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

**SouthEast Educational, Inc.
Knoxville, TN**

**Final Report Number: 18-23
Project Number: TN-15808-C2-16
May 18, 2018**

Prepared By:

Bonadio & Co., LLP
Certified Public Accountants

May 18, 2018

Appalachian Regional Commission
Office of Inspector General
1666 Connecticut Avenue, N.W.
Washington, D.C. 20009

Bonadio & Co., LLP completed an audit of Appalachian Regional Commission (ARC) grant number TN-15808-C2 (the grant) administered by SouthEast Educational, Inc. (SEED). First Tennessee Development District is responsible for the fiscal management of the 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) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, 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 performance measures of the grant were met or likely to be 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. 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.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

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BACKGROUND

Bonadio & Co., LLP completed an audit of the Appalachian Regional Commission (ARC) grant TN-15808-C2 (the grant) administered by SouthEast Educational, Inc. (SEED). 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.

Grant TN-15808-C2 was awarded to cover the period July 1, 2016 through February 28, 2018. It originally provided \$500,000 in ARC funds and a required a match of \$255,000 in non-ARC funds to provide support for the Tennessee Appalachian Center for Higher Education (TnACHE) program. Amendments dated May 15, 2017 and January 10, 2018 included increases of \$55,080 and \$69,833, respectively, in ARC funds, and a required a match of \$27,540 and \$35,520, respectively, in non-ARC funds. Major components of the program include increasing in the use of postsecondary access and success strategies in the participating Appalachian Tennessee communities and organizations, increasing postsecondary enrollment and success, and increasing awareness of the alignment of postsecondary education and economic development.

Per review of the grantee's external audit report for the year ended June 30, 2017, the grantee received a qualified opinion for the ARC funded program. ARC will follow up on a corrective action plan separately.

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) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines, 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 performance measures of the grant were met or likely to be 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. We examined financial and other required reports to determine if they were supported and submitted in accordance with the grant requirements. We also obtained the most recent audited financial statements to determine whether there were any reported issues that affected the ARC grant.

We reviewed expenditures of the TN-15808-C2 from July 1, 2016 through October 31, 2017. During this period, there were \$340,824 of federal expenditures and \$134,000 of non-federal expenditures charged to the grant. We selected a sample of \$60,000 in federal expenditures and \$41,209 of non-federal matching expenditures to determine whether the charges were properly supported and allowable.

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 February 28, 2018 through March 2, 2018, which included on-site work at the grantee's office. 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 grant funds reviewed. Total federal and non-federal matching expenditures for the period July 1, 2016 through October 31, 2017 amounted to \$340,824 and \$134,400, respectively, and based on test work results, we did not question any costs incurred. The expenses tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were generally accomplished. The final report for the grant is due October 31, 2018.

PERFORMANCE MEASURES

- We selected 7 out of 14 subrecipient schools that received grant funds for the period of July 1, 2016 through October 31, 2017 and viewed progress reports submitted by each noting that postsecondary enrollment rates reported by the subrecipients, per the National Student Clearing House, increased year after year.
- We reviewed the TnACHE progress reports submitted to ARC, which give a listing of all events/school visits/conferences held for each reporting period. We also visited TnACHE.com and noted it provides numerous resources, material, and links to webinars for students to utilize.