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

**New York State Department of State
Albany, New York**

**Final Report Number: 18-15
Project Number: NY-7776-C36-302-15 and
NY-7776-C37-302-16
March 7, 2018**

Prepared By:

Bonadio & Co., LLP
Certified Public Accountants

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

Bonadio & Co., LLP completed an audit of grant number NY-7776-C36-302-15 and NY-7776-C37-302-16 awarded by the Appalachian Regional Commission (ARC) to the New York State Department of State (DOS). The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

The 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 expensed as provided for in the approved grant budget; (3) internal grant guidelines, 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, DOS financial management and administrative procedures, including related internal controls, were adequate to manage the funds provided under the ARC grant reviewed. The expenditures tested were supported and considered reasonable; and the overall grant performance measures were adequately met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from DOS and the ARC staff during the audit.

432 North Franklin Street, Suite 60
Syracuse, New York 13204
p (315) 476-4004
f (315) 475-1513

www.bonadio.com

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BACKGROUND

Bonadio & Co., LLP completed an audit of grant numbers NY-7776-C36-302-15 (C36) and NY-7776-C37-302-16 (C37) awarded by the Appalachian Regional Commission (ARC) to the New York State Department of State, Albany NY (DOS). DOS also administered the grants. The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of the ARC grant funds.

The purpose of the Consolidated Technical Assistance Grant is to address all four ARC goals to provide technical assistance for project development, planning, monitoring, and program development in the 14 counties in the New York Appalachian Region. DOS works with Local Development Districts (LDD) to continue its planning, development and coordination activities as the liaison for NYS to the ARC and for the ARC to NYS LDD, counties and local governments. Working with the LDD and other state agencies, DOS identifies and promotes regionally significant priorities, projects and strategies that are facilitated through ARC grants.

The C36 grant, approved on September 30, 2015, provided \$237,649 in ARC funds and required an equal match of non-ARC funds for the period of October 1, 2014 through September 30, 2015. Over 85 % of the approved budget was for personnel and travel expenditures. The initial grant budget for C36 was \$475,298; however, the final reported expenditures were only \$434,539.26, which was funded equally by ARC and non-ARC funds.

The C37 grant was approved on September 30, 2016 for the grant period of October 1, 2015 through September 30, 2016. It provided \$247,078 in ARC funds and required an equal match of \$247,078 in non-ARC funds. The initial budget for C37 was \$494,156; however, the final reported expenditures were \$436,919 for personnel and travel expenditures, which was funded equally by ARC and non-ARC funds. The final expenditures reported were lower than projected budget due to reduced personnel expenditures.

At the time of our audit, both grants were complete and administratively closed by the ARC. The final expenditures reported for both grants were lower than the project budget due to lower than expected personnel expenditures. Grant objectives included project objectives related to the following four areas: Project Development and Monitoring, Program Planning and Development, Regional Outreach and Technical Assistance, and Project Data Management Performance Measurement.

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 expensed as provided for in the approved grant budget; (3) internal grant guidelines, including program (internal) controls, where appropriate 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, objectives and performance measures of the grant were met.

We reviewed the documentation provided and interviewed DOS personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We reviewed DOS administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We also reviewed the most recent Single Audit report to determine whether there were any issues that affected the ARC grant.

The primary criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, and 2 CFR Part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards". The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed on November 28, 2017 through November 30, 2017. The preliminary audit results were discussed with DOS representatives at the conclusion of the fieldwork.

SUMMARY OF AUDIT RESULTS

Overall, the DOS administrative procedures were adequate to manage the grant and funds reviewed. The expenditures tested were supported and considered reasonable. We did not question any incurred costs. Records and reports produced during the audit process indicated that the tasks required by the grant agreements were accomplished. The overall grant objectives, with respect to anticipated outputs and outcomes, were met and adequately monitored.

OTHER OBSERVATION

The grant requires that performance measures outlined in the application are adequately monitored and included in the project closeout reports per ARC's Guide to ARC Project Performance Measures. The guidelines also state that all ARC projects must have documented output and outcome performance measures. Per our discussion with DOS personnel and our review of submitted reports, performance measures tracked have improved from grant C36 to C37. For future grants, DOS should submit all reports on time and include as much detail as possible to demonstrate that projected outcomes have been achieved.