
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Kentucky Science and Technology Corporation
Lexington, Kentucky**

**Final Report Number: 13-08
Project Number: KY-15959
January 2013**

**Prepared by
Leon Sned & Company, P.C.**



**LEON SNEAD
& COMPANY, P.C.**

*Certified Public Accountants
& Management Consultants*

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

January 25, 2013

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

Leon Snead & Company, P.C. has completed an audit of grant number KY-15959 awarded by the Appalachian Regional Commission (ARC) to the Kentucky Science and Technology Corporation (KSTC). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine if program funds were managed in accordance with the ARC and federal terms and requirements; grant funds were expended as provided for in the ARC approved budget; internal grant guidelines and internal controls were operating effectively; accounting and reporting requirements were implemented in accordance with generally accepted accounting principles and the goals and objectives of the grant were met.

Overall, KSTC's financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. Based on the reported accomplishments and the supporting documentation reviewed, we concluded that the program goals were being accomplished. The expenditures sampled and tested were generally reasonable and adequately documented. However, we identified an issue regarding the level of supporting documentation for consultant costs that requires corrective action. A detailed discussion of the issue is presented in the "Results of Audit" section of the report.

A draft report was provided to KSTC on December 6, 2012, for comments. KSTC provided a response to the report on December 19, 2012, addressing our audit recommendation. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the KSTC and ARC staff 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 number KY-15959 awarded by the Appalachian Regional Commission (ARC) to the Kentucky Science and Technology Corporation (KSTC). The audit was made at the request of the ARC, Office of the Inspector General, to assist that office in its oversight of ARC grant funds.

KSTC is a non-profit organization formed in 1987 that works with State and Federal agencies as well as private companies, foundations, and other organizations to develop and execute promising new ideas. In recent years, it has served as a leader in Kentucky for advancement of education, science, technology, and innovation. The National Math and Science Initiative (NMSI) is a non-profit organization created to replicate and expand proven math and science programs throughout the United States. The Advance Kentucky Program is a six-year partnership, established in 2007, between NMSI and KSTC to help Kentucky students excel and better prepare for college by participating in advanced placement (AP) programs. The program includes activities such as providing training to develop and support AP teachers, providing participating middle and high schools financial assistance to operate the AP programs, and providing students financial assistance for AP examination fees. The program is carried out by the KSTC staff along with qualified teachers and experts hired as consultants to provide training, mentoring, and other activities.

The initial ARC grant (KY-15959), covering the period July 1, 2008 to June 30, 2010, provided \$200,000 in ARC funds and required \$100,000 in non-federal match funding. It supported the program activities at three high schools with the stated goals of increasing enrollments in the AP programs at these schools by 209 over the prior period and increasing the number of students getting qualifying (high) scores on the Math-Science-English exam by 55 over the prior period. The grant was completed and closed out in July 2010. The current grant (KY-15959-C1), covering the period July 1, 2011 to December 31, 2012, provided \$350,000 in ARC funds and required \$175,000 in nonfederal match funding, extended the program to five additional schools. At the time of our audit, this grant was still in progress and ARC had reimbursed KSTC about \$195,000 in costs.

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) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed grantee personnel to obtain an overall understanding of the project, the accounting system, and operating procedures. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We reviewed a sample of costs charged to the project to determine whether the charges were properly supported and allowable. We reviewed the KSTC administrative procedures and related internal controls to ensure they were adequate to administer the grant and funds. We also reviewed the most recent Single Audit report to determine

whether there were any issues that impacted the ARC grant.

The primary criteria used in performing the audit were the specific grant terms and requirements, applicable Office of Management and Budget Circulars, and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of November 12-20, 2012, including on-site work at the KSTC offices in Lexington, Kentucky. The audit results were discussed with the KSTC staff at the conclusion of the on-site visit.

Overall, KSTC's financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. Based on the reported accomplishments and the supporting documentation reviewed, we concluded that the program goals were being accomplished. The expenditures sampled and tested were generally reasonable and adequately documented. However, we identified an issue regarding the level of supporting documentation for consultant costs that requires corrective action. This issue and our recommended corrective action are discussed in the Results of Audit section of the report.

RESULTS OF AUDIT

Consultant Invoices

Some consultant costs sampled and reviewed did not have invoices that provided adequate details to fully support the costs billed and approved for payment. KSTC contracted with dozens of qualified individuals to provide training to students and teachers as part of the Advance Kentucky Program activities. The written contracts with these consultants specified that each consultant would conduct four training sessions and be paid either \$100 or \$125 (depending on the consultant's qualifications) per 90-minute session.

For most of the consultant billings we reviewed, the consultants did not use separate invoices describing the services performed. Rather, they were entering a total amount for their services, typically either \$400 or \$500, and stating it was for "consulting services" in a section of the KSTC travel form that was used to reimburse them for travel costs.

All costs charged to Federal grants must be adequately documented to be considered allowable. To serve as adequate documentation and provide an adequate basis to verify that the billed services were provided in accordance with the contract terms, the consultant's billing or invoice should show each session and the times (i.e. 8-9:30, 10:00-11:00, etc.). Without indicating the times, it is not possible to verify from the invoice that the 90-minute session requirement in the contract was met.

At the exit conference, the KSTC representatives agreed with the finding and stated that they would prefer to amend the travel form to require information that is more detailed rather than use a separate invoice.

Recommendation

KSTC should require consultants to provide a complete description of the actual service(s) performed, including timeframes or time spent either in a separate invoice or somewhere on the travel form.

Grantee Response

KSTC stated in its response that although the consultants did not provide separate invoices, it had several other standard controls in place to verify that the services were performed before approving payment. Those controls include:

1. Verifying that the number of blocks presented coincides with the session calendar, which list the consultants and the number of time blocks for each session.
2. Receiving Teacher's Reports in its data reporting system requiring the teachers to list and rate each consultant on a scale of 1-5 in various categories (i.e. effectiveness, engagement with student, etc.).

3. Receiving post-event Consultant Activity Follow-up Reports (with their handouts) reflecting the academic subject and each session/block topic presented; and
4. Receiving session agendas that also lists the consultants and the time(s) of their blocks.

KSTC stated that to enhance these established controls, it will have the consultants submit a separate invoice reflecting a complete description of the actual service(s) performed, including timeframes or time spent. In addition, KSTC stated that it has designed an invoice template, which will be made available to consultants through its website and require them to submit it with their travel expense report.

Reviewer's Comments

The response provided by the grantee is sufficient to close out the recommendation.

**Appendix I
Grantee Response**

Leon Snead Company

From: Mitch Creager [mcreager@kstc.com]
Sent: Wednesday, December 19, 2012 4:00 PM
To: Leon Snead & Company
Cc: Joanne Lang; John Wehrle
Subject: RE: ARC Audit Report for - Grant Numbers KY-15959
Attachments: Consultant Invoice Template.pdf

Mr. Snead,

In response to the results of the audit and recommendation in the Draft Report to the Appalachian Regional Commission for Grant Numbers KY-15959 regarding consultant invoices, we would like to confirm that although the consultants did not provide us with separate invoices we do have several other standard controls in place that allow us to verify the services were performed before approving payment. Those controls include:

1. Verifying that the number of blocks presented coincides with the session calendar which list the consultants and the number of time blocks for each session
2. Receiving Teacher's Reports in our data reporting system requiring the teachers to list and rate each consultant on a scale of 1-5 in various categories (i.e. effectiveness, engagement with students, etc.)
3. Receiving post-event Consultant Activity Follow-up Reports (with their handouts) reflecting the academic subject and each session/block topic presented
4. Receiving session agendas that also lists the consultants and the time(s) of their blocks

However, to enhance these already established controls, we agree that having the consultant send us a separate invoice reflecting a complete description of the actual service(s) performed, including timeframes or time spent would be an improvement. Therefore, we have designed an invoice template (see attached), which we will make available to our consultants thru our website, and will require them to submit it with their travel expense report.

Thank you for the opportunity for us to respond to the Draft Report and the recommendation.

Mitch

From: Leon Snead & Company [mailto:leonsnead.companypc@erols.com]
Sent: Thursday, December 06, 2012 9:29 AM
To: Mitch Creager
Subject: RE: ARC Audit Report for - Grant Numbers KY-15959

Sorry about that. Here it is.

From: Mitch Creager [mailto:mcreager@kstc.com]
Sent: Thursday, December 06, 2012 8:57 AM
To: Leon Snead & Company
Subject: RE: ARC Audit Report for - Grant Numbers KY-15959

Mr. Snead:

I do not see the draft report attached. Please attach and send it to me. Thanks!

Mitch

From: Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]
Sent: Thursday, December 06, 2012 8:47 AM
To: Mitch Creager
Subject: ARC Audit Report for - Grant Numbers KY-15959

Mr. Creager:

Attached is draft report that we completed on Grant Numbers KY-15959 awarded by ARC to the Kentucky Science and Technology Corporation for your review and comments. Please review the finding and recommendation and provide your response to the recommendations by December 20, 2012. Thanks very much for your assistance with the review. If you have any questions, please e-mail or call me.

Leon Snead
(301) 738-8190

AdvanceKentucky Presenter Invoice

Your Name:	
Your Address:	
Your Phone Number:	
Your E-mail Address:	
Your Signature:	
Today's Date:	

Description: Presenting at AdvanceKentucky Student Study Session			
Study Session Location:			
Study Session Date:			
Content Area:			
	Start Time	End Time	Topic
Block 1			
Block 2			
Block 3			
Block 4			
Number of Blocks Presented:			0
Presenter Rate (per block):			
Total Due to Presenter:			\$ -

Please return this invoice to:
Liz LaVigne
 AdvanceKentucky/KSTC
 P.O. Box 1049
 Lexington, KY 40588-1049

Don't forget to complete the KSTC Business Travel & Expense Reimbursement form.