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

**North Central Pennsylvania Regional Planning
& Development Commission (PREP)
Ridgway, Pennsylvania**

**Final Report Number: 18-37
Project Number: PA-8312-C33-C35
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Appalachian Regional Commission
Office of Inspector General
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Bonadio & Co., LLP completed an audit of grant number PA-8312 C33 through C35, awarded to the North Central PA Regional Planning & Development Commission (Grantee) for the Partnership for Regional Economic Performance (PREP) program. 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 generally met with some exceptions that are noted in the Observations section of the report.

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-8312 C33 through C35, awarded to the North Central PA Regional Planning & Development Commission (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.

Grants C33, C34, and C35 were awarded to cover the periods July 1, 2015 to June 30, 2016, July 1, 2016 to June 30, 2017, and July 1, 2017 to June 30, 2018, respectively. Each of the grants provided \$285,000 in ARC funds and a required a match of \$285,000 in non-ARC funds to provide support for the Partnership for Regional Economic Performance (PREP) program, which is designed to provide economic development in the greater North Central Pennsylvania area. Major components of the PREP program include business development assistance and services, electronic commerce, the tourism industry, and business financing. The majority of the approved total budget was for staff salaries and benefits.

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 expenditures charged to all three grants through 3/31/2018, we selected a sample of \$222,447 in 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 grant agreement, 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 May 21, 2018 through May 23, 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 expenditures amounted to \$734,844 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.

OBSERVATIONS - PERFORMANCE MEASURES

The outcomes reported by the grantee related to job creation/retention were examined in total for grants C33 through C35. Job creation/retention reported by the grantee was examined during loan testing through the use of the IMPLAN report. All loan documentation consisted of the economic outlook upon the establishment of the business, as well as the jobs retained. The report used the "IMPLAN Model", which is a third party software model for assessing the economic impacts of project decisions. IMPLAN takes the total sales and/or revenue and projects the number of jobs created and/or retained. Therefore, the job creation/retention numbers of 3,552 jobs retained and 452 jobs created and reported by the grantee were not "actual" job figures, but were estimated based on economic impact figures, such as sales and revenue. The grantee should require supporting documentation from businesses served related to job creation or retention.

Reports obtained from the grantee's management information system demonstrated a mechanism for tracking the outputs of the grant and the assistance provided by the grantee. It was noted that the one of the projected outputs was to close a total of 70 loans for the three grants. As of our fieldwork testing, only 47 loans were closed. We selected a sample of 19 closed loans noting the documentation agreed to the report without exception. The grantee has noted loan closings delays because of increased attention to compliance with loan terms and conditions.

The outcomes reported by the grantee related to Public Financing Provided and Public Financing Leveraged were traced to the loan closing documents. It was noted that Public Financing Provided and Public Financing Leveraged fell short projected outcomes by \$1,671,500 and \$9,245,00 in total for the three grant years, respectively. The grantee believes that increased caution in the region related to capital investment has decreased the dollar amount of the loans closed.