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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Southern Alleghenies Planning and Development Commission  
Altoona, Pennsylvania**

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**Final Report Number: 12-24  
Project Number: PA-15726  
September 2012**

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



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& COMPANY, P.C.**

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September 26, 2012

Appalachian Regional Commission  
Office of the Inspector General  
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Washington, D.C. 20009

Leon Snead & Company, P.C. has completed an audit of grant number PA-15726 awarded by the Appalachian Regional Commission (ARC) to the Southern Alleghenies Planning and Development Commission (SAPDC). 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, the SAPDC financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. The expenditures tested were reasonable and adequately documented. Most of the grant objectives and performance measures were achieved and documented. However, one performance outcome measure was not achieved and properly reported. A detailed discussion of the issue is presented in the "Results of Audit" section of the report.

A draft report was provided to SAPDC on September 13, 2012, for comments. SAPDC provided a response to the report on September 17, 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 SAPDC 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 PA-15726 awarded by the Appalachian Regional Commission (ARC) to the Southern Alleghenies Planning and Development Commission (SAPDC). 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.

SAPDC is a public non-profit corporation created in 1967 for the purpose of promoting economic development and job training in a six-county region in southwest Pennsylvania. It is part of the Pennsylvania Local Development District (LDD) Network, which is comprised of seven LDDs serving the 52 counties statewide by providing funding and services to businesses, local governments, and non-profits in areas such as community and economic development, transportation, international trade, and strategic planning. SAPDC assists small and medium-sized businesses in the Appalachian region by providing technical and financial assistance to promote growth and it works with local governments to increase their ability to serve the community. It operates with a staff of 33 employees, and an annual budget of about \$3 million, from offices in Altoona, Pennsylvania.

The ARC grant is a multi-year annual grant made to provide funding for the grantee to serve as a technical assistance and information provider to help local governments, schools and non-profit organizations in reducing their operating costs and energy consumption through education, training, technical assistance, and service delivery focused on conventional energy demand reduction. SAPDC serves as the primary grant recipient and administers the overall grant activities on behalf of the LDD Network members.

For the most recent three years, the annual grant awards provided a total of \$1,280,000 in ARC funds and required \$1,234,627 of non-federal match funding to carry out the planned technical and financial assistance support activities. The most recent award (PA-15726-C4) was still active and covered the period October 1, 2011 to September 30, 2012. The grant award provided \$440,000 in ARC funds and required \$457,960 of non-federal match funds. The grant awards for the prior years had been completed and financially closed out.

## **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 grant activities, the accounting system, and the general operating procedures. We reviewed financial and project progress reports to determine whether they were 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. In that regard,

we focused the testing on expenditures for the period April 1, 2011 through March 31, 2012. The total reported grant expenditures for that period were \$222,708. We reviewed SAPDC's administrative procedures and related internal controls to determine whether they were adequate to administer the grant and funds. In addition, we reviewed the most recent A-133 Audit report to identify any issues that significantly 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 August 20-23, 2012, including on-site work at the SAPDC offices in Altoona, Pennsylvania. The audit results were discussed with the SAPDC staff at the conclusion of the on-site visit.

Overall, the SAPDC financial and administrative procedures and related internal controls were adequate to manage the grant and funds reviewed. The expenditures sampled and tested were reasonable and adequately documented. Most of the grant objectives and performance measures were achieved and documented. However, one performance outcome measure was not achieved and properly reported. This issue and our recommended corrective actions are discussed in the Results of Audit section of the report.

## RESULTS OF AUDIT

### Grant Performance Measures

One of the two performance outcome measures established for the most recently completed and closed grant (PA-15726-C3) was not achieved and properly reported. This resulted because the language in the grant agreement was not consistent with the language in the grant proposal. As a result, the proposed outcomes were different from the expected outcomes in the grant agreement. We were unable to verify that the intended outcomes of the grant were fully achieved.

The grant agreement awarded by ARC and accepted by SAPDC included a number of performance output and outcome measures that were intended to be achieved with the ARC funding. The grant's overall purpose was to increase client awareness of energy conservation opportunities and support energy conservation project implementation through education, assessment, and technical assistance. Based on our review of the other specific metrics contained in the agreement and the results reported to ARC in the final project report, we concluded that the overall purpose was achieved for the most part.

The grant agreement contained two specific outcomes that were expected to result from the project. One of them was that there would be "...\$1.5 million in local private investment leveraged as a result of capital expenditures for energy efficiency and renewable energy projects..." The work-plan included in SAPDC's proposal to ARC did not reflect this specific outcome. Rather, it cited the outcome as achieving "...\$1.5 million in capital expenditures for energy efficiency and renewal energy projects..." without any reference to the "leveraging" of either private or public funding for these expenditures. It appears therefore that ARC added this language in reviewing the proposal and approving the award.

The SAPDC staff told us that for the types of clients and capital improvement projects expected under the grant for that year, there would normally be very little if any private funding involved. Rather, most of the funding expected to be leveraged would be public funds. Thus, it would not be a realistic goal in their view. The staff did not notice this wording before accepting the agreement and planned to only measure and report on total capital expenditure amounts as proposed.

We accepted the existing language in the agreement as reflecting ARC's intentions and expectations on the requirements in this case without examining each project and verifying if private funding was or was not practicable. Since SAPDC did not take any actions to leverage private funds as cited in the metric, and only reported the total capital expenditures amount achieved, it did not in our opinion either fully achieve the intended benefits or properly report the results to ARC. We noted that the current grant (PA-15726-C4) also contains the same expected outcome for leveraging private funds, but the progress reports to date have likewise only contained data on total capital expenditures.

At exit conference, we were told that an ARC staffer made an on-site visit early last year to discuss the grant results and in discussing the metric in question, a decision was made to accept the reporting of total capital expenditures rather than specific amounts of private funding

leveraging. In addition, the grantee representatives agreed that in the future they would read the metrics in the agreements to ensure they are acceptable.

### **Recommendations**

SAPDC should:

1. Coordinate with ARC to clarify for grant PA-15726-C4 what is specifically required or expected with regard to leveraging private funds for capital expenditure projects and ensure the final project report reflects the data needed.
2. Ensure that the performance output and outcome measures agreed to in future grants are realistic, measurable and reported as expected.

### **Grantee Response**

SAPDC stated in its response that it concurs with the report and found it entirely consistent with what was stated at the time of the exit conference. In addition, SAPDC stated that it is in the process of addressing the finding relating to the private sector investment outcome measure.

### ***Auditor's Comments***

*ARC will determine whether the proposed or completed actions identified in the grantee's response are adequate to consider the recommendation resolved. Additional information is needed to implement the recommendation. The finding should remain open until the grantee has taken the actions proposed in its response.*

**Appendix I**  
**Grantee Response**

## Leon Snead Company

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**From:** Ed Silveti [Silveti@sapdc.org]  
**Sent:** Tuesday, September 25, 2012 4:14 PM  
**To:** 'Leon Snead & Company'  
**Subject:** FW: ARC Draft Report

Mr. Snead,

Below is my email response that I had sent to you last week on the ARC Draft Report. Please let me know if there is anything further we need to do on the SAP&DC end. Again, I appreciate the professionalism shown by you and Mr. Dix.

Ed

**Edward M. Silveti**  
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**From:** Brandon Carson  
**Sent:** Tuesday, September 25, 2012 4:09 PM  
**To:** Ed Silveti  
**Subject:** FW: ARC Draft Report

SAP&DC

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**From:** Ed Silvetti  
**Sent:** Monday, September 17, 2012 11:51 AM  
**To:** 'Leon Snead & Company'  
**Cc:** Brandon Carson; Blaine L. Smith; 'Fowler, Neil'  
**Subject:** RE: ARC Draft Report

Mr. Snead,

Thank you for the opportunity to comment on your draft report for ARC Grant Number PA-15726 following your audit/site visit. I concur with your report and found it entirely consistent with what was stated at the time of the exit conference. We are in the process of addressing the finding relating to the private sector investment outcome measure.

I appreciate the professionalism you showed during the audit and am glad you found our staff's cooperation in line with what should be expected.

Ed

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**From:** Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]  
**Sent:** Thursday, September 13, 2012 8:51 AM  
**To:** Ed Silvetti  
**Subject:** ARC Draft Report

Mr. Silvetti:

Attached is a copy of the draft report that we completed on Grant Number PA-15726 awarded by ARC to the Southern Alleghenies Planning and Development Commission for your review and comments. Please review the finding and recommendation and provide your response to the recommendation by September 24, 2012. Thanks very much for your assistance with the review. If you have any questions, please e-mail or call me.

Leon Snead  
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