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

**Rutherford County
Rutherford County Comprehensive Applied Sciences Initiative
Rutherford, NC**

**Final Report Number: 16-29
Project Number: NC-17980-214-14
September 12, 2016**

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September 12, 2016

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

Bonadio & Co., LLP completed an audit of Rutherford County Comprehensive Applied Sciences Initiative grant number NC-17980-214-14 (the grant) awarded by the Appalachian Regional Commission (ARC) to Rutherford County (the County). 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 the goals and objectives of the grant were met.

Overall, the grantee'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 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 tasks required by the grant agreement were being accomplished. The overall grant performances measures, with respect to anticipated outputs and outcomes, are in progress and are expected to be reached.

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

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BACKGROUND

Bonadio & Co., LLP completed an audit of Rutherford County Comprehensive Applied Sciences Initiative grant number NC-17980-214-14 (the grant) awarded by the Appalachian Regional Commission (ARC) to Rutherford County (the County). 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 grant was awarded to cover the period October 1, 2014 to September 30, 2015, with extensions granted through May 31, 2016. It provided \$600,000 in ARC funds and required \$150,000 in non-ARC funds for the grantee's applied science initiative. Major components of the County's plan were renovating the biology and chemistry labs at Isothermal Community College (the College) and installing distance learning equipment in the College and Rutherford County Schools (RCS). The purpose of the plan was to allow for better instruction and improve distance learning capabilities, to enhance the College's growing online learning program and increase collaboration between the College and RCS.

The approved budget included funding in the amount of \$110,000 from the State of North Carolina and \$40,000 from Rutherford County.

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 grantee personnel to obtain an overall understanding of the grant activities, the accounting system, and operating procedures. We reviewed grantee 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 impacted the ARC grant.

The grant budget included \$384,252 for equipment and \$365,748 in contractual; total budget was \$750,000. Of the \$721,196 in cash expenditures charged to the grant, we selected a sample of \$678,369 in expenditures for testing to determine whether the charges were properly supported and allowable.

The primary 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 August 22-24, 2016, including on-site work at the Rutherford County Office Building in Rutherfordton, NC. The audit results were discussed with County representatives at the conclusion of the on-site visit.

SUMMARY OF AUDIT RESULTS

Overall, the County's administrative procedures were adequate to manage the grant and funds reviewed. Total project expenses of \$721,196 were supported and considered reasonable, and we did not question any incurred costs. We found the County had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished. The grant was completed on May 31, 2016.

Equipment

The College renovated biology and chemistry labs and distance learning equipment was installed in two classrooms at the College and mobile units were installed at four RCS locations. Bonadio & Co., LLP conducted site visits to the College and one RCS location to tour the new labs and view the operation of distance learning equipment.

Contractual

Contractual expenditures related to project planning, construction in renovating the College's labs, and training faculty on using the new distance learning equipment. Contractual expenditures exceeded budget by approximately \$16,800. Total project expenditures were under the approved budget of \$750,000 by \$28,804.

Matching

The grant budget is \$150,000 of non-ARC funds; \$110,000 state and \$40,000 local. RCS received \$110,000 from the State of North Carolina for faculty development in connection with the purpose of the grant and the County matched \$40,000 in grant expenditures.

Audit Findings

There were no audit findings noted as a result of our procedures.

OTHER OBSERVATIONS – PERFORMANCE MEASURES

- The College refurbished two laboratory spaces and installed updated equipment and furnishings. Tele-presence equipment was purchased and installed at four RCS high schools and two locations at the College.
- The approved project included a planned outcome of 1,120 RCS students and students of the College will participate in STEM-related educational opportunities offered by the College or other distance learning. To date, 1,059 students have been enrolled in STEM programs through the College.
- The approved project included a planned outcome of 780 students will successfully complete one or more courses. To date, 376 students have passed courses taught in the renovated lab facilities.