
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Tennessee Department of Economic & Community
Development
Nashville, Tennessee**

**Final Report Number: 19-03
Grant Number: TN-7783-C37 & C38
November 2018**

Prepared by:

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Leon Snead & Company, P.C. completed an audit of grant number TN-7783-C37 and C38 awarded by the Appalachian Regional Commission (ARC) to the Tennessee Department of Economic & Community Development (TDECD). 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 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 (6) the established performance measures were met or likely to be met.

Overall, TDECD had adequate financial management and administrative procedures and internal controls to effectively manage and account for the funds provided under the ARC grant. We determined that TDECD had established adequate processes and procedures for managing, administrating and accounting for ARC funds and recording data related to the overall goals of the grant. Performance measures to date were either met or on track. We did not identify any matters that required management attention or actions.

Leon Snead & Company appreciates the cooperation and assistance received from District Five officials 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 TN-7783-C37 and C-38 awarded by the Appalachian Regional Commission (ARC) to the Tennessee Department of Economic & Community Development (TDECD). 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.

ARC awarded \$419,200 to TDECD under two grants (\$209,600 for TN-7783-C37 and \$209,600 for TN-7783-C38) and required an equal match from the grantee for a total project cost of \$838,400. The period of performance for grants TN-7783-C37 was July 1, 2016 through June 30, 2017 and TN-7783-C38 was July 1, 2017 through June 30, 2018.

The purpose of the grant was to provide funding for the administration of the ARC program across Appalachian Tennessee. TDECD manages the Tennessee Appalachian technical assistance program through its Rural Development Division. ARC funds were used to partially fund the ARC Program Manager and the ARC Program Coordinator and six business development consultants in economic development regions that serve Appalachian communities through the State's Job Base Camp program. The TDECD staff: (1) develops and implements the ARC project investment cycle which includes coordination with Local Development Districts, consultants, grantees and other Federal agencies; and (2) provides technical assistance to carry out ARC goals and objectives for the Governor's Development Plan and Annual Strategy Statement. The business development consultants work with businesses, entrepreneurs, local government leaders, and economic developers to promote economic development and job creation

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 (6) the established performance measures were met or likely to be met.

ARC grant funds of \$387,658 were expended during the project, \$189,056 was expended under grant TN-7783-C37 and \$198,602 was expended under grant TN-7783-C38. TDECD's matching contribution of \$189,263 for grant TN-7783-C37 exceeded the required match. For grant TN-7783-C38, TDECD's contribution of \$198,602 met the required match. We reviewed \$206,697 of ARC grant funds that were expended and reimbursed and \$201,207 of the matching funds provided by TDECD.

We reviewed documentation TDECD provided 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 complied with federal requirements and were adequate to administer the grant. We reviewed financial and project performance reports to determine if they were submitted in accordance with

requirements. We also reviewed the most recent financial statement audits to identify any issues that significantly impacted the ARC grant and the grant audit.

The on-site fieldwork was performed at the TDECD office during the period of October 4, 2018 through October 8, 2018. The preliminary audit results were discussed with TDECD officials at the conclusion of the on-site visit.

The primary criteria used to perform the audit were the grant agreement; applicable sections of 2 CFR 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and applicable ARC regulations. The audit was performed in accordance with *Government Auditing Standards*.

Summary of Audit Results

TDECD's financial and administrative procedures and internal controls were adequate to effectively manage the funds provided under the ARC grant. The costs tested for the grants were properly supported and allowable. Grant matching requirements were fully met. Financial and project performance reports were submitted to ARC timely and accurately. We determined that TDECD had an adequate process in place for obtaining and recording data related to the overall goals of the grants.

Performance measures were met or on track for the project. Specific performance outcomes for grant TN-7783-C37 were recorded as follows: (1) 55 pre-applications were reviewed; (2) 27 communities were served; and (3) 27 communities were improved. For grant TN-7783-C38, the performance outcomes were recorded as follows: (1) 514 business visits were completed; (2) 471 stakeholder meetings were conducted; (3) 26 communities were served; and (4) 26 communities were improved.