
PERFORMANCE AUDIT
OF THE

**Goodwill Three-Month
Education and Training Project**

**ARC Grant Number: SC-16352-
302-09**

OIG Report Number: 12-17

GRANT PERIOD: OCTOBER 1, 2009–
SEPTEMBER 30, 2010

WATKINS | MEEGAN

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Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of Watkins Meegan LLC, a Performance Audit of the Goodwill Three-Month Education and Training Project. The report is in response to Contract No. BPA 11-01-A.

Watkins Meegan LLC

Bethesda, Maryland
August 17, 2012

Goodwill Three-Month Education and Training Project

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state, and local government. Established by an act of Congress in 1965, ARC is composed of the governors of the 13 Appalachian states and a federal co-chair, who is appointed by the President. Local participation is provided through multi-county local development districts.

On August 10, 2009, ARC announced approval of grant number SC-16352-302-09, in the amount of \$250,000, to the Goodwill Industries of Upstate/Midlands South Carolina, Inc., for the Goodwill Three-Month Education and Training Project. This project provides job training with hands-on work experience. The grant will help to expand this job training program beyond Greenville County into Anderson, Spartanburg, and Pickens Counties, allowing it to serve 120 clients annually. In addition, the grant will help to expand the training offerings to include training in high-growth, high-interest areas, such as computer de-manufacturing (recycling).

The project's goal is to continue to assist unemployed and underemployed individuals in obtaining employment in Anderson, Pickens, and Spartanburg Counties through job training services. The Goodwill Industries of Upstate/Midlands South Carolina, Inc., job training program is curriculum-based with industry-specific instruction and direct work experience in retail, food services, or certified nursing aide. This program also instructs participants in work readiness skills. Goodwill provides a participant wage/stipend to ease the stress of poverty, allowing students to focus on learning and reaching goals. The program also features an additional twelve months of follow-up and retention services after program completion.

The grant was for \$250,000, of which \$243,128.44 was obligated through four disbursements, and \$6,871.56 was de-obligated. ARC required that the grant be matched by \$277,793.

Executive Summary

Grant objectives were generally met, including expansion of (1) job training programs to the residents of Anderson, Pickens, and Spartanburg Counties, (2) training capacity by 50 percent to 120 participants, and (3) job training in the areas of health care, retail food service, and other high-growth, high-interest areas.

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Although a warehouse and distribution training program in Greenville County was developed, employers were unwilling to participate in the program. Also, the grantee was unable to add training for computer de-manufacturing (recycling). A need for tracking of advances was noted.

Audit Objectives and Scope

The purpose of our audit was the determination that program funds distributed to the Goodwill Industries of Upstate/Midlands South Carolina, Inc., grant number SC-16352-302-09, approved during 2009, and expended during grant period ended in September 2010, were managed in accordance with ARC and federal grant terms; that grant funds were expended as provided for in the ARC approved budget; that internal grant guidelines and best practices, including internal controls, were appropriate and operating effectively; that accounting and reporting requirements were implemented in accordance with generally accepted accounting principles; and to make a determination as to whether the goals and objectives of the grant were met. We performed a program review of the grant at the Goodwill Industries of Upstate/Midlands South Carolina, Inc., office on February 21 to 24, 2012, as described under this section and under the audit methodology section.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Methodology

Our procedures were based on the "Sample Audit Program" prepared by ARC OIG and included suggested procedures over the grantee's accounting and internal control systems affecting the grant. We conducted an entrance conference on February 21, 2012, to gain an understanding of the records maintained, reporting procedures, oversight of the program, subgrantees (if any), and contracting methods. We also discussed and reviewed other relevant financial and operational elements related to the conduct of the project audit.

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Specifically, we reviewed compliance with reporting requirements and other grant terms. In addition, we reviewed controls over the financial process, and the controls in place for recording, accumulating, and reporting costs under the grant. We also toured the retail training facilities with Goodwill Industries of Upstate/Midlands South Carolina, Inc., officials and observed and discussed whether the goals and objectives of the project funded with ARC monies had been met.

Our review of background material included ARC's Grant Agreement and related documentation, information from ARC's grant management system, and other grant requirements, including applicable OMB circulars. As additional background material, and in order to avoid duplication of efforts, we reviewed Goodwill Industries of Upstate/Midlands South Carolina, Inc., audited financial statements for the 52 weeks ended June 27, 2009, the 52 weeks ended June 26, 2010, and the 52 weeks ended June 27, 2011.

We examined the grant payments made by ARC to Goodwill Industries of Upstate/Midlands South Carolina, Inc. Also, we examined payments made by Goodwill Industries of Upstate/Midlands South Carolina, Inc., to contractors and other vendors involved in the project, including the client wage/stipend. We evaluated those payments and other activities for compliance with applicable federal and other grant requirements.

Grant Funding for Period of Oct 1, 2009 – September 30, 2010:

The funding requirement has been met.

	<u>Funding</u>	<u>Percentage</u>
ARC	\$243,128.44	37%
Private Match	<u>416,566.18</u>	<u>63%</u>
TOTAL	<u>\$659,694.62</u>	<u>100%</u>

Results

The overall grant objectives were met.

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Goodwill Industries of Upstate/Midlands South Carolina, Inc., expanded the job training programs to the residents of Anderson, Pickens, and Spartanburg Counties and expanded its job training capacity to 120 clients per year. With respect to ARC funding, 99 adults qualified for participation during the grant period, with 71 participants completing the programs, 60 obtaining certifications, and 71 obtaining employment. A warehouse and distribution training program in Greenville County was developed, but was not implemented due to a lack of support from warehouse and distribution employers.

We recommend that the grantee, because this program is already developed, continue to solicit warehouse and distributor employers to participate in the warehouse and distribution training program. Also, actions should be initiated to develop and offer training programs in high growth, high interest areas, including recycling.

We noted that the grantee had not developed procedures for tracking expenditures incurred against grants funds received. This could result in spending outside of grant provisions. We recommend that controls be established to provide for tracking of expenditures incurred against advances received.

Discussion with Management

The results of our review were discussed with the grantee on February 29, 2012. Management agreed with the findings and specific comments are noted (if applicable).