APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL

AUDIT OF GRANT AWARD

Save the Children
Kentucky Rural Literacy Program
Berea, Kentucky

Project Number: KY-16060
August 2012

Prepared by
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August 15, 2012

Appalachian Regional Commission
Office of the Inspector General
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Leon Snead & Company, P.C. has completed an audit of grant number KY-16060 awarded by the Appalachian Regional Commission (ARC) to the Save the Children Federation, Inc. (Save the Children). 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, Save the Children's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. The costs tested were considered reasonable and adequately documented. We found that Save the Children had an adequate process for obtaining and recording data related to the goals and objectives of the grant. The records and reports indicated that the tasks required by the grant agreement were accomplished. At the conclusion of the on-site visit, the results of the audit were discussed with the grantee.

Leon Snead & Company appreciates the cooperation and assistance received from Save the Children and ARC staff 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 KY-16060 awarded by the Appalachian Regional Commission (ARC) to the Save the Children Federation, Inc. (Save the Children). The audit was made at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

The grant was awarded in September 2008, to provide funding for the Kentucky Rural Literacy Program to address struggling readers in kindergarten through sixth grade and provide them with the opportunity to increase their reading achievement by supplying the tools needed to develop reading skills and the guidance needed for them to succeed academically. The initial grant award was $500,000, but subsequent amendments increased the ARC funding to $1,500,000. The grant required matching funds of $1,500,000. The grant performance period ended on June 30, 2011 and it was recorded as closed by ARC on October 5, 2011.

Objectives, Scope, and Methodology

The primary audit objectives 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.

We reviewed the documentation provided and interviewed the Save the Children’s Kentucky State Director, to obtain an overall understanding of the project. We also interviewed the Deputy Director, Accounting and Treasury, United States Programs, to obtain an overall understanding of the accounting process and operating procedures. We reviewed the Requests for Advance or Reimbursement submitted to ARC and 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 January 1, 2010 through June 30, 2011. The total reported grant expenditures for that period were $844,826. We reviewed Save the Children’s administrative procedures and related internal controls to ensure they were adequate to manage and account for the ARC funds. In addition, we reviewed the most recent financial statement audit report to determine whether there were any issues that affected the ARC grant.

As a basis for determining whether the costs charged to the grant were allowable and whether Save the Children had complied with the applicable Federal requirements, we used the provisions of the grant agreement, applicable Office of Management and Budget Circulars, and the relevant parts of the ARC Code. The audit was performed in accordance with the Government Auditing Standards. The fieldwork was performed at Save the Children's offices in Berea, Kentucky, and Lexington, Kentucky, during the period of June 19-21, 2012.
Results of Audit

Overall, Save the Children’s financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant reviewed. The costs tested were considered reasonable and adequately documented. The goals of the Program were for Save the Children to provide struggling readers in kindergarten through sixth grade with the opportunity to increase their reading achievement by supplying the tools needed to develop reading skills and the guidance needed for them to succeed academically. We found that Save the Children had an adequate process for obtaining and recording data related to those goals and that the records and reports indicated that the tasks required by the grant agreement were accomplished. The grantee’s records indicated that literacy services were provided to elementary school students at 14 sites through this grant. An average of 64 hours per site was spent in giving personal, direct technical assistance. Save the Children reported that a large number of students made significant test score gains based on the projected outcome measures. At the conclusion of the on-site visit, the results of the audit were discussed with the grantee.