
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD
Menifee County Fiscal Court
Frenchburg, Kentucky**

**Final Report Number: 18-09
Project Number: KY-17644
February 2018**

Prepared by:

Leon Snead & Company, P.C.



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February 22, 2018

Appalachian Regional Commission
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Washington, DC 20009

Leon Snead & Company, P.C. completed an audit of Grant Number KY-17644 awarded by the Appalachian Regional Commission (ARC) to the Menifee County Fiscal Court (MCFC). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

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 expended 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 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 audited. The costs tested were supported and considered reasonable. We found the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant. However, we identified one area that requires management attention. The grant required five programs to be implemented at the center. At the time of the audit, only two classes had begun. Also, we found that the Basic Agency (Kentucky Department of Local Government) was not always submitting Basic Agency Monitoring Reports (BAMR) in accordance with ARC requirements. We included this item in the audit report as an observation. The program issue and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

A draft report was provided to the MCFC for comments on January 18, 2018. The MCFC provided a response to the report on February 21, 2018. The response is included in its entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the MCFC and ARC staffs 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 Basic Agency grant number KY-17644, including revision R1, awarded by the Appalachian Regional Commission (ARC) to the Menifee County Fiscal Court (MCFC). The audit was conducted at the request of the ARC, Office of Inspector General, to assist the office in its oversight of ARC grant funds.

The Basic Agency grant was governed by the United States Department of Housing and Urban Development's (HUD) State Block Grant program. Program administration was provided by the Gateway Area Development District (GADD).

ARC awarded the grant funds to support the construction of the Menifee County Regional Kitchen and Senior Center. The center was designed to replace the existing kitchen and senior center, which were located in separate buildings and had both become obsolete. The new facility allowed the senior center to expand its weekday services to the community and the regional kitchen received better equipment and additional space for the preparation of congregate and home delivered meals.

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 expended 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 the goals and objectives of the grant were met.

Grant KY-17644 covered the period September 10, 2013 to October 31, 2014, and provided \$439,587 in ARC funding. Revision KY-17644-R1 extended the completion date of the grant to December 31, 2017 and provided an additional \$150,000 in ARC funds, for a total of \$589,587. Total non-ARC funding for the project was \$834,000, resulting in a project total of \$1,429,537.

All of \$589,587 in ARC grant funds were expended by the grantee and reimbursed by ARC as of December 14, 2017. Of the expenditures charged to the grant and claimed for reimbursement, we selected a sample of \$194,751 for testing to determine whether the charges were properly supported and allowable. We tested contractor and subcontractor payroll costs in the amount of \$92,319 to determine whether the charges were properly supported and allowable. The project had been completed and been closed by the Kentucky Department of Local Government (DLG), but had not been administratively closed by ARC.

We reviewed documentation provided by the grantee and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed written policies and administrative procedures to determine if they were compliant with federal requirements and adequate to administer the grant. We reviewed financial and project progress reports to determine if they were submitted in

accordance with requirements. We reviewed the most recent audit and financial statements to identify any issues that significantly impacted the ARC grant and the grant audit.

The on-site fieldwork was performed at the GADD offices in Morehead, Kentucky during December 12-14, 2017. The preliminary results were discussed with the GADD staff at the conclusion of the on-site visit. The GADD staff was in general agreement with the preliminary results.

The primary criteria used in performing the audit were the ARC grant agreement; the written agreement between the MCFC and HUD; applicable sections of 2 CFR 200, and the ARC Code. The audit was performed in accordance with *Government Auditing Standards*.

Summary of Audit Results

Overall, the grantee's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant audited. The costs tested were supported and considered reasonable. We found the grantee had an adequate process in place for obtaining and recording data related to the goals of the grant.

However, we identified one area that requires management attention. The grant required five programs to be implemented at the center. At the time of the audit, only two classes had begun.

Also, we found that the Basic Agency (DLG) was not always submitting Basic Agency Monitoring Reports (BAMR) in accordance with ARC requirements. We included this item in the audit report as an observation.

The program issue and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

Finding and Recommendation

A. Performance Measures

The grant documentation established performance measures for the project that included specific outputs and outcomes. The outputs for the project were designated as square feet of building space constructed (5,016 square feet) to include a regional kitchen and a senior citizen center to serve meals and provide activities for 750 participants. The building construction was completed and the center was placed in service in June of 2016. The center and the kitchen were fully operational and the meal program was operating as expected.

During the 12 months ended June 30, 2017, the regional kitchen provided about 57,000 meals to over 740 participants at the center and through home delivery. The grant documentation specified that five new classes were to be offered for senior citizens, including Bingocise, Chronic Disease Self-Management, Health Eating classes, Understanding Diabetes, and Understanding Alzheimer's/Dementia. As of the end of the audit, two classes had started, Bingocise and Arthritis Foundation Exercise. In addition, the center was being used for social activities; however, the remaining three required classes had not yet started.

Recommendation

The grantee should implement the remaining required classes at the center as detailed in the ARC grant documentation.

Grantee Response

The grantee stated that "While documentation in the SAMS Computer system shows the two organized programs that have been held at the Facility, there are many others that have taken place, such as Walk with Ease, Consumer Blood Pressure checks, Exercise Programs, Various Craft and Quilting classes and many others. This does not discount the activities that are being held there and the magnitude of the activities that help keep the Senior Citizen Healthy and happy."

Auditor's Comments

ARC will determine whether the information provided by the grantee is adequate to resolve the finding and close the recommendation.

Observation

Reporting Requirements

The ARC Manual for State Basic Agency Grant Administration has specific reporting requirements for basic agency grants. These include annual Basic Agency Monitoring Reports (BAMR), which provide construction progress, performance measures, and grant expenditures; and a final BAMR upon completion of the project for closeout purposes.

During the audit, we were informed that the BAMR reports were completed and submitted by the Kentucky Department of Local Government (DLG) based on the information received from GADD. The DLG was also responsible for drawing down ARC funds for the grantee. The audit indicated that for the five years covered by the project (2013 through 2017), BAMRs had been submitted in 2015 (interim) and 2017 (interim and final). There was no evidence of reporting in 2013, 2014, and 2016. Upon speaking with the DLG, we found there had been some turnover and vacancies for the position that handled the ARC reporting during these periods. While draw downs were not affected, reporting to ARC was not complete for these three years.

Tom Shawley

From: Collier, Mark A (GWADD-MH) [MarkA.Collier@ky.gov]
Sent: Wednesday, February 21, 2018 1:54 PM
To: Tom Shawley
Subject: FW: Audit of Grant No. KY-17644

Tom: Here are Gail's comments to the ARC audit finding for the Menifee County Senior Center Regional Kitchen project.

Thanks, Mark

From: Wright, Gail K (GWADD-MH)
Sent: Wednesday, February 21, 2018 1:52 PM
To: Collier, Mark A (GWADD-MH) <MarkA.Collier@ky.gov>
Cc: Rick Stiltner <menifeecojudge@mrtc.com>
Subject: RE: Audit of Grant No. KY-17644

Mark,
Please ask him to include the following comment from our office.

"While documentation in the SAMS Computer system shows the two organized programs that have been held at the Facility, there are many others that have taken place, such as, "Walk with Ease, Consumer Blood Pressure checks, Exercise Programs, Various Craft and Quilting classes and many others. This does not discount the activities that are being held there and the magnitude of the activities that help keep the Senior Citizen Healthy and happy."
Gail Wright, Executive Director, Gateway Area Development District

Thanks
Gail
Gail K. Wright
Executive Director
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Morehead, KY 40351
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From: Collier, Mark A (GWADD-MH)
Sent: Wednesday, February 21, 2018 9:33 AM
To: Wright, Gail K (GWADD-MH)
Subject: FW: Audit of Grant No. KY-17644

Gail:

Tom (the ARC Auditor) called me yesterday to see if we wanted to comment on the findings of the ARC Audit of the Menifee County Senior Ctr Project before the report is finalized.