

# Office of Inspector General

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

Audit of Grant Award – Federation of Appalachian Housing Enterprises, Inc. (FAHE)



Office of Inspector General

APPALACHIAN REGIONAL COMMISSION

Audit Report: 20-14

May 8, 2020



May 8, 2020

TO: Charles Howard, Interim Executive Director

FROM: Philip M. Heneghan, Inspector General

SUBJECT: Audit of Grant Award – Federation of Appalachian Housing  
Enterprises, Inc. (FAHE) - Report Number 20-14

This memorandum transmits the Leon Snead & Company, P.C. report for the audit of costs charged by FAHE per its sponsored agreement with the Appalachian Regional Commission. The objective of the audit was to determine if costs claimed 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



**LEON SNEAD  
& COMPANY, P.C.**

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& Management Consultants*

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February 11, 2020

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

Re: Final Report Number 20-14

Leon Snead & Company, P.C. completed an audit of grant number PW-18789 awarded by the Appalachian Regional Commission (ARC) to the Federation of Appalachian Housing Enterprises, Inc. (FAHE). 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 \$280,557 and the match of \$1,550,000 tested for the grant were properly supported and allowable. FAHE's matching contribution was fully met. Financial and project performance reports were submitted to ARC timely and accurately. FAHE had an adequate process in place for obtaining and recording performance data related to the overall goals of the grant. We compared the planned performance measures with the actual performance measures provided by the grantee. FAHE has met or exceeded five of the seven performance measures and is on track to meet the other two performance measures.

Leon Snead & Company appreciates the cooperation and assistance received from the FAHE 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-18789 awarded by the Appalachian Regional Commission (ARC) to the Federation of Appalachian Housing Enterprises, Inc. (FAHE). 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 \$1,000,000 to FAHE and required a matching contribution of \$1,550,000 for an estimated project cost of \$2,550,000. The period of performance for the grant is January 1, 2017 through March 2, 2020.

The project was designed to create three new community health and recovery facilities. These facilities will improve opportunities for addiction recovery and health improvements in communities impacted by changes in the coal industry, and stimulate job creation by providing employment opportunities in the healthcare sector for residents of these communities. Total financing costs for these projects are anticipated to be over \$15 million, which will be partially financed by ARC, USDA Uplift America, Woodforest Bank, and FAHE's existing Community Lending Fund.

The grant was made under the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, which is an integrated, multi-agency effort to align and invest federal economic and workforce development resources in communities and regions negatively impacted by changes in the coal 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 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.

At the time of the audit, ARC funding of \$915,447 had been expended and matching contributions were \$1,550,000. We reviewed \$280,557 of the expenditures and all of the matching contributions to determine whether they were properly supported and allowable.

We reviewed documentation provided by FAHE 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 to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the FAHE office in Berea, Kentucky during the period of January 27 through January 31, 2020. The audit results were discussed with FAHE 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 Generally Accepted Government Auditing Standards.

**Summary of Audit Results**

The ARC expenditures of \$280,557 and the match of \$1,550,000 tested for the grant were properly supported and allowable. FAHE’s matching contribution was fully met. Financial and project performance reports were submitted to ARC timely and accurately. FAHE had an adequate process in place for obtaining and recording performance data related to the overall goals of the grant.

We compared the planned performance measures with the actual performance measures provided by the grantee. The results related to patients served and improved and jobs created and retained were provided and certified by officials from the respective recovery centers. As shown below, FAHE has met or exceeded five of the seven performance measures and is on track to meet the other two performance measures.

<b>Performance Measure</b>	<b>Planned Outputs</b>	<b>Actual Outputs</b>	<b>Planned Outcomes</b>	<b>Actual Outcomes</b>
Communities Improved	3	4	0	0
New Facilities Developed	3	4	0	0
Patients Served	5060	4158	0	0
Businesses Improved	0	0	3	5
Patients Improved	0	0	5060	3983
Jobs Created	0	0	41	270
Jobs Retained	0	0	22	394