

Office of Inspector General

Report Prepared by Bonadio & Co., LLP
Audit of Grant Award – Innovation Works, Inc.



Office of Inspector General

APPALACHIAN REGIONAL COMMISSION

Audit Report: 20-11

April 30, 2020

March 30, 2020

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

Bonadio & Co., LLP completed an audit of grant number PW-18685-IM-302-16 awarded by the Appalachian Regional Commission (ARC) to the Innovative Works, Inc. (grantee) for the Revitalization of Southwestern Pennsylvania Coal-Impacted Communities through Innovation and Entrepreneurship. 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.

432 North Franklin Street, #60
Syracuse, New York 13204
p (315) 476-4004
f (315) 254-2384

www.bonadio.com



April 30, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit of Grant Award – Innovation Works, Inc.
Report Number 20-11

This memorandum transmits the Bonadio & Co., LLP report for the audit of costs charged by the Innovation Works, Inc. per its sponsored agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed by the Innovation Works, Inc. 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

Bonadio & Co., LLP 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 Bonadio & Co., LLP's audit report. To fulfill our responsibilities, we:

- Reviewed Bonadio & Co., LLP'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 Bonadio & Co., LLP, as necessary, to discuss audit progress, findings, and recommendations;
- Reviewed the audit report prepared by Bonadio & Co., LLP; 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

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 PW-18685-IM-302-16 awarded by the Appalachian Regional Commission (ARC) to the Innovative Works, Inc. (grantee) for the Revitalization of Southwestern Pennsylvania Coal-Impacted Communities through Innovation and Entrepreneurship. 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 was awarded under the Partnership for Opportunity and Workforce and Economic Revitalization (POWER) initiative, which is a multi-agency effort to invest resources into the communities that were negatively impacted by changes in the coal economy.

The grant provided \$500,000 in ARC funds and a required match of \$720,000 in non-ARC funds to cover the period October 1, 2016 to September 30, 2018 and was amended to extend the period of performance to December 31, 2018. The grant's objective is to provide services to entrepreneurs and small businesses operated by individuals who were formerly employed in the coal industry. Specific programming includes human resources support, assistance with creating and growing lifestyle businesses, lean business training, commercialization and engineering delivered by the University of Pittsburgh and 1:1 technical assistance for more complex businesses. The entrepreneurial focus of the grant is designed to speed efforts to create a diverse and sustainable regional 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 reviewed expenditures of the grant from December 1, 2016 to June 30, 2018. During this period, there were \$394,101 of federal expenditures and \$335,503 of non-federal expenditures charged to the grant. We selected a sample of \$285,505 in federal expenditures and \$244,887 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 agreement, 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 March 19, 2019 through March 21, 2019, which included on-site work at the grantee's office in Pittsburgh, Pennsylvania. The audit results were discussed with grantee representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's financial management, administrative procedures and related internal controls were adequate to manage the grant funds received. Based on audit procedures performed, we did not question any costs incurred. Total grant expenses were \$1,307,091, including \$429,027 in ARC funding and \$878,064 provided by local matching funds. 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. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished. The final report was submitted January 29, 2019.

The outputs and outcomes of the grant were tested by reviewing financial information, internal reports, and other supporting documentation. The projected outputs of the grant were 80 businesses and 40 participants served. In addition, the projected outcomes were 80 businesses and 40 individuals improved through the creation of 65 new jobs and 7 new businesses. Other anticipated outcomes included retaining 30 existing jobs and leveraging \$1.1 million in private investments.

All goals of the program were met with the grantee reporting 125 businesses served and improved by providing Technology Innovation and Commercialization education programs and entrepreneurial support services. A total of 45 individuals were served and improved through two programs with University of Pittsburgh's Institute for Entrepreneurial Excellence. One program, *Mining Your Business*, assisted former coal workers to start and manage their own business. The second program provided one on one consulting to graduates of the *Mining Your Business* program who are operating emerging or existing small businesses.

We verified that 120 jobs were created or saved through *Planning for Profits* initiative, a program that introduced lean business techniques to small businesses in the region. Lastly, the goal of leveraging \$1.1 million in private investment was exceeded as the grantee reported new financing and capital investments of over \$2.2 million.