
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD**

**Northwest Pennsylvania Commission
Local Development Districts Administration Grant (LDD)
Oil City, Pennsylvania**

**Final Report Number: 18-13
Project Number: PA-708A-C45 & PA-708A-C46
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Appalachian Regional Commission
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Bonadio & Co., LLP completed an audit of grant number PA-708-A-C35 and PA-708A-C36 awarded by the Appalachian Regional Commission (ARC) to the Northwest Pennsylvania Regional Planning and Development Commission (grantee) for the Local Development Districts Administration Grant. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and Federal grant requirements; (2) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the matching requirements and objectives of the grant were met.

Overall, the grantee's financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and considered reasonable; and the overall grant performance measures were adequately met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the grantee and the ARC staff during the audit.

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant numbers PA-708-A-C45 and PA-708-A-C46 awarded by the Appalachian Regional Commission (ARC) to the Northwest Pennsylvania Regional Planning and Development Commission (Commission) for the Local Development Districts Administration Grant. The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds. The Commission is a regional planning and economic development agency serving eight counties in Northwest Pennsylvania

The Commission is a public, non-profit corporation established in 1967 under the Pennsylvania Non-Profit Corporation Law. The Local Development District (LDD) was created to provide essential services for the district that include developing plans and programs for public investments and fulfilling federal and state requirements for transportation, economic development, and local government assistance programs. help promote the Appalachian Area Development Program goals and objectives. As an LDD, it plays a key role in providing services, training, and assistance to eight northwestern counties of Clarion, Crawford, Erie, Forest, Lawrence, Mercer, Venango, and Warren.

A board of directors comprised of public and private citizens representing the eight member counties and its executive committee oversee the administrative duties, responsibilities, and goals of the entire board, including the Commission's programs and operations. An executive director and support staff members from offices located in Oil City, Pennsylvania carry out day-to-day operations and programs. The Commission receives a significant amount of funding for its operations and programs from Federal and State agencies, local sources and contributions.

Grant C45 was awarded to cover the period January 1, 2016 to December 31, 2016. It provided \$103,000 in ARC funds and required a match of \$44,143 in non-ARC funds. Grant C46 was initially awarded to cover the period January 1, 2017 to June 30, 2017. However, the grant was amended to extend the grant performance period through December 31, 2017 and provide \$102,000 in ARC funds, requiring a match of \$34,000 in non-ARC funds.

The majority of the approved total budget was for staff salaries and benefits. At the time of fieldwork, the performance period for grant C46 had not ended.

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) internal grant guidelines, including program (internal) controls, where appropriate were adequate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the matching requirements and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds.

Of the \$147,143 in expenditures charged to grant C45, we selected a sample of \$102,558, in expenditures for testing to determine whether the charges were properly supported and allowable. In addition, we tested a sample of \$65,223 of the \$103,742 in expenditures charged to grant C46 to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs and the grantee's Single Audit reports for any issues, which would affect the ARC grant.

OBJECTIVES, SCOPE, AND METHODOLOGY (Continued)

The criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was completed during the period of November 13-15, 2017, including on-site work at the Commission's offices. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee's representative agreed with the audit results.

SUMMARY OF AUDIT RESULTS

Overall, the grantee's administrative procedures were adequate to manage the ARC grant funds. Total expenses amounted to \$147,143 and \$103,742 related to grants C45 and C46, respectively and based on test work results, Bonadio & Co., LLP did not question any cost incurred. The expenses tested were supported and considered reasonable. We found the grantee had an acceptable process in place for obtaining and recording data related to the objectives of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished.

The overall grant performance measures were adequately met for grant C45, which was completed on December 31, 2016. We noted the following:

- The grantee established as part of the grant application a listing of goals and performance measures which included (1) administration of the programs, Regional Export Network, Economic Development Administration, and ARC Administration; (2) submission of six ARC Project applications; (3) review the Comprehensive Economic Development Strategy (CEDS) and make necessary changes; and (4) provide technical assistance.
- Reports obtained from the grantee's management information system demonstrated a mechanism for tracking the assistance provided by the grantee in the areas of government procurement, business financial assistance, and export assistance. We noted 604 instances of assistance provided to a total of 197 different companies or businesses.
- We selected 26 companies served (11 related to grant PA-708A-C45 and 15 related to grant PA-708A-C46) and reviewed supporting documentation to ensure that the assistance provided met the performance measures of the grants. We selected eight export assistance companies, eight government procurement companies, and ten business financial assistance companies. We noted the following services provided to the companies selected for detail testing: Export Assistance, Government Procurement, and Business Financial Assistance.