
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**West Virginia Division of Energy
Charleston, West Virginia**

**Final Report Number: 13-23
Project Number: WV-16454
September 2013**

**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant number WV-16454 awarded by the Appalachian Regional Commission (ARC) to the West Virginia Division of Energy (WVDOE). The audit was performed at the request of the Office of the Inspector General.

The primary objectives of the audit 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 grant 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.

Overall, the financial management and administrative procedures and related internal controls, at WVDOE and its contractor, Marshall University, were adequate to manage the funds provided under the ARC grant. The costs tested were considered reasonable and adequately documented. The audit results were discussed with officials of the grantee at the conclusion of the onsite field work.

Leon Snead & Company appreciates the cooperation and assistance received from the staffs of WVDOE and Marshall University during the audit.

Sincerely,

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

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Background

Leon Snead & Company, P.C. completed an audit of grant number WV-16454 awarded by the Appalachian Regional Commission (ARC) to the West Virginia Division of Energy (WVDOE). The audit was made at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

WVDOE is responsible for the formulation and implementation of fossil, renewable, and energy efficiency initiatives designed to advance energy resource development opportunities and provide energy services to businesses, communities, and homeowners in West Virginia. WVDOE's primary role is to promote the state energy plan, attract new energy enterprises to West Virginia, and provide outreach and technical support.

The ARC grant award provided funding support for WVDOE to develop new energy enterprises on former mine-scarred lands, to include the production of wind and solar energy, and bio-fuels. The program was to have two components: (1) six competitively funded cost-share grants of up to \$50,000 each to support project development, and (2) two cost matched studies to provide information to advance commercial wind developments. On January 1, 2010, WVDOE entered into an agreement with Marshall University on behalf of its Center for Environmental, Geotechnical, and Applied Sciences to perform the professional services required under the ARC grant with the faculty and other resources available at Marshall University.

The grant provided \$400,000 in ARC funds and required non-federal matching contributions of \$400,000. The grant was initially awarded to provide funding for the period September 1, 2009 to March 31, 2011, but was extended to September 30, 2012 and later extended to June 30, 2013. The first extension was approved to enable the grantee to complete the project activities. Four funded activities withdrew from the project, requiring the grantee to identify additional local projects to support. The second extension was approved to enable the grantee to undertake the following activities: (1) continued monitoring of wind and solar data from two project sites, with associated collection and presentation of data; and (2) installation of a hydroelectric turbine with associated community and watershed education programming.

Objectives, Scope & Methodology

The audit 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 WVDOE and Marshall University personnel to obtain an overall understanding of the grant activities, the accounting systems, and the operating procedures. We selected for testing a sample of \$140,871 in expenditures charged to the project to determine whether the charges were properly supported and allowable. In that

regard, we focused the testing on expenditures for the period June 1, 2011 through January 31, 2013. The total reported expenditures for that period were \$218,249. We reviewed WVDOE and Marshall University's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. In addition, we reviewed the most recent financial statements audit reports for WVDOE and Marshall University (including the related report on internal controls) to determine whether there were any issues that impacted the ARC grant.

As a basis for determining whether the costs charged to the grant were allowable and whether WVDOE and Marshall University had complied with the applicable Federal requirements, we used the provisions of the grant agreement, applicable Office of Management and Budget Circulars, and the ARC Code. The audit performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of May 5-8, 2013, including on-site work at WVDOE's office in Charleston, West Virginia. The fieldwork was performed at Marshall University during the period of July 24-25, 2013, at its facilities in Huntington, West Virginia. The audit results were discussed with the WVDOE and Marshall University representatives at the conclusion of each on-site visit.

Results of Audit

Overall, the financial management and administrative procedures and related internal controls used by WVDOE and Marshall University were adequate to manage the funds provided under the ARC grant reviewed. The costs tested were supported and considered reasonable. Although the project had been completed at the time of the audit, the final reports had not been submitted to ARC and the grant had not been closed out.