

**Final Report
On**

**GRANT AGREEMENT EXPENDITURES AUDIT
Grant WV-12348-96
West Virginia Department of Education
Charleston, West Virginia**

**Submitted to the
OFFICE OF INSPECTOR GENERAL
OF THE
APPALACHIAN REGIONAL COMMISSION**

Report No. 00-39(H)

Prepared by

**Leon Snead & Company, P. C.
March 30, 2000**

BACKGROUND AND OBJECTIVES

The Appalachian Regional Commission (ARC) is a regional economic development agency representing a unique partnership of Federal, state, and local government. The ARC is composed of the Governors of the 13 Appalachian states and a Federal Co-Chair appointed by the President. The geographical boundaries of the Appalachian Region extend from the southern tier counties in central and western New York to the northern counties in Alabama and Mississippi.

Each year Congress appropriates funds that ARC allocates among its member states in line with an allocation formula which is intended to provide a fair and reasonable distribution of available resources among the 13 Appalachian member states.

The Appalachian Regional Commission (ARC) awarded Grant WV-12348-96 to the West Virginia Department of Education to provide workforce training to West Virginia's businesses and industry that will help restore competitiveness and retain businesses in West Virginia. This program is part of West Virginia's existing Quality Improvement Program designed to help new or small or medium-sized businesses increase their competitive performance. The grant funds were used to provide financial assistance in the form of 33 mini-grants to 31 different small or medium-sized businesses. In addition to the ARC funds, the State of West Virginia Governor's Guaranteed Work Force Program and the participating companies were required to provide the same contribution (50% match) to the total project cost as ARC.

Grant WV-12348-96 was amended twice since it was signed in May 1996. The amendments extended the grant period of performance from April 1, 1996 through March 31, 1997 to April 1, 1996 through December 31, 1998. The grant agreement called for ARC to contribute up to \$250,000 towards estimated total project costs of \$500,000. The \$250,000 ARC contribution was to be approximately 50% of project costs. The grant amendments extended the grant period of performance, but involved no additional ARC funds. All other grant terms and conditions remained in full force and effect. The participating companies were to contribute \$125,000 (25%). The final 25%, or \$125,000 grant match, was to be made by the (State) Governor's Guaranteed Work Force Program.

Leon Snead & Company, P.C. is under contract to the Office of Inspector General (OIG) of the ARC to provide audit services. We were tasked with conducting an audit of the grant expenditures reported to the ARC for the period April 1, 1996 through December 31, 1998. The objective of our audit was to determine whether the reported grant expenditures were allowable, allocable, and reasonable and the grantee was in compliance with applicable laws and regulations.

SCOPE AND METHODOLOGY

The provisions of Office of Management and Budget (OMB) Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”; OMB Circular A-110 “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Learning, Hospitals, and Other Non-Profit Organizations”; OMB Circular A-122 “Cost Principles for Non-Profit Organizations”; the Federal Drug-Free Workplace Act of 1998 (Public Law 100-690); the Federal Anti-Lobbying Act (Public Law 101-121); the Federal Acquisition Regulations (FAR); other Federal, state, or local procedures designed to insure fair and non-discriminatory procedures were used for the selection of participants; agreed to procedures that emphasize the expenditure of grant funds in line with the provisions of the grant agreement; and the ARC Code were used as the basis for determining allowable costs and compliance requirements. This audit was performed in accordance with generally accepted auditing standards and *Government Auditing Standards*, 1994 version, as amended, issued by the Comptroller General of the United States.

We noted that the grantee expended \$209,020 in ARC funds on 33 mini-grants made to 31 different local companies. The grantee also reported matching the ARC funds with \$59,110 in state and \$158,515 in company contributions/expenditures. We reviewed the available documentary support for all ARC, state and participating company-matching contributions/expenditures pertaining to 19 of these 33 mini-grants (57.6%) which were made to 17 of the 31 (54.8%) different sub-grantees. Overall, these 19 mini-grants contained 74.8% (\$318,997 of \$426,645) of the total reported ARC, State, and company matching contributions. Our reviews were performed as necessary to determine if the expenditures charged to ARC Grant Number WV-12348-96 were allowable, allocable, and reasonable and if the grantee and its’ sub-grantees met the agreed upon local participation percentages and dollar amounts.

We visited the grantee’s office in Charleston, West Virginia during the period March 25 –30, 2000.

Specifically we performed the following procedures:

- We discussed the grant expenditure process and internal controls with West Virginia Department of Education officials.
- We selected an audit sample of 19 of the 33 mini-grant files (58%) for review. We reviewed the documentary support for all ARC grant fund, state, and participating company expenditures made on these mini-grants between April 1, 1996 and December 31, 1998, Overall, we reviewed \$318,997 of the reported \$426,645 (75%) in ARC grant, state grant, or local matching expenditures as follows:

SCOPE AND METHODOLOGY (Continued)

- \$154,778 (74.0%) of the reported \$209,020 in ARC total grant expenditures.
- \$43,990 (74.4%) of the reported \$59,110 in total state grant expenditures.
- \$120,228 (75.8%) of the reported \$158,515 in total local company participation expenditures.
- We reviewed all of the supporting agreements, contracts, vendor invoices, payment checks and other documentation in the mini-grant files sampled and compared this documentation with the dollar amounts reported to ARC on the grantee-prepared Budget Summary. This Budget Summary listed all of the ARC grant, state, and local entity matching contributions for the period April 1, 1996 through December 31, 1998.

RESULTS

No exceptions were noted.

CONCLUSION

Based on the results of our audit, in our opinion all \$209,020 in ARC grant fund expenditures reported to the ARC for Grant WV-12348-96 are allowable, allocable and reasonable and should be accepted by the ARC. We also found that the grantee and other local sources provided approximately \$18,850 more of in-kind matching contributions than were required to meet the grant matching requirement.

DISTRIBUTION

This report is intended for the information and use of the OIG and management of the ARC and should not be used for any other purpose. However, this report is a matter of public record and its distribution is not limited.

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