

PERFORMANCE AUDIT
OF THE

**Appalachian Training
Investment Partnership
(ATIP) Program**

GRANT: OH-10533-C17-11
OIG REPORT NUMBER: ATIP 12-25
GRANT PERIOD: JULY 2010 – SEPTEMBER 2011

WATKINS | MEEGAN

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Suite 700
Washington, DC 20009-1068

Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Appalachian Training Investment Partnership (ATIP) Program. The report is in response to Contract No. BPA 11-01-A.



Vienna, Virginia
September 30, 2012

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local governments. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts (LDD's). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing, and transportation. These projects create thousands of new jobs, improve local water and sewer systems, increase school readiness, expand access to health care, assist local communities with strategic planning, and provide technical and managerial assistance to emerging businesses.

The Ohio Department of Development (the Department) administers a variety of state and federally funded programs designed to improve communities throughout the state of Ohio. Among those programs are the grants awarded by the ARC specifically focused on fostering growth and development within the 32 Appalachian counties in Ohio.

On November 30, 2010, ARC announced approval of Appalachian Training Investment Partnership Program grant, number OH-10533-C17-11, in the amount of \$250,000 to the Ohio Department of Development for the period July 31, 2010 to September 30, 2011. The Appalachian Training Investment Partnership (ATIP) focuses on assisting small- to medium-sized companies that lack resources to offer retraining opportunities for their employees. ATIP grant funds serve to defray some of the cost of training employees who are either entering the workforce or who require incumbent worker training. Participating companies can provide the training directly, or partner with public/private educational institutions and private vendors.

Objective

Watkins Meegan LLC has been engaged to conduct a performance audit of the Ohio Department of Development, Appalachian Training Investment Partnership (ATIP) Program Grant for the period July 1, 2010 to September 30, 2011. The purpose of our performance audit was to determine the following:

- Funds expended and claimed for reimbursement from ARC were valid program expenses and in accordance with the ARC grant requirements;
- Internal controls were in place to ensure compliance with the grant requirements; and
- Goals and objectives of the grant had been achieved.

Executive Summary

The ATIP program helps small- and medium-sized businesses in Ohio's Appalachian Region provide job skill training for new employees and retraining for current employees whose jobs are at risk. Overall, the Department achieved its performance objectives for the grant during the period reviewed and provided funding to 25 companies to support job training programs.

Appalachian Training Investment Partnership Program (ATIP)

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The Department submitted a final request for reimbursement for the ATIP grant on November 7, 2011, and filed a revised report which included additional expenditures in December. Grant funds were received by the Department based on the original report and final funding has not been received or reconciled with ARC. We recommended additional review and follow up procedures be implemented over final grant close-out to ensure reports are accurate and all eligible funding is received.

We also noted that one sub-grantee received funding in excess of limits provided in Department guidelines for training programs. Guidelines for grant funding should be reviewed with persons responsible for monitoring grant programs. In addition, the grant agreement calls for quarterly reporting to ARC, but only two reports were filed during the grant period. Procedures should be implemented to ensure reports are submitted timely.

Scope

We performed a program review of the ATIP Grant OH-10533-C17-11 at the Ohio Department of Development office from August 27-29, 2012, as described under this section and under the audit methodology section. Our review was based on the terms of the grant agreement and ARC Sample Audit Program modified as applicable to this grant program.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on the "Sample Audit Program" prepared by ARC OIG and included suggested procedures over the grantee's accounting and internal control systems affecting the grant. We met with the Assistant Chief, Community Services Division, and other members of the Ohio Department of Development to discuss the Department's overall structure and processes around grant administration and monitoring. We also discussed and reviewed other financial and operational elements related to the conduct of the program.

Our review of background material included ARC's Grant Agreement and related documentation, information from ARC's grant management system, other grant requirements and the State of Ohio Single Audit Report for the Fiscal Year Ended July 30, 2011.

We reviewed controls over the application process for funding training programs and the controls in place for recording, accumulating, and reporting costs under the grant and observed and made inquiries regarding whether the goals and objectives of the project funded with ARC monies had been met. For a sample of the funded training programs, we examined funding applications, other supporting documentation including final reporting from the companies, and invoices and performance data maintained by the Ohio Department of Development to manage and monitor its ATIP program. We evaluated the process for compliance with applicable grant requirements and regulations.

Results

Compliance with Grant Provisions

The ARC (Federal) share and matching (non-Federal) share of actual expenditures incurred, reported, and supported were \$183,960 and \$183,960 respectively during the period under review. Actual expenditures were less than the grant award of \$250,000 with an equal amount of non-Federal matching funds. Not all of the companies originally targeted for training funds were able to execute their programs. Management attributed this to the poor economy in general as well as issues specific to the respective companies.

Based on our procedures, we determined that in general the funds had been expended in compliance with the grant agreement except as noted below.

Findings:

Program Close-Out Reconciliation

Finding: In December 2011, the Department revised the final report originally submitted to ARC in November 2011. The revised filing reported approximately \$183,000 in expenditures; the original report reported \$159,000. Both ARC.Net and the Department general ledger report funding of only \$159,000. It appears that the final funds for the grant program for the period July 1, 2010 to September 30, 2011 have not been collected.

Procedures are not in place to determine that all costs are captured prior to final reporting or to follow up on pending funding payments and properly close the grant. Not reconciling final total project costs to internal books and verifying all requested funds have been received could result in a loss of funding.

Recommendation: We recommend the Ohio Department of Development establish procedures to ensure final financial reports are reconciled to internal reporting prior to submission. Additionally, a process should be developed to ensure final funding requests are processed by ARC and funds are received by the Ohio Department of Development.

Management Response: Management generally agreed with our finding and will work with ARC to obtain final grant funding.

Grant Reporting

Finding: Although progress reports were required for each 120-day period, only one progress report was submitted during the duration of the grant. The report submitted was dated May 24, 2011, more than 10 months after the start of the grant period (July 1, 2010 through September 30, 2011).

Procedures were not in place to ensure reports were submitted timely in compliance with the grant agreement. Without regular reporting to ARC, there is a risk that information needed to properly monitor the grant is not available. The required final report was submitted on December 5, 2011.

Recommendation: We recommend the grantee establish and implement controls and procedures to ensure reports are submitted timely based on requirements of the grant agreement.

Management Response: Management generally agreed with our finding.

Additional Observations

During the fieldwork at the Ohio Department of Development, we had the opportunity to discuss the processes with individuals involved in administering and monitoring of the ARC grants and noted several areas in which the Ohio Department of Development has implemented controls and/or changed processes to improve the overall achievement of the organization's objectives.

Prior to 2011, the Governor's Office of Appalachia (GOA) was in a separate office from the Community Services Division. In 2011, the Director of GOA position became available and several interim Directors served from January through November 2011. In order to maintain stability and continuity of the programs, the grants administration for GOA was moved under the Community Services Division within the Ohio Department of Development.

Monitoring Tools

The ATIP Program Manager is currently working to implement a CRM (Customer Relations Management) system to better manage grants. The system will provide for improved tracking of grant expenditures, performance metrics and grantee information. The Department also uses a Monitoring Tool Document that was developed to capture and track grant information to help monitor Community Development Block Grants (CDBG) funded by Housing for Urban Development (HUD). The tool is also used to track grants from other agencies, including ARC.

Other

During our procedures, we were informed that, generally, the Department does not award ATIP training grants to a company in two or more consecutive years. Considering that not all of available funds were utilized, the Department may consider a more liberal policy if the value of the training can be supported.

We also noted that ATIP's Procedures and Guidelines Manual limits the amount of reimbursement to any one sub-grantee to \$30,000 – \$15,000 Federal and \$15,000 non-Federal. This was not a requirement of the ARC grant agreement. Pursuant to the review of grant reporting and the grantee file, we noted one company (sub-grantee) was reimbursed \$34,134. Management should consider reviewing the guidelines for funding training programs with persons responsible for overseeing and monitoring grant activity to mitigate future risk in this area.