
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Appalachian State University
Western NC Appalachian Center of Higher Education
Boone, North Carolina**

**Project Number: NC-15448
May 2012**

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

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Appalachian Regional Commission
Office of the Inspector General (OIG)
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Leon Snead & Company, P.C. completed an audit of grant number NC-15448-C1 awarded by the Appalachian Regional Commission (ARC) to Appalachian State University (ASU) to support the North Carolina Appalachian Collaborative for Higher Education. The audit was performed to assist the OIG in its oversight of ARC grant activities.

The primary objectives of the audit were to determine if program funds were managed in accordance with the ARC and federal terms and requirements; grant funds were expended as provided for in the ARC approved budget; internal grant guidelines and internal controls were operating effectively; accounting and reporting requirements were implemented in accordance with generally accepted accounting principles and the goals and objectives of the grant were met.

The audit determined that the ASU's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. However, we identified an issue regarding the ASU's travel policy that should be modified to fully comply with the ARC grant requirements. A detailed discussion of this issue is presented in the "Results of Review" section of the report.

A draft report was provided to the ASU on April 17, 2012 for comment. The Project Manager provided a response to the report on April 30, 2012 addressing our audit recommendations. These comments are included on page 4 of the report.

Leon Snead & Company appreciates the cooperation and assistance received from the officials at the University and ARC during the audit.

Sincerely,

Leon Snead & Company, P.C.
Leon Snead & Company, P. C.

Background

Leon Snead & Company, P.C. completed a review of grant NC-15448-C1 awarded by the Appalachian Regional Commission (ARC) to Appalachian State University (ASU). The review was made at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

ARC awarded the grant to support the North Carolina Appalachian Collaborative for Higher Education (NCACHE). This program is designed to increase the number of students completing high school and continuing their education. The NCACHE Executive Director is located at the ASU campus in Boone, North Carolina, and with a staff of approximately 11 employees, coordinates program activities within the State and with other Appalachian-region states operating a similar program. The NCACHE program is one of several college access programs operated at ASU that all report independently to the Associate Vice Chancellor for Enrollment Management. The program primarily operates under ASU systems, policies, and procedures, including the accounting system and financial policies, although it has some of its own procedures for administering projects. The activities supported by grants are also coordinated with the Director of Sponsored Programs and other ASU offices.

The ARC grant provided \$100,000 in Federal funding, which along with \$100,000 in non-Federal matching funding, was for a project to expand the NCACHE program to additional schools and to address college retention issues with an emphasis on counties designated as distressed or at risk in the Appalachian area. Specifically, the project is expected to provide 2,000 students with career development, college awareness, and academic readiness services during the grant period from August 1, 2011 to January 31, 2013. This includes awarding funds to about eight high schools and two other universities, which will assist in providing the planned services and completing the project. At the time of the review, some of the planned awards to the other participants were not finalized so the overall grant work was in the initial stages. In addition, ASU had only requested reimbursement from ARC for \$12,780 of incurred costs.

Objectives, Scope, and Methodology

The review objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved budget; (3) internal grant guidelines and best practices, 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); and (5) the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the project, the accounting system, and operating procedures. We reviewed financial and other required reports to determine if they were properly supported and submitted timely. We reviewed the costs incurred by the grantee and claimed for reimbursement, which included a sample of costs to determine if it was properly supported and allowable. We reviewed the ASU administrative procedures and related internal controls to ensure they were

adequate to administer the grant and ARC funds. In addition, we reviewed the most recent Single Audit report to determine whether there were any issues that affected the ARC grant.

The primary criteria used in performing the review were the grant agreement provisions, the applicable Office of Management and Budget Circulars, and the relevant parts of the ARC Code. The review was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of March 7-14, 2012, including a visit to the ASU offices in Boone, North Carolina,

Overall, the ASU financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. However, we identified one issue regarding the costs charged to the project. This issue and our recommended corrective actions are discussed in the Results of Review section of the report.

RESULTS OF REVIEW

Travel Costs

ASU charged the grant, and was reimbursed by ARC, for travel-related costs in excess of what was allowed under State and ASU policies. This occurred because of unclear requirements in the ASU travel policy and the ASU form used for pre-approving travel costs. As a result, we have questioned \$76 in travel costs that was included in our sample and had been claimed for reimbursement.

ASU generally follows the State travel policies, although it has established some written policies and procedures in section 510 of the ASU Policy Manual, to help implement them. The State policies require lodging costs that are expected to exceed the State-approved amount to be identified on the travel pre-authorization form and be approved by the department initiating the travel. An excess lodging amount is allowed only when the employee is in a high cost area and unable to secure lodging within the allowed amount, or when the employee submits in writing an opinion that his/her personal safety is at risk and lodging is unattainable under the allowed amount. It is not allowed for personal preference or convenience. An employee, however, may exceed the allowed amount without department approval if the total lodging and food amount claimed for reimbursement does not exceed the maximum allowed daily subsistence amount. ASU follows this policy and uses a travel authorization form for pre-approval. However, its policy does not specifically require the written explanation or justification referenced in the State policy.

The grant funds approved by ARC included an amount for travel costs. Our sample included \$2,083 in travel-related costs that was charged to the grant and reimbursed by ARC. The costs tested included reimbursements of \$718 and \$671 to employees J. Kearse and T. Tardiff, respectively, for November 2011 travel costs charged to the ARC grant. The related pre-authorization forms did not show either the estimated lodging amount of lodging costs or any expected excess costs. Therefore, excess lodging costs were not formally approved as required under the policy. The subsequent voucher for each employee claimed lodging of \$94 per night, which exceeded the allowed \$75.60. We calculated the excess amount as \$28.80 for Kearse and \$47.20 for Tardiff after adjusting for the policy allowing excess lodging without approval if the total claimed for subsistence does not exceed the total daily maximum. Thus, a total of \$76 was over charged to the ARC grant.

The lack of a clear requirement in the ASU written policy to justify and document expected or actual excess lodging or other costs appeared to be the primary reason for these errors. However, the current pre-authorization policy was also a contributing factor since it does not provide for estimated lodging and meals costs to be shown separately. If it did, this would help the traveler and approving officials to recognize when excess costs are anticipated and to ensure the excess costs are approved or disallowed, as appropriate.

Recommendations

ASU should:

1. Revise its travel policies and travel pre-authorization form to require a breakout of lodging and meal costs on the form and a written justification for any amounts exceeding the allowed amounts to be attached for pre-approval and payment.
2. Credit the \$76 in excess travel costs back to the ARC grant funds.

Grantee Response

Please see ASU Policy Manual: http://policy.appstate.edu/Authorization_Required_for_Travel. The Travel and Transportation policy 510.6, Section 4.8.1 does state: "Subsistence allowance in excess of the statutory maximum may be authorized when greater expenses are expected. The traveler must submit information to justify any expenses required." However, the travelers in this case failed to do so. Management agrees that changes to the Request for Travel and Travel Authorization form could eliminate this type of error, and will revise these documents as requested. The ARC grant employees have been advised of the oversight, and further campus training will occur. Management also agrees to refund the ARC grant fund for the \$76 in excess travel costs, and has processed a Journal Entry to complete this transfer.

Auditor's Comments

The grantee's response is sufficient to resolve the recommendation.