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

**Pennsylvania Department of Community
and Economic Development
Harrisburg, Pennsylvania**

**Final Report Number: 15-32
Project Numbers: PA-7784-C33, C34 & C35
September 2015**

**Prepared by:
Leon Snead & Company, P.C.**



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September 1, 2015

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

Leon Snead & Company, P.C. completed an audit of grant numbers PA-7784-C33, C34 and C35 awarded by the Appalachian Regional Commission (ARC) to the Pennsylvania Department of Community and Economic Development (DCED). The audit was performed to assist the Office of the Inspector 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 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 the goals and objectives of the grant were met.

The financial and administrative policies and procedures being followed in administering the ARC grant were compliant with the Federal requirements and adequate to administer the grants. Also, the expenditures tested were adequately documented and supported. However, DCED was not consistently preparing and submitting progress and final reports to ARC in a timely manner. This issue was adequately addressed in the grantee's response to the draft report

The issue identified and the recommended corrective actions are discussed in the Findings and Recommendations section of this report. A draft report was provided to DCED on July 31, 2015, for comments. DCED provided a response to the report on August 18, 2015. These comments are included in their entirety in Appendix I.

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

Sincerely,

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

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Background

Leon Snead & Company, P.C. completed an audit of grant numbers PA-7784-C33 and PA-7784-C34 and PA-7784-C35 awarded by the Appalachian Regional Commission (ARC) to the Pennsylvania Department of Community and Economic Development (DCED). 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.

DCED is responsible for administering a broad range of state and federal programs that contribute to their mission for building better Pennsylvania communities. The Appalachian Development Center (ADC) is based within the Department's Office of Community Affairs and Development and is responsible for coordinating ARC-related projects with other state and federal offices. ARC awarded three grants to ADC to support personnel activities. ADC personnel act as a liaison between ARC and the state, local and private agencies in the Appalachian region.

Grant PA-7784-C33 covered the period October 1, 2012 to September 30, 2013 and provided \$181,891 in ARC funds and required \$181,891 in non-ARC recipient match funding. The majority of the funding was for personnel and benefits expenses, as well as ARC-related travel by the ADC staff; ARC-related printing and postage; and equipment. These cost breakdowns were consistent among the three grant years audited. The grant had been completed and closed by ARC at the time of the audit.

Grant PA-7784-C34 covered the period October 1, 2013 to September 30, 2014 and provided \$193,870 in ARC funds and required \$193,870 in non-ARC recipient match funding. The grant had been completed and closed by ARC at the time of the audit.

Grant PA-7784-C35 covers the period October 1, 2014 to September 30, 2015 and provides \$209,494 in ARC funds and requires \$209,494 in non-ARC recipient match funding. The grant was still on-going at the time of the audit.

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 the goals and objectives of the grant were met.

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

administer the grant. We also reviewed the most recent A-133 report to identify any issues that significantly impacted the ARC grants and review.

Of the \$181,891 in expenditures charged to grant PA-7784-C33 and claimed for reimbursement through September 30, 2013, we selected \$36,909 in expenditures for testing to determine whether the charges were properly supported and allowable. Of the \$193,870 charged to grant PA-7784-C34 and claimed for reimbursement through September 30, 2014, we selected \$37,849 in expenditures for testing to determine whether the charges were properly supported and allowable. Of the \$54,508 that had been drawn down on PA-7784-C35 by the time of the audit, we selected \$17,611 for testing to determine whether the charges were properly supported and allowable. We tested matching costs for all three years, and found the costs to be allowable and properly supported.

The primary criteria used in performing the audit were the grant agreement, applicable Office of Management and Budget Circulars, and the ARC Code. The audit was performed in accordance with *Government Auditing Standards*. The fieldwork was performed July 13-16, 2015 including on-site work at the DCED offices in Harrisburg, Pennsylvania. The preliminary results were discussed with DCED staff at the conclusion of the onsite visit. The grantee was in general agreement with the preliminary results.

Summary of Audit Results

Overall, DCED's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested were supported and considered reasonable. We found that DCED had an adequate process in place for obtaining and recording data related to the goals of the grant. The overall grant performance measures, with respect to anticipated outputs and outcomes, were met. We identified one area that required management attention. The grantee was not consistently preparing and submitting progress and financial reports to ARC in a timely fashion. This issue and the corresponding recommended corrective actions are discussed in the Finding and Recommendation section of this report.

Finding and Recommendation

Reporting Requirements

DCED did not timely prepare and submit the required project reports and financial reports to ARC. As a result, DCED was not fully complying with the grant requirements and was affecting ARC's ability to monitor the project and to close out the grants in a timely manner.

Grant agreements PA-7784-C33 and C34 both required a six-month interim progress report and a final report. All reports, interim and final, were due within 30 days after the end of their respective reporting periods. We reviewed all of the reports that had been submitted by DCED at the time of the audit. We determined that several reports were submitted late. The issues with the reports are detailed below.

PA-7784-C33

Final Report: Was due 10/31/13 Performance Report submitted 1/21/14 - 89 days late
Financial Report submitted 12/19/13 - 49 days late

PA-7784-C34

Interim Report: Was due 4/30/14 Financial Report submitted 5/19/14 - 19 days late

At the exit conference, the grantee agreed their reporting needs to be improved and informed us they intend to take action on this issue, part of which involves coordinating better between the Appalachian Development Center and the Pennsylvania Comptroller's Office to submit the reports together and on time.

Recommendation

DCED should implement procedures to ensure that project reports and financial reports required under grant agreements are completed and are timely submitted.

Grantee Response

DCED stated that it agrees with the finding and has taken the following actions to address the issue. The Pennsylvania Department of Community & Economic Development (DCED) staff has implemented a new process which will ensure that reports are submitted on or before the due date to the Appalachian Regional Commission (ARC). DCED staff will more closely coordinate with the PA Office of the Budget's Comptroller Operations on the submission of reports; subtle, mechanical changes to the existing reporting process will ensure that DCED has ample time to integrate the information provided by Comptroller Operations into the final report to be submitted to the Appalachian Regional Commission on or before the due date.

Auditor's Comments

ARC will determine whether the actions identified in the grantee's response are adequate to resolve the finding and close the recommendation.

Appendix I
Grantee Response

From: Fowler, Neil [nfowler@pa.gov]
Sent: Tuesday, August 18, 2015 11:26 AM
To: Leon Snead & Company
Cc: Shaver, Lorri; davidsnead@leonsnead.com
Subject: RE: Draft Report - Grant No. PA-7784-C33, C34 & C35
Attachments: SC Response to Audit Draft Report.pdf

Mr. Snead - Attached please find a copy of our response. Hard copy to be forwarded by mail.

Regards,

Neil

Neil Fowler | Director
PA Department of Community & Economic Development
Office of Technology & Innovation
PREP & ARC Initiatives
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From: Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]
Sent: Friday, July 31, 2015 1:58 PM
To: Fowler, Neil
Subject: Draft Report - Grant No. PA-7784-C33, C34 & C35

Good Afternoon Mr. Fowler,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by August 21, 2015. 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. Thanks very much for your assistance.

Leon Snead
(301) 738-8190



August 14, 2015

Leon Sneed, CPA
Leon Sneed & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, MD 20850

Dear Mr. Sneed:

I am in receipt of the draft report regarding the audit of Grant No.PA-7784-C33, 34 and 35. I concur with the findings and recommendations in the report.

The Pennsylvania Department of Community & Economic Development (DCED) staff has implemented a new process which will ensure that reports are submitted on or before the due date to the Appalachian Regional Commission (ARC). DCED staff will more closely coordinate with the PA Office of the Budget's Comptroller Operations on the submission of reports; subtle, mechanical changes to the existing reporting process will ensure that DCED has ample time to integrate the information provided by Comptroller Operations into the final report to be submitted to the Appalachian Regional Commission on or before the due date.

Thank you again for your review and recommendations.

Sincerely,

A handwritten signature in black ink that reads 'Sheri Collins'. The signature is written in a cursive, flowing style.

Sheri Collins, Deputy Secretary
Pennsylvania Department of Community and Economic Development

Cc: Neil Fowler

