August 15, 2016

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-2337-C44-15 awarded by the Appalachian Regional Commission (ARC) to the Southern Tier Central Regional Planning & Development Board. The audit was performed to assist the Office of Inspector General in carrying out its oversight of ARC grant funds.

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 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 objectives of the grant were met.

Overall, the grantee’s financial management, administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant agreement. 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 objectives of the grant agreement were being accomplished. The overall grant performances measures were adequately met.

Bonadio & Co., LLP appreciated the cooperation and assistance received from the Southern Tier Central Regional Planning & Development Board and the ARC staff during the audit.
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BACKGROUND

Bonadio & Co., LLP completed an audit of grant number NY-2337-C44-15 awarded by the Appalachian Regional Commission (ARC) to the Southern Tier Central Regional Planning & Development Board (grantee). 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 counties of Chemung, Schuyler, and Steuben established the Southern Tier Central Regional Planning & Development Board in 1969 to foster broad based local economic development in the tri-county area through regional planning. Southern Tier Central Regional Planning & Development Board was established under Articles 12-B and 5-G of the New York State Municipal Law.

Southern Tier Central Regional Planning & Development Board was designated as a Local Development District to coordinate the Appalachian Regional Programs in the tri-county region and under section 302 (a) of the Appalachian Regional Commission Code, the Board is eligible for grant funds to accomplish this purpose.

ARC grant number NY-2337-C44-15 was awarded to cover the period January 1, 2015 to December 31, 2015. It provided $289,000 in ARC funds and $289,000 in non-ARC funds. The majority of the approved total budget was for staff salaries, benefits and indirect costs.

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 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 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 operating procedures. We evaluated grantee administrative procedures and related internal controls to determine whether they were adequate to administer the grant funds. We also obtained the most recent audited financial statements and Single Audit report to determine whether there were any issues that impacted the ARC grant.

Of the $578,000 in expenditures charged to grant NY-2337-C44-15, we selected a sample of $200,312 of expenditures for testing to determine whether the charges were properly supported and allowable. We also reviewed the grantee’s procedures for allocating indirect charges.

The criteria used in performing the audit were ARC grant documents, the grant approval, the ARC code, other ARC requirements, federal cost principles, and audit requirements for federal awards. The audit was performed in accordance with the Government Auditing Standards. The fieldwork was performed during the period of July 12-14, 2016, including on-site work at the Southern Tier Central Regional Planning & Development Board in Corning, New York. The audit results were discussed with grantee representatives at the conclusion of the on-site visit. The grantee’s representative agreed with the audit results.
SUMMARY OF AUDIT RESULTS

Overall, the grantee’s administrative procedures were adequate to manage the grant and funds reviewed. Total expenses amounted to $578,000 and based on test work results, Bonadio & Co., LLP did not identify any questioned costs. The expenses tested were supported and considered reasonable. We found the grantee had an adequate process in place for obtaining and recording data related to the objectives 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 were adequately met for the grant which was completed on December 31, 2015.

The grantee does not have an audited indirect cost percentage. Bonadio & Co., LLP reviewed the cost allocation plan used by the grantee and found the methodology used to be a reasonable basis for allocating costs.

Audit Observation

The grantee’s policy requires timesheets to be signed by the employee and approved by a supervisor. Bonadio & Co., LLP noted an insignificant amount of timesheets lacking an employee signature and/or a supervisor’s signature.

OTHER OBSERVATIONS – PERFORMANCE MEASURES

- In 2015, the local government officials training program designed and implemented by the grantee reached more than 120 individual officials in the region from more than 50 local governments and 12 organizations.
- The grantee’s annual leadership conference drew over 400 people and provided training to 72 of the 77 municipalities in the region.
- The grantee completed 14 reports, studies and plans for counties and municipalities. These included economic development strategy, infrastructure reviews, land use regulations, municipal handbook, higher floodplain development standards and others.
- The grantee provided information technology assistance to 5 municipalities and 1 organization.
- The grantee provided technical assistance for 6 NYS ARC grants and 4 non-ARC grants. The NYS ARC grants announcements have not been made as of fieldwork date. The 4 non-ARC grants were awarded.