted Government Auditing Standards.

Summary of Audit Results

The ARC expenditures of \$409,749 and the match of \$3,756,304 tested for the grant were properly supported and allowable. The grantee's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The grantee's matching contribution exceeded the required match. Financial and project performance reports were submitted to ARC timely and accurately. The grantee had an adequate process in place for obtaining and recording performance data related the project.

The required ARC performance outcomes and outputs from the grant documents were as follows:

Performance Outputs

1. 120 students served.
2. 120 workers/trainees served.
3. 15,000 square feet of training space constructed.

Performance Outcomes

1. 60 students improved.
2. 60 workers/trainees improved.

The signed ARC approval letter for the project stated that the performance outcomes and outputs identified above should be achieved "within one year of the project's completion."

The grantee provided information showing that as of March 13, 2020, the actual performance outcomes and outputs were:

- 152 individuals had benefitted from the project.
- 23 classes with 250 enrollments were conducted during the fall and spring semesters.
- 9 classes are scheduled for the 2020 fall semester.
- 6 "retaining" classes with 76 enrollments had been conducted.

The Broadband Technology Center was fully completed, operational and equipped, and students had been attending classes since August 2019. The project is still ongoing and the grantee has one year after project completion to fully achieve the required ARC performance outcomes and outputs. The information presented above, however, indicates that the grantee has exceeded the required performance outcomes and outputs for the project.