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

**Master's Degree/National Board Certification Project
Morehead, Kentucky**

**Final Report Number: 18-32
Project Number: KY-17818-C2-16
August 28, 2018**

Prepared By:

Bonadio & Co., LLP
Certified Public Accountants

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

Bonadio & Co., LLP completed an audit of grant number KY-17818-C2-16 awarded by the Appalachian Regional Commission (ARC) to Morehead State University (grantee) for the Master's Degree/National Board Certification Project. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

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.

Bonadio & Co., LLP

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 grant number KY-17818-C2-16 awarded by the Appalachian Regional Commission (ARC) to Morehead State University (grantee). 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 grant was awarded to cover the period July 1, 2016 to June 30, 2017. It provided \$370,000 in ARC funds and a required a match of \$405,077 in non-ARC funds to provide support for the Master's Degree/National Board Certification Project which is designed to improve the quality of education in the Eastern Kentucky region and provide an economic benefit to Eastern Kentucky, which in turn will lay the foundation for an improved workforce, increase employment opportunities and the ability to increase per capita income. Specifically, the grant provides 81 teachers the chance to work towards their master's degree and related National Board Certifications at no cost to the student. In addition to the 63 teachers included in previous projects, an additional 18 teachers enrolled during the summer of 2016.

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); (5) the performance measures were met or likely to be met; and (6) matching requirements of the grant were satisfied.

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 Single Audit report to determine whether there were any reported issues that affected the ARC grant.

Of the \$853,621 charged to the grant, we selected a sample of \$759,904 of expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee's procedures for allocating administrative costs to the grant.

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 June 4, 2018 through June 6, 2018, which included on-site work at the grantee's office at Morehead State University in Morehead, Kentucky. 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. Based on our audit procedures, 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. We also determined that the performance measures will likely be met.

OBSERVATION – Matching Costs

In our audit of matching costs, we found that the expenditures included payments, which were incurred in the prior grant period. However, excluding this prior year expenditure the grantee still exceeded the required match. In the future, the grantee should ensure that their requests for reimbursement include only costs incurred during the correct grant period.