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

**Northeastern Pennsylvania Alliance
Pittston, Pennsylvania**

**Final Report Number: 15-03
Project Number: PA-708D - C41 & C42
January 2015**

**Prepared by:
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January 30, 2015

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Leon Snead & Company, P.C. has completed an audit of grant numbers PA-708D-C41 and PA-708D-C42 awarded by the Appalachian Regional Commission (ARC) to the Northeastern Pennsylvania Alliance. 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 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 grants were met.

Overall, the grantee's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. The costs tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals and objectives of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were being accomplished. The overall grant performance measures, with respect to anticipated outputs and outcomes, were adequately met for grant number PA-708D-C41, which was completed on December 31, 2013.

Leon Snead & Company appreciates the cooperation and assistance received from the Southwestern North Carolina Planning & Economic Development Commission 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 numbers PA-708D-C41 and PA-708D-C42 awarded by the Appalachian Regional Commission (ARC) to the Northeastern Pennsylvania Alliance (NEPA). 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.

NEPA is a private, non-profit organization established in 1967 under the Pennsylvania Non-Profit Corporation Law and is one of seven Local Development Districts (LDD) established within Pennsylvania. It provides services, training, and assistance to seven counties in northeastern Pennsylvania: Carbon, Lackawanna, Luzerne, Monroe, Pike, Schuylkill, and Wayne. The major activities supported by the ARC funding include research and information services, market development, export marketing assistance, business finance assistance, procurement and transportation planning services.

A board of directors representing the seven counties oversees the NEPA mission and operations. Day-to-day operations and programs are carried out by a President/CEO and 25 support staff from offices located in Pittston, Pennsylvania. NEPA receives a significant amount of funding for its operations and programs from Federal and State agencies. For the year ended June 30, 2013, NEPA reported total income of \$2.7 million with \$1.5 million from Federal agencies and \$0.63 for State agencies.

ARC grant PA-708D is awarded annually to provide continuing funding to assist NEPA in administering its LDD program for establishing and expanding economic development services within its geographic area. Grant PA-708D-C41 covered the period from January 1 to December 31, 2013 and provided \$98,013 in ARC funding and also required \$98,013 in non-ARC matching funds. The majority of the approved total budget was for staff salaries and benefits and indirect costs, but there were also some amounts budgeted for travel, supplies, and other costs. The grant had ended, but had not been closed out administratively by ARC at the time of the audit.

Grant PA-708D-C42 covered the period from January 1 to December 31, 2014 and provided \$103,136 in ARC funding and also required non-ARC matching funds of \$103,136. This grant was still in progress at the time of our 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 the documentation provided and interviewed NEPA personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We

reviewed NEPA administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. 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.

Of the \$98,013 in expenditures charged to the grant and claimed for reimbursement through December 31, 2013, we selected a sample of \$22,627 in expenditures for testing to determine whether the charges were properly supported and allowable. Of the \$103,136 in expenditures charged to the grant and claimed for reimbursement through December 31, 2014, we selected a sample of \$66,381 in expenditures for testing to determine whether the charges were properly supported and allowable.

The primary criteria used in performing the audit were the provisions of the ARC grant agreement, applicable Office of Management and Budget (OMB) 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 10-26, 2014, including on-site work at NEPA offices in Pittston, Pennsylvania. The audit results were discussed with the NEPA representatives at the conclusion of the on-site visit.

Summary of Audit Results

Overall, NEPA's administrative procedures were adequate to manage the grant and funds reviewed. The costs tested were supported and considered reasonable, and we did not question any incurred costs. We found that NEPA had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished. The overall grant performance measures, with respect to anticipated outputs and outcomes, were adequately met for the grant PA-708D-C41, which was completed on December 31, 2013. Outputs and outcomes for the grant ending December 31, 2014 (PA-708D-C42) were not evaluated because the grant and NEPA's final reporting had not been completed.