
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Southwestern Pennsylvania Commission/Corporation
Pittsburgh, Pennsylvania**

**Final Report Number: 13-42
Project Number: PA-708E-C20
September 2013**

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



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September 30, 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 PA-708E-C20 awarded by the Appalachian Regional Commission (ARC) to the Southwestern Pennsylvania Commission/Corporation (SPC). 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 whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines and best practices, including program (internal) controls, were appropriate 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.

Overall, SPC's financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. However, we identified a weakness in the procedures used to record employee time charges and salary costs to the grant and questioned \$1,970 in costs charged to the grant. We also identified an area relating to performance measurement reporting that needs to be addressed by the grantee. These issues and our recommended corrective actions are discussed in the Findings and Recommendations section of the report.

A draft report was provided to SPC on September 25, 2013, for comments. SPC provided a response to the report on September 30, 2013, addressing our audit recommendations. These comments are included in their entirety in Appendix I of the report.

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

Sincerely,

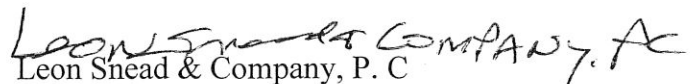

Leon Snead & Company, P. C.

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Background

Leon Snead & Company, P.C. completed an audit of grant number PA-708E-C20 awarded by the Appalachian Regional Commission (ARC) to the Southwestern Pennsylvania Commission/Corporation (SPC). The audit was conducted at the request of the ARC, Office of the Inspector General, to assist that office in its oversight of ARC grant funds.

The Southwestern Pennsylvania Commission is the regional planning agency serving Pittsburgh, Pennsylvania and the surrounding 10-county area. It primarily provides essential services for the region that include developing plans and programs for public investments and fulfilling federal and state requirements for transportation, economic development, and local government assistance programs. Created under the Regional Planning Law of 1956, as amended, it operates as a non-profit governmental entity comprised of about 60 members, including five representatives from each of the 10 counties, five from the City of Pittsburgh, one from the Governor's office, and other state and federal agencies. Members serve multi-year terms and meet every other month. The Commission is also designated by the ARC as the area's Local Development District (LDD) to help promote the Appalachian Area Development Program goals and objectives. As a LDD, it plays a key role in developing and reviewing projects, providing technical assistance to local project sponsors, and recommending priority projects to the state and ARC. The Commission established a component unit as a 501 (c) (3) organization, called the Southwestern Pennsylvania Corporation, to conduct studies and perform administrative functions necessary for carrying out the Commission's day-to-day operations. This includes implementing the ARC and other programs, providing planning and technical assistance to local communities, and managing the financial and administrative systems.

Grant PA-708E-C20 covered the period January 1 through December 31, 2012, provided \$100,857 in ARC funding and required \$100,857 in non-ARC match funding to cover the total LDD administrative costs. The ARC funds were primarily for salary costs for the staff to manage the LDD-related activities, but also included some funds for travel and other costs. The grant had been completed, but had not been closed by ARC 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) 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 matching requirements and the goals and objectives of the grants were met.

We reviewed the documentation provided and interviewed SPC personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed SPC's administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. Of the \$100,857 in expenditures charged to the grant and claimed for reimbursement during the grant period, we selected a sample of \$66,190 in expenditures charged to the grant for testing to determine whether the charges were properly supported and allowable. We reviewed financial and other required reports to

determine whether they were properly supported and submitted in accordance with the requirements. 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 provisions of the grant agreements, 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 August 6-16, 2013, including on-site work at the SPC offices in Pittsburgh, Pennsylvania. The audit results were discussed with the SPC representatives at the conclusion of the on-site visit.

Summary of Audit Results

Overall, SPC's financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. However, we identified a weakness in the procedures used to record employee time charges and salary costs to the grant and questioned \$1,970 in costs charged to the grant. We also identified an area relating to performance measurement reporting that needs to be addressed by the grantee. These issues and our recommended corrective actions are discussed in the Findings and Recommendations section of the report.

Findings and Recommendations

A. Support Documentation for Salary Costs

One of the timesheets in our sample used to support the salary costs charged to grant PA-708E-C20 contained manual corrections or changes that were not properly documented. It appeared that someone other than the employee made the changes and there was no record of the employee being aware of the changes or agreeing with them. As a result, we have questioned the salary costs associated with the timesheet for lack of adequate supporting documentation.

The federal cost principles applicable to SPC require salary costs to be supported by personnel activity reports that meet several standards. The reports must reflect an after-the-fact determination of the actual activity of each employee. Each report must account for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. The reports must be signed by the individual employee, or by a responsible supervisory official having firsthand knowledge of the activities performed by the employee, that the distribution of activity represents a reasonable estimate of the actual work performed by the employee during the periods covered by the reports.

The SPC policy requires all employees to prepare timesheets, but does not require the employee to sign or certify them. Rather, they are initialed (not signed) as reviewed and approved by a supervisor. Although we believe it is preferable as a business practice to have a signature, rather than an initial on the timesheet, we were able to confirm the initials we observed through discussions with the staff and accepted them as valid.

Changes were made to the timesheet of the employee noted below that supported \$1,970 in salary charges to the ARC grant funds.

Grant Number	Employee	Pay Period	Amount Questioned
PA-708E-C20	L. Duffy	10/25/12 - 11/07/12	\$1,970

In this case, the changes involved moving hours from another project to the LLD project. There was no documentation to show the reason for the changes, or an employee signature or initial indicating the employee was aware of the changes and was in agreement with them. As a result, we do not consider the timesheet, with undocumented and unsigned alterations, to be adequate support documentation for the \$1,970 in salary costs charged to the grant and reimbursed by ARC.

At the exit conference, the SPC representatives indicated that they wanted to review this matter, but agreed that their procedures could be improved to make sure changes are properly noted and approved.

Recommendations

SPC should:

1. Revise its written policies to make clear that manual changes to timesheets that support costs charged to federal grants are justified and documented to show the changes were approved by the employee or the employee's supervisor.
2. Review the timesheet and changes that we questioned and take appropriate action to address the hours/pay amounts found to be incorrect, including adjusting the grant financial records, submitting revised SF-269 reports to ARC, and refunding any amounts due to ARC.

Grantee Response

SPC stated in its response that:

1. It concurs that timesheet procedures can be improved and as such, the SPC written policies and procedures regarding timesheet recording of staff time to projects were revised as follows: "Effective immediately, August 16, 2013, the written policies and procedures for recording staff time charged to projects and the processing of payroll, will require the employee's signature certifying that the time charges recorded on their timesheet are true and correct. Furthermore, the initials of their appropriate supervisor or department manager or department director will be required to be placed on the employee timesheet signifying approval. Any changes or corrections made to timesheets, once submitted to payroll for processing, will be clearly documented and approved by both the employee and the appropriate supervisor or department manager or department director prior to final payroll processing."
2. The timesheet charges to ARC are appropriate and reflect an after-the-fact determination of the actual activity of each employee. Each report accounts for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. In addition, SPC stated that it has updated its timesheet approval procedures in order to ensure that it can more clearly document this to ARC and that it is not necessary for any of the funds to be refunded to ARC.

Reviewer's Comments

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

B. Grant Performance Measure Reporting

Although the progress and final project reports submitted by SPC for grant number PA-708E-C20 were comprehensive and contained numerous details on outputs and outcomes, we noted that the grant performance results reported in the project reports did not contain sufficient data in two areas to accurately assess overall grant achievements.

According to ARC guidance, progress reports should include statistics and narratives showing progress on achieving performance outputs and outcomes that will allow an assessment of the likelihood of meeting the original targets. The reports should also discuss problems encountered, what actions were taken to address and resolve them, and include a forecast of planned activities. Final reports are expected to provide a complete description of the overall project and results (actual output and outcome data, reasons for not achieving the planned output or outcome, unique results, lessons learned, etc.) that would permit assessing the overall success of the project and provide ARC information for making future program and policy decisions.

The approved SPC work-plan that was incorporated into the grant award contained individual goals and objectives, which related to the ARC goals for LDDs. Each of these broader goals had several subtasks and related work elements. The work-plan described SPC's planned actions and activities regarding these tasks and work elements.

In relation to performance measurements, ARC provided a format for specific information to be submitted. There were two specific "measures" listed for reporting results: (a) showing the anticipated sources of SPC's LDD funds and related amounts and (b) listing the various anticipated funding sources with related numbers of projects and amounts and showing anticipated project outcomes such as numbers of jobs created or retained, employability (workforce training), amount of infrastructure development, and amount of private sector investment. We found that SPC did not provide the required data for these metrics. The SPC project staff told us that although these metrics were a required part of the application and work-plan, they had not provided data on the metrics in prior final reports and did not recall being contacted to provide the data.

In addition, the manner in which data was presented in the final project report made it difficult to compare the actual results with the individual planned performance measures cited in the work-plan. The report contained a lot of data but they did not provide any type of summary or snapshot that showed the planned versus actual results for each primary measure (i.e. number of planned local meetings, number of planned regional meetings, number of quality proposals submitted, etc.). For example, the report discussed the actual numbers of jobs created or retained for the various activities (business finance, export marketing, etc.). However, it was not clear from the numbers whether the planned 8 jobs to be created or the 50 to be retained due to non-ARC activities were achieved. A summary for each primary performance measure showing the planned versus actual results would have made the report more meaningful for assessing the project's achievements.

At the exit conference, SPC representatives agreed that they could improve on how final results are reported. Regarding the metrics that were not reported on at all, they stated that they had not received any feedback from anyone that this was an issue and had not recognized it was overlooked.

Recommendations

SPC should:

1. Establish procedures to ensure that progress and final project reports are accurate and consistent with the reporting requirements.
2. Ensure that the staff preparing the reports fully understands the requirements.

Grantee Response

SPC stated in its response that its staff never received any feedback that the reporting may be considered deficient; therefore, they were unaware that there could be an issue. SPC stated that it concur with the policy recommendations and had taken action to address the issue. SPC stated that its staff conducted an internal review of the reporting requirements and had adjusted their reporting process to reflect the outcomes and outputs contained in both the work-plan and the grant agreement. Included in the process is a final check with ARC staff prior to report submittal to ensure that information submitted meets ARC's requirements and expectations.

Reviewer's Comments

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

Appendix I
Grantee Response



Southwestern
Pennsylvania
Commission

Officers:

Indiana County
Rodney Ruddock
Chairman

Lawrence County
Steve Craig
Vice-Chairman

Westmoreland County
Charles W. Anderson
Secretary-Treasurer

Executive Committee:

Allegheny County
Rich Fitzgerald

Armstrong County
David Battaglia

Beaver County
Joseph Spanik

Butler County
A. Dale Pinkerton

City of Pittsburgh
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Alfred Ambrosini

Greene County
Chuck Morris

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Ricky V. Burgess

Governor's Office
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Albert D'Alessandro

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www.spcregion.org

**Appalachian Regional Commission
Office of the Inspector General
Audit of
Southwestern Pennsylvania Commission
Local Development Districts Administrative Grant
Pittsburg, Pennsylvania**

**Draft Report
Project Numbers: PA-708E-C20
Submitted to the Appalachian Regional Commission**

**Prepared By
Leon Snead & Company, P.C.
September 2013**

SPC response dated: 9/30/2013

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2. Review the timesheet and changes that we questioned and take appropriate action to address the hours/pay amounts found to be incorrect, including adjusting the grant financial records, submitting revised SF-269 reports to ARC, and refunding any amounts due to ARC.

SPC Response: Timesheet charges to ARC are appropriate and do reflect an after-the-fact determination of the actual activity of each employee. Each report accounts for the total activity for which employees are compensated and which is required in fulfillment of their obligations to the organization. We have updated our timesheet approval procedures in order to ensure that we can more clearly document this to ARC. SPC respectfully does not concur that refunding of amounts due to ARC is needed.

B. Grant Performance Measure Reporting

Although the progress and final project reports submitted by SPC for grant number PA-708E-C20 were comprehensive and contained numerous details on outputs and outcomes, we noted that the grant performance results reported in the project reports did not contain sufficient data in two areas to accurately assess overall grant achievements.

According to ARC guidance, progress reports should include statistics and narrative showing progress on achieving performance outputs and outcomes that will allow an assessment of the likelihood of meeting the original targets. The reports should also discuss problems encountered, what actions were taken to address and resolve them, and include a forecast of planned activities. Final reports are expected to provide a complete description of the overall project and results (actual output and outcome data, reasons for not achieving the planned output or outcome, unique results, lessons learned, etc.) that would permit assessing the overall success of the project and provide ARC information for making future program and policy decisions.

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In addition, the manner in which data was presented in the final project report made it difficult to compare the actual results with the individual planned performance measures cited in the work-plan. The report contained a lot of data but they did not provide any type of summary or snapshot that showed the planned versus actual results for each primary measure (i.e. number of planned local meetings, number of planned regional meetings, number of quality proposals submitted, etc.). For example, the report discussed the actual numbers of jobs created or retained for the various activities (business finance, export marketing, etc.). However, it was not clear from the numbers whether the planned 8 jobs to be created or the 50 to be retained due to non-ARC activities were achieved. A summary for each primary performance measure showing the planned versus actual results would have made the report more meaningful for assessing the project's achievements.

At the exit conference, SPC representatives agreed that they could improve on how final results are reported. Regarding the metrics that were not reported on at all, they stated that they had not received any feedback from anyone that this was an issue and had not recognized it was overlooked.

Recommendations

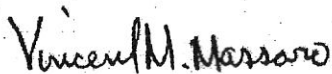
SPC should:

1. Establish procedures to ensure that progress and final project reports are accurate and consistent with the reporting requirements.
2. Ensure that the staff preparing the reports fully understands the requirements.

Response:

As SPC staff had never received any prior feedback that the reporting may be considered deficient, staff was therefore unaware that there could be an issue. SPC does concur with the policy recommendations, and to proactively address this issue, SPC staff has conducted an internal review of the reporting requirements and have adjusted their reporting process to reflect the outcomes and outputs contained in both the work plan and the grant agreement. Included in the process is a final check with ARC staff prior to report submittal to insure that information submitted meets ARC's requirements and expectations.

Sincerely,



Vincent M. Massaro
Southwestern Pennsylvania Commission
Finance Director

9/30/2013