
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Canaan Valley Institute
Davis, West Virginia**

**Final Report Number: 19-18
Grant Number: PW-18847
March 2019**

Prepared by:

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March 14, 2019

Appalachian Regional Commission
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1666 Connecticut Avenue, N.W.
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Leon Sned & Company, P.C. completed an audit of grant number PW-18847 awarded by the Appalachian Regional Commission (ARC) to the Canaan Valley Institute (CVI). The audit was conducted at the request of the ARC Office of Inspector General to assist the office in 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 adequate 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 matching requirements and (6) the established performance measures were met.

CVI's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant audited. Grant matching fund requirements were being met. Financial and project performance reports were submitted to ARC timely and accurately. We determined that CVI had an adequate process in place for obtaining and recording data related to the overall goals of the grants. Performance measures were on track to be met for the project.

We questioned \$5,811 in project costs due to a lack of adequate supporting documentation. We also found several expenses that were double counted and drawn down twice from ARC. These questioned costs and the corresponding recommended corrective actions are discussed in the Finding and Recommendations section of this report.

A draft report was provided to CVI on February 27, 2019, for comments. CVI provided a response to the report on March 7, 2019, which is included in Appendix I.

Leon Sned & Company appreciates the cooperation and assistance received from the CVI and ARC staffs during the audit.

Sincerely,

Leon Sned & Company, P.C.
Leon Sned & Company, P.C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number PW-18847 awarded by the Appalachian Regional Commission (ARC) to the Canaan Valley Institute (CVI). 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.

ARC awarded the grant to CVI to support the Sustainable Jobs Initiative (SJI), an economic diversification and entrepreneur training program designed to grow the apiculture (honey and bee products) and native plant industry in southern West Virginia. The project is designed to implement job training and other strategies to provide skills, equipment, facilities, and a distribution network to support apicultural and horticultural enterprises.

The grant was made under the Partnerships for Opportunity and Workforce and Economic Revitalization (POWER) Initiative, which is an integrated, multi-agency effort to align and invest federal economic and workforce development resources in communities and regions negatively impacted by changes in the coal economy.

The grant covers the period January 15, 2017 to December 31, 2019, and provides \$1,499,400 in ARC funds and requires \$1,569,066 in non-federal matching funds for the project. Overall estimated project costs are \$3,058,466. The majority of ARC funds are for contractual costs with CVI's partner on the project, Appalachian Headwaters. CVI is serving as the fiscal and reporting agent for the grant.

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 adequate 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 matching requirements and (6) the established performance measures were met.

A total of \$916,010 in grant funds was expended and reimbursed by ARC, and \$1,117,481 was provided in matching funds as of August 31, 2018. Also, as of August 31, 2018, there was a balance of \$583,390 in ARC funds remaining on the grant. Of the expenditures charged to the grant and claimed for reimbursement, we selected a sample of \$226,551 for testing to determine whether the charges were properly supported and allowable. We tested matching costs in the amount of \$151,270 to determine whether the charges were properly supported and allowable.

We reviewed documentation provided by CVI and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures to determine if they were compliant with federal requirements and adequate to administer the grant. We reviewed financial and project progress reports to determine if they were submitted in accordance with requirements. We reviewed the most recent audit and financial statements as well as the most

recent single audit report to identify any issues that significantly impacted the ARC grants and the grant audit. We reviewed matching cost documentation to determine if requirements were met. We evaluated grant results discussed in the project progress reports to determine if the planned performance goals and objectives were met or on track to be met.

The on-site fieldwork was performed at the CVI offices in Davis, West Virginia during February 4-8, 2019. The preliminary audit results were discussed with the CVI staff at the conclusion of the on-site visit. The grantee was in general agreement with the audit results.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreements. The audit was performed in accordance with the *Government Auditing Standards*.

Summary of Audit Results

CVI's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant audited. Grant matching fund requirements were being met. Financial and project performance reports were submitted to ARC timely and accurately. We determined that CVI had an adequate process in place for obtaining and recording data related to the overall goals of the grants.

Performance measures were on track to be met for the project. Specific performance measures call for an expected output of 2,610 workers or trainees served within the first three years. As of August 2018, there were around 1,400 individuals served by the program. These individuals had attended training classes, workshops, or recruiting events related to the beekeeping project. In addition, there were about 1,800 individuals who attended presentations, demonstrations, and meetings put on by the grantee, which also detailed the beekeeping project and related areas.

The designated outcomes for the grant, which are due within three years of project completion, are 285 workers or trainees improved, as measured by increased income, improved employment status, and/or the attainment of job and entrepreneurial skills; \$2,367,500 of non-export revenues; and \$4,600,000 of leveraged matched resources.

We questioned \$5,811 in project costs due to a lack of adequate supporting documentation. We also found several expenses that were double counted and drawn down twice from ARC. These questioned costs and the corresponding recommended corrective actions are discussed in the Finding and Recommendations section of this report.

Finding and Recommendations

A. Questioned Costs

Based on our audit test of costs charged to ARC funds and the corresponding match, we questioned \$5,811.25 in costs due to a lack of adequate supporting documentation. Also, there were several expenses included twice in the draw down from ARC for the period ending August 31, 2018.

Federal cost principles in 2 CFR 200, sections 403 to 405, cite several factors in determining if a cost is allowable, reasonable, and allocable under a federal grant. A key factor for these determinations is adequate supporting documentation. This would include invoices, payroll data, corresponding general ledgers, and other information depending on the type of costs.

Of the amount questioned, we found that four employees had insurance payments totaling \$4,050 that were drawn down twice, once as part of personnel costs, and once again as part of fringe benefits. This was attributed to a one time error in this draw down, where the insurance costs were mistakenly added to the draw down twice.

In addition, there were three charges to the grant that did not include supporting documentation equal to the amounts drawn down from ARC. Of these three charges, the first did not include support for \$312.50 of grant expenses; the second did not have adequate support for \$638.22 related to an employee 401k benefit; and the third was for insurance payments not fully supported in the amount of \$810.53. We provided CVI with a list of the specific items that we questioned.

Recommendations

CVI should:

1. Provide ARC supporting documentation for the costs questioned.
2. Make any necessary general ledger corrections for ARC and matching expenses.
3. Refund the amount of questioned costs agreed with by ARC.

Grantee's Response

The grantee responded they concur with the recommendations in the report. They stated they are unable to provide supporting documentation for the costs in question and request the refund of the amount in question to be reduced from their next payment request to ARC due May 31st.

Auditor's Comments

ARC will determine whether the information provided in the grantee's response is adequate to resolve the finding and close the recommendations.

Leon Snead Company

From: Tina Bonner [tina.bonner@canaanvi.org]
Sent: Thursday, March 7, 2019 2:29 PM
To: Leon Snead & Company
Subject: RE: Draft Report - Audit of ARC Grant No. PW-18847

Mr. Snead, I have reviewed the audit documents. I concur with the recommendation in the report. We are unable to provide supporting documentation for the costs in question. We request the refund of the amount in question to be reduced from our next payment request to ARC due May 31st.

Respectfully,
Tina

From: Leon Snead & Company [mailto:leonsnead.companypc@erols.com]
Sent: Wednesday, February 27, 2019 10:24 AM
To: Tina Bonner <tina.bonner@canaanvi.org>
Subject: Draft Report - Audit of ARC Grant No. PW-18847

Good Morning Ms. Bonner,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by March 15, 2019. Please indicate whether you concur or nonconcur with the recommendation in the report and state what actions have been taken or are contemplated to implement the recommendation. If you have any questions, please call or e-mail me.

Please confirm your receipt of the attached report and request for comments. Thanks very much for your assistance.

Leon Snead
(301) 738-8190