

**Institute for Educational Leadership
AHE Network Consulting**

OIG Report Number: 15-11

Grant: CO-13764-H-C2 and C3

Review Period: July 1, 2013 – December 31, 2014

Appalachian Regional Commission
1666 Connecticut Avenue, N.W.
Suite 700
Washington, DC 20009-1068

Mr. Hubert N. Sparks
Inspector General

Transmitted herewith is a report of CohnReznick LLP (assignee from Watkins Meegan LLC pending novation), a Performance Review of the Institute for Educational Leadership AHE Network Consulting Grant CO-13764-H-C2 and C3. The report is in response to Contract No. BPA 11-01-B.

Watkins Meegan LLC (Watkins Meegan) combined with CohnReznick LLP (CohnReznick) in November 2014. As a result, a request to novate GSA contract #GS-00F-0031M from Watkins Meegan to CohnReznick was submitted to the U.S. federal government and is currently under consideration. The combination and pending novation have been appropriately communicated to the Appalachian Regional Commission Office of Inspector General in relation to continued performance of this engagement by CohnReznick pending formal approval of the novation by the U.S. federal government.



Tysons, Virginia
March 20, 2015

INSTITUTE FOR EDUCATIONAL LEADERSHIP

AHE NETWORK CONSULTING GRANT

CO-13764-H

Background

The Appalachian Regional Commission (ARC) is a regional economic development agency that represents a partnership of federal, state and local governments. 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 (LDDs). Each year, ARC provides funding for several hundred projects in the Appalachian Region, in areas such as business development, education and job training, telecommunications, infrastructure, community development, housing and transportation. These projects help create new jobs; improve local water and sewer systems; increase school readiness; expand access to health care; assist local communities with strategic planning; and provide technical and managerial assistance to emerging businesses.

The Institute for Educational Leadership ("IEL," or "Grantee") works with ARC to support the Appalachian Higher Education (AHE) Network. The AHE Network was created in 1998 and currently includes program centers in 10 of the 13 Appalachian states: Alabama, Georgia, Kentucky, Mississippi, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia and West Virginia. Resource centers work with schools, economic development and workforce development agencies in Appalachia implementing programs focused on post-secondary education attainment. The centers are modeled on the original center, the Ohio Appalachian Center for Higher Education (OACHE), utilizing a range of service and operational delivery strategies adapted to suit the particular circumstances and regional cultural differences for each area.

In September 2007, ARC approved the Institute for Educational Leadership AHE Network Consulting Grant, number CO-13764-H-C2 (C2 Grant), in the amount of \$56,074 to the Institute for Educational Leadership. The initial performance period was August 1, 2007 to August 31, 2008. In September 2012, ARC approved an additional Educational Leadership AHE Network Consulting Grant, number CO-13764-H-C3 (C3 Grant), in the amount of \$93,000 for the period September 1, 2012 to August 31, 2013. There were no matching fund requirements for the Grantee and the projects were fully supported by ARC funds.

ARC has funded multiple projects with different Grantee organizations under the same CO-13764 grant number. The Grantees are differentiated by a subsequent letter designation ("H" for IEL, or CO-13764-H). For most other grants, the notation of C2, C3, etc., indicates a continuation ("C") of an initial ("I") grant project where each subsequent round of funding is awarded with the next sequential continuation number, typically on an annual basis. The C2 and C3 IEL Grants, rather than being a continuation of the same project, represented two separate but related initiatives that were funded by ARC, for grant-writing support and leadership development training, respectively. Per the Grantee's final report for the C2 Grant, filed with ARC in October 2014, the C2 Grant was initially focused on leadership development training tasks, but this focus was revised in 2012 to concentrate on providing grant writing support, while the C3 Grant was initiated as a separate grant focused on leadership development initiatives.

For both the C2 and C3 Grants, annual rounds of funding were supported through a series of grant amendments, either extending the period of performance, awarding additional funding, or both. The timeline and funding amounts are noted in the tables below:

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Table 1: Grant Amendment Activity for CO-13764-H-C2

CO-13764-H-C2				
Amendments	Purpose	Amount	Cumulative	Performance Period
Original	N/A	\$56,074	\$56,074	08/01/07-08/31/08
Amendment #1	Funding, Time Extension	\$88,000	\$144,074	Through 08/31/09
Amendment #2	Funding, Time Extension	\$71,107	\$215,181	Through 08/31/10
Amendment #3	Funding, Time Extension	\$87,828	\$303,009	Through 08/31/11
Amendment #4	Funding, Time Extension	\$93,000	\$396,009	Through 08/31/12
Amendment #5	Funding, Time Extension	\$0	\$396,009	Through 06/03/14
Amendment #6	Time Extension	\$0	\$396,009	Through 09/30/14

Table 2: Grant Amendment Activity for CO-13764-H-C3

CO-13764-H-C3				
Amendments	Purpose	Amount	Cumulative	Performance Period
Original	N/A	\$93,000	\$93,000	09/01/12- 08/31/13
Amendment #1	Funding, Time Extension	\$93,000	\$186,000	Through 08/31/14
Amendment #2	Funding	\$31,000	\$217,000	Through 08/31/14
Amendment #3	Funding, Time Extension	\$84,757	\$301,757	Through 08/31/15

Executive Summary

Grant funds were used to cover employee salary and benefits, contractual costs for consultants, travel costs, program materials, training event costs and other administrative costs for the Grantee. As of the final report for the C2 Grant submitted by the Grantee in October 2014, ARC reimbursed a total of \$375,041 in expenses of the \$396,009 in obligated funds. The remaining \$20,968 of funding for the C2 Grant is expected to be de-obligated when ARC completes the project close-out process. For the C3 Grant, as of the most recent interim report submitted by the Grantee covering the period through November 30, 2014, ARC reimbursed \$213,169 of the \$301,757 of obligated funds (71 percent), with the remaining funds expected to be used by the Grantee through the end of the performance period.

Personnel costs and other expenses reviewed during our inspection appeared valid and properly supported. In addition, while the objectives of the grants were not clearly defined in measurable terms, in general, we noted that the activities of the Grantee were consistent with the high-level objectives of the C2 and C3 Grants.

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Objective

CohnReznick LLP was engaged to conduct a performance review of the Institute for Educational Leadership AHE Network Consulting Grant, with a focus on the activity for the period July 1, 2013 to December 31, 2014. The purpose of our performance review was to determine the following:

- Funds expended and claimed for reimbursement from ARC and matching funds reported to ARC were valid program expenses and in accordance with the ARC Grant requirements;
- Internal controls were in place to ensure compliance with the Grant requirements; and
- Goals and objectives of the Grant had been, or would be, achieved.

Scope

We completed a performance review of the Grant, including fieldwork at the Grantee offices in the Institute for Educational Leadership from January 20-22, 2015, as described under this section and under the review methodology section. Our review was based on the terms of the Grant agreements and on the application of procedures in the modified ARC audit program.

Review Methodology

Our procedures were based on the guidelines provided by the ARC Office of the Inspector General and included suggested procedures over the Grantee's accounting and internal control systems affecting the Grant. We met with the Controller, Grants Compliance Accountant and other Grantee staff members to discuss the overall structure and processes around Grant administration and monitoring.

Our review of background material included the Grant applications, agreements and related documentation, information from ARC's grant management system, and the Grantee's audited financial statements for the fiscal years ended June 30, 2012, 2013 and 2014.

We reviewed controls in place for recording, accumulating and reporting costs under the Grant and observed and made inquiries regarding whether the goals and objectives of the projects had been met. Total Grant-related expenses incurred by the Grantee in the period under review (July 1, 2013 through December 31, 2014) were \$10,400 for the C2 Grant and \$152,500 for the C3 Grant. Because the vast majority of the expense activity for the period under review was incurred by the Grantee against the C3 Grant, we concentrated our review of personnel costs and expenses for the period under review on the C3 Grant and performed a high-level reconciliation of the activity on the C2 Grant between the General Ledger support provided by the Grantee and the reimbursement requests submitted to ARC for the corresponding periods. For a sample of the salary costs funded by the C3 Grant, we traced the employee salaries to personnel records, individual payrolls, and the allocation of payroll to various programs/grants. We traced a representative sample of other expenses on the C3 Grant, including contractual, travel, telephone and program material costs, to supporting documentation to ensure expenses were in support of the Grant. We also evaluated the process for compliance with applicable Grant requirements and regulations. In addition, we reviewed supporting documentation and made inquiries with IEL personnel and a selection of representatives from the participating state members of the AHE Network regarding whether the Grantee is making progress towards, or has achieved, the goals and objectives of the Grants.

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Results

Compliance with Grant Provisions

The final report for the C2 Grant was filed by the Grantee in October 2014, at which point ARC had reimbursed a total of \$375,041 in expenses of the \$396,009 in obligated funds. The remaining \$20,968 of funding for the C2 Grant is expected to be de-obligated when ARC completes the project close-out process. For the C3 Grant, as of the most recent interim report submitted by the Grantee, covering the period through November 30, 2014, ARC reimbursed \$213,169 of the \$301,757 of obligated funds (71 percent), with the remaining funds expected to be used by the Grantee through the end of the performance period for the C3 Grant, currently August 31, 2015. There were no matching fund requirements for the Grantee and the projects were fully supported by ARC funds.

Grant funds were used to cover a portion of the salary and benefit costs for Grantee employees and for costs associated with a consultant. Grant funds were also used to cover travel expenses, program materials, training events and other administrative costs associated with the Grant project activities. We examined supporting documentation for a sample of the expenses incurred against the C3 Grant and noted that all appeared to be valid, adequately supported and in relation to supporting the Grant and its objectives.

Through inquiry and review, we sought to validate the outputs and outcomes expected from the Grant awards as detailed in the Grant applications and other supporting documentation. C2 Grant funds were used to engage grant writers at the state level. Four states participated in this effort and each was allowed to request up to \$5,000 from IEL to cover costs for the grant writers. However, IEL noted that the grant-writing efforts (the focus of the C2 Grant from 2012-2014) experienced limited success, due in part to prolonged absences for three of the four grant writers that were appointed.

The primary outputs included in the C3 Grant application were to provide technical assistance on the leadership development and fundraising skills of AHE center directors. This would be accomplished, in part, by coordinating three conferences per year with multiple training sessions each. Outcomes included helping the AHE Network members develop a better understanding of grant opportunities and the application process; broadening professional networks for AHE Network directors; and, increasing exposure of state and national educational policies to participants.

We reviewed conference materials, including event agendas and other related support, to validate that IEL coordinated three meetings in 2014, comprised of an annual meeting in Washington, DC, held on April 27-30, 2014, and regional conferences in Asheville, NC (June 10-12, 2014), and Ridgway, PA (November 17-19, 2014). We reviewed the event agendas and online materials to determine that the events were held and who was in attendance at the training and local events. Additionally, through interviews of three participating AHE Network members, we noted that these events allowed conference participants to expand their professional networks and be able to gain insight on problem solving techniques. The feedback obtained from the participants was positive and indicated that the services provided by IEL were of value to the member groups.

At the conclusion of the review, we discussed the following item with Management, who generally agreed with the observation as described below:

Performance measures for the goals and objectives for the CO-13764-H Grants were not clearly defined in the Grant agreements. We recommend that ARC and the Grantee identify and quantify measurable outputs and outcomes for future grants to ensure that the impact of the grant-supported activities can be objectively assessed.