
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**Southwest Virginia Community College
Cedar Bluff, Virginia**

Final Report Number: 19-11

Grant Number: PW-18616

January 2019

Prepared by:

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January 2, 2019

Appalachian Regional Commission
Office of the Inspector General
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Leon Snead & Company, P.C. completed an audit of grant number PW-18616 awarded by the Appalachian Regional Commission (ARC) to Southwest Virginia Community College (SWCC). 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); (5) matching requirements, and (6) the established performance measures were met or likely to be met.

Overall, SWCC's administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. However, we determined that SWCC had approximately \$118,000 of cash on-hand as of November 2018 and had not established written procedures for minimizing the time elapsing between the receipt and disbursement of funds. The financial and project reports were accurate and submitted timely. The matching funds at the time of the audit were adequately documented. We determined that SWCC maintained sufficient data related to the overall goals of the grant.

A draft report was provided to SWCC on December 11, 2018 for comments. SWCC provided a response to the report on December 27, 2018, which is included in this report as an Appendix.

Leon Snead & Company appreciates the cooperation and assistance received from the SWCC and ARC staffs 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 PW-18616 awarded by the Appalachian Regional Commission (ARC) to Southwest Virginia Community College (SWCC). 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 grant provides funds to establish a Retraining Energy Displaced Individuals (REDI) center for dislocated coal miners. SWCC will retrain and provide re-employment services to dislocated miners impacted by layoffs and coal mine closures in the southwest Virginia region. The grant will enable SWCC to expand its welding and advanced manufacturing labs to accommodate an increased number of students enrolled in the program. It also provides funds for lab equipment and personnel to support operating activities.

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); (5) matching requirements, and (6) the established performance measures were met or likely to be met.

Grant PW-18616 covers the period of August 23, 2016 through August 22, 2019, and provides \$1,417,375 in ARC funding and requires \$172,190 in state match and \$437,195 in local match. The total estimated project cost is \$2,026,760.

ARC funds in the amount of \$849,611 had been expended as of November 2018. We tested \$705,407 of the ARC funds that were drawn down to determine if the costs were properly supported and allowable under the ARC grant. We tested \$194,153 of matching funds to determine if they were properly supported and allowable under the ARC grant.

We reviewed documentation SWCC 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 reviewed the most recent Single Audit and Financial Statement Audit to identify any issues that significantly impacted the ARC grant and the grant audit. We evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met or on track to be met.

The on-site fieldwork was performed at the SWCC campus in Cedar Bluff, Virginia during the period of November 5 through November 9, 2018. The preliminary audit results were discussed with SWCC officials at the conclusion of the on-site visit. The grantee was in general agreement with the results.

The primary criteria used in performing the audit were 2 CFR 200, the ARC Code, and the grant agreement. The audit was performed in accordance with the *Government Auditing Standards*.

Summary of Audit Results

Overall, SWCC's administrative procedures and internal controls were adequate to effectively manage and account for the funds provided under the ARC grant. However, we determined that SWCC had approximately \$118,000 of cash on-hand as of November 2018 and had not established written procedures for minimizing the time elapsing between the receipt and disbursement of funds.

The financial and project reports were accurate and submitted timely. The matching funds at the time of the audit were adequately documented. We determined that SWCC maintained sufficient data related to the overall goals of the grant.

The performance measures in the grant documents specified that 165 dislocated coal workers would be served by the project; 108 students will complete a credential and/or a third party certification; and 77 students will obtain a job in the field for which they were specifically trained. Also, as part of this project, coal miners' spouses will have the opportunity to enroll in training programs. Specific performance measures reported as of November 2018 for grant PW-18616 were:

- 47 of 1,052 students who had participated in the program were displaced coal miners, supply chain workers or spouses of displaced workers.
- 23 students had completed the program and graduated.
- 14 of the program participants were still enrolled and had decided to continue to earn additional degrees.

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

A. Control Procedures

SWCC had not established and implemented written procedures for minimizing the time elapsing between the receipt and disbursement of federal funds. Most of the SWCC's draw downs were made on an "advance" basis. As of November 2018, the SWCC had drawn down a total of \$989,693. Of this amount, \$817,090 were advance payments and, as of November 2018, SWCC had approximately \$118,000 of ARC funds on-hand.

We did not detect any evidence of mismanagement or abuse of the advance payments. However, the lack of written procedures for minimizing the time elapsing between the receipt and disbursement of funds caused a weakness in funds control and a lack of compliance with the federal requirements.

2 CFR 200.305, Payment states:

1. Payment methods must minimize the time elapsing between the receipt and disbursement of federal funds.
2. In order to receive advance payments, grantees must maintain or demonstrate the willingness to maintain (1) written procedures that minimize the time elapsing between the receipt and disbursement of funds; and (2) financial management systems that meet the standards for fund control and accountability.
3. Advance payments must be limited to the minimum amounts needed and be timed in accordance with the actual, immediate cash needs of the grantee.
4. The timing and amount of advance payments must be as close as administratively feasible to the actual disbursement.

We discussed this matter with SWCC management officials. They agreed with the need for establishing written policies regarding this matter and indicated that the current Grants Policies and Procedures Manual would be updated to ensure funds are disbursed as quickly as administratively possible.

Recommendation

SWCC should establish written procedures in accordance with the 2 CFR 200.305 requirements for minimizing the time elapsing between the receipt and disbursement of federal funds.

Grantee's Response

Grantee officials indicated that they concur with the recommendation in the draft report. They agreed with the need for establishing written policies regarding minimizing the time elapsing between the receipt and disbursement of federal funds. They indicated further that effective January 4, their Grants Policies and Procedures Manual Business Office would be updated to ensure funds are disbursed as quickly as administratively possible.

Auditor's Comments

ARC will determine whether the actions identified in the grantee's response are adequate to resolve the finding and close the recommendation.

Leon Snead Company

From: Phyllis Roberts [Phyllis.Roberts@sw.edu]
Sent: Thursday, December 27, 2018 6:14 PM
To: leonsnead.companypc@erols.com
Cc: Tommy Wright; Robert Brandon; Susan Lowe; Martha Rasnake; James Dye; Michael Bales; Lindsay Salyers; Marcia Richards
Subject: FW: Audit of ARC Grant No. PW-18616
Attachments: Draft Report PW-18616.docx

Dear Mr. Snead,

On behalf of Southwest Virginia Community College, I am writing to let you know we concur with the recommendation in the draft report in regards to the audit of the ARC Grant No. PW-18616. We agree with the need for establishing written policies regarding minimizing the time elapsing between the receipt and disbursement of federal funds. Effective January 4, our Business Office will update their Grants Policies and Procedures Manual to ensure funds are disbursed as quickly as administratively possible, as per your recommendation.

Thank you for your prompt review.

Best regards,
Phyllis

From: Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]
Sent: Tuesday, December 11, 2018 4:20 PM
To: Phyllis Roberts <Phyllis.Roberts@sw.edu>
Subject: Audit of ARC Grant No. PW-18616

Good Afternoon Ms. Carlton,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by December 28, 2018. Please indicate whether you concur or nonconcur with the recommendation in the report and state what actions have been taken or are contemplated to implement the recommendation. If you have any questions, please call or e-mail me.

Please confirm your receipt of the attached report and request for comments. Thanks very much for your assistance.

Leon Snead
(301) 738-8190