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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Consortium for Entrepreneurship Education  
Charleston, West Virginia**

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**Final Report Number: 19-35  
Grant Number: PW-18614**

**September 2019**

**Prepared by:**

**Leon Snead & Company, P.C.**



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September 3, 2019

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

Leon Snead & Company, P.C. completed an audit of grant number PW-18614 awarded by the Appalachian Regional Commission (ARC) to Consortium for Entrepreneurship Education (the Consortium). 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.

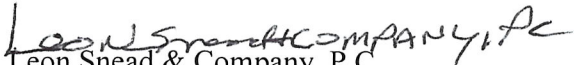
The Consortium's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. The Consortium's matching contribution was on track to meet the required match. Financial reports were submitted to ARC timely and accurately. The Consortium had an adequate process in place for obtaining and recording data related to the overall goals of the grant and had significantly exceeded the planned outcomes and outputs.

We identified one area that requires management attention. The consortium had not established and implemented written procedures for payments in accordance with CFR 200.305. This issue is discussed in the Finding and Recommendation section of this report.

A draft report was provided to the Consortium on August 2, 2019, for comments. The Consortium provided a response to the report on August 5, 2019, which is included in this report as an Appendix.

Leon Snead & Company appreciates the cooperation and assistance received from the Consortium and ARC staffs during the audit.

Sincerely,

  
Leon Snead & Company, P.C.

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## **Background**

Leon Snead & Company, P.C. completed an audit of grant number PW-18614 awarded by the Appalachian Regional Commission (ARC) to Consortium for Entrepreneurship Education (the Consortium). 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.

ARC awarded \$2,196,450 to the Consortium and required a match contribution of \$549,400 for a total estimated project cost of \$2,745,850. The period of performance for the grant is August 29, 2016 to September 1, 2019. The final percentage funding break-out for the overall project is 80% ARC and 20% local. The project has not yet been completed.

The purpose of the grant is to expand the EntreED K-14, Every Student, Every Year Program West Virginia project to include five additional counties in West Virginia and distressed or at risk counties in Ohio, Virginia, Tennessee and Kentucky. In partnership with Ed Venture Group and the National Association for Community College Entrepreneurship, the program aims to educate the next generation of Appalachia's workforce so they can create businesses and drive the economy. As part of the project, K-12 teachers could integrate entrepreneurial content and context into the delivery of required standards in any subject or grade level. The project enables EntreEd to support the following activities: personnel expenses; teacher stipends; curriculum development; consumable supplies; and partnerships between community colleges and K-12 school systems. The Consortium is a 501(c) nonprofit corporation organized under Section 1702 of the Ohio Revised Code. The Consortium is certified and licensed to operate in the State of West Virginia.

## **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.

ARC funding of \$1,816,596 had been expended under the grant and we reviewed \$963,542 of these expenses to determine whether they were properly supported and allowable. The total matching contribution charged to the project as April 30, 2019 was \$499,037. We reviewed \$365,701 of the matching costs to determine whether they were properly supported and allowable.

We reviewed documentation provided by the Consortium 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 complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in

accordance with requirements. We evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the office of Suttle and Stainaker, PLLC, Certified Public Accountants, in Charleston, West Virginia during the period of July 8 through July 13, 2019. The audit results were discussed with Consortium officials at the conclusion of the on-site visit.

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**

The Consortium's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. The Consortium's matching contribution was on track to meet the required match. Financial reports were submitted to ARC timely and accurately. The Consortium had an adequate process in place for obtaining and recording data related to the overall goals of the grant and had significantly exceeded the planned outcomes and outputs, which were:

1. A total of 15,000 of K-12 students will be served
2. A total of 15,000 of K-12 students will be improved

As of April 2019, the actual performance outcomes were 38,036 students had been served and improved. The grantee explained that the Consortium conducted "entrepreneurship education training" at 73 schools. These schools subsequently implemented entrepreneurship education into their normal courses of instruction or developed and used other techniques to ensure all of their students received entrepreneurship education.

We identified one area that requires management attention. The consortium had not established and implemented written procedures for payments in accordance with CFR 200.305. This issue is discussed in the Finding and Recommendation section of this report.

## **Finding and Recommendation**

### **Payment Procedures**

The Consortium had not implemented written procedures for payments as required by 2 CFR 200.305. The Consortium had received several advance payments and as of April 30, 2019, it had an on-hand cash balance of \$160,210.

In accordance with 2 CFR 200.305 (b) (1), the grant recipient must be paid in advance, provided it maintains or demonstrates the willingness to maintain both written procedures that minimize the time elapsing between the transfer of funds and disbursement by the recipient, and financial management systems that meet the standards for fund control and accountability as established in this part. Advance payments to a recipient must be limited to the minimum amounts needed and be timed to be in accordance with the actual, immediate cash requirements of the recipient in carrying out the purpose of the approved program or project. The timing and amount of advance payments must be as close as is administratively feasible to the actual disbursements by the recipient for direct program or project costs and the proportionate share of any allowable indirect costs. The CFR further states that reimbursement is the preferred method when the requirements of the criteria stated above cannot be met.

Most of the Consortium's drawdowns were made on an "advance" basis. As of April 30, 2019, the Consortium had drawn down a total of \$1,976,805 and \$1,563,417 of this amount resulted from advance payments. As of April 30, 2019, the Consortium's total expenditures were \$1,816,596. Consequently, the Consortium had a cash-on-hand balance of \$160,210 (\$1,976,805 - \$1,816,596). There were no written procedures for managing the receipt or disbursement of grant funds. Current employees were managing the disbursements appropriately, but written procedures are needed to comply with 2 CFR 200 and provide proper guidance for future employees.

### **Recommendation**

The Consortium should develop and implement written procedures to ensure that advance payments are managed in accordance with the requirements of the CFR.

### **Grantee's Response**

The grantee responded they agree with the finding. They are in the process of reviewing their policies and procedures and developing several needed policies. A written policy to ensure that advance payments are managed according to the CFR will be in place and followed by October 31, 2019.

### ***Auditor's Comments***

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

**From:** coulson.gene@gmail.com  
**Sent:** Monday, August 5, 2019 3:10 PM  
**To:** leonsnead.companypc@erols.com  
**Subject:** FW: Draft Report - Audit of ARC Grant No. PW-18614  
**Attachments:** Draft Report PW-18614.docx; Response to Audit Finding.docx

Mr. Snead,

Please find attached our response to the audit findings of the Audit of PW-18614. We concur with the findings and are presently developing the needed policy and procedures.

Gene

Gene Coulson Ed.D.  
Executive Director  
EntreEd, The Consortium for Entrepreneurship Education  
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**From:** Leon Snead & Company <[leonsnead.companypc@erols.com](mailto:leonsnead.companypc@erols.com)>

**Sent:** Friday, August 2, 2019 11:30 AM

**To:** [Coulson.Gene@gmail.com](mailto:Coulson.Gene@gmail.com)

**Subject:** Draft Report - Audit of ARC Grant No. PW-18614

Good Afternoon Mr. Coulson,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by August 19, 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  
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EntreEd response to findings of the Audit of Grant Award PW-18614

### ***Recommendation***

*The Consortium should develop and implement written procedures to ensure that advance payments are managed in accordance the requirements of the CFR.*

EntreEd agrees with the finding and is in the process of reviewing our policies and procedures and developing several needed policies. A written policy to ensure that advanced payments are managed according to the CFR will be in place and followed by October 31, 2019.

Gene Coulson, Executive Director  
EntreEd, The Consortium for Entrepreneurship Education