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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Marshall University Research Corporation  
Huntington, West Virginia**

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**Final Report Number: 19-36  
Grant Number: PW-18690**

**September 2019**

**Prepared by:**

**Leon Snead & Company, P.C.**



**LEON SNEAD  
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September 3, 2019

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

Leon Snead & Company, P.C. completed an audit of grant number PW-18690 awarded by the Appalachian Regional Commission (ARC) to the Marshall University Research Corporation (the Corporation). 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.

The Corporation's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. The Corporation's matching contribution exceeded the required match. Financial reports and project performance reports were submitted to ARC timely and accurately. The Corporation had an adequate process in place for obtaining and recording data related to the overall goals of the grant and appeared on track to meet the planned outcomes and outputs. We determined that the Corporation had made significant progress towards meeting the planned performance outputs and outcomes. However, the Corporation's most current project performance report did not directly address and describe the performance outputs and outcomes in relation to the planned outputs and outcomes for the project. This matter and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

A draft report was provided to the grantee on August 15, 2019, for comments. They provided a response on August 30, 2019, which is included in the report as an Appendix.

Leon Snead & Company appreciates the cooperation and assistance received from the grantee 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 grant number PW-18690 awarded by the Appalachian Regional Commission (ARC) to the Marshall University Research Corporation (the Corporation). The Corporation is a nonprofit state entity created by the West Virginia Legislature to further research and economic development within the State of West Virginia. The Corporation is a component of Marshall University. 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 a total of \$1,502,939 to the Corporation for grant PW-18690 and required a matching contribution totaling of \$758,937. The total estimated project cost was \$2,261,876. The period of performance for the grant was October 1, 2016 through September 30, 2019. The final percentage funding break-out for the overall project was 66% ARC and 34% local. The project has not yet been fully completed.

The purpose of the grant was to provide support to the corporation in its development and implementation of a comprehensive program entitled "Sprouting Farms." Sprouting Farms is an agriculture-based program founded on the belief that farms and food systems can provide new career and employment opportunities, and, in turn, enhance and rebuild communities of Southeastern West Virginia. Grant funding will be used to: (1) implement workforce and farm business accelerator training programs; (2) secure and upgrade the project site and facilities which will be located in Summers County; (3) amplify marketing and distribution partnerships through additional production and staff support; (4) expand production resources sharing offerings, and (5) provide direct business support and employment to new agricultural businesses and program graduates.

## **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.

ARC funding of \$1,346,481 had been expended under grant PW-18690. We reviewed \$730,258 of these charges to determine whether they were properly supported and allowable. The total matching contribution charged to the project as May 31, 2019 was \$903,735. We reviewed \$507,116 of these charges to determine whether they were properly supported and allowable.

We reviewed documentation provided by the Corporation 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 evaluated grant results discussed in the project performance reports to determine if the planned performance goals and objectives were met.

The on-site fieldwork was performed at the Corporation's office in Huntington, West Virginia during the period of July 15 through July 19, 2019. The audit results were discussed with Corporation officials at the conclusion of the on-site visit.

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**

The Corporation's administrative policies, procedures, and related internal controls were adequate to manage the funds provided under the ARC grant. The costs tested for the grant were properly supported and allowable. The Corporation's matching contribution exceeded the required match. Financial reports and project performance reports were submitted to ARC timely and accurately. The Corporation had an adequate process in place for obtaining and recording data related to the overall goals of the grant and appeared on track to meet the planned outcomes and outputs.

The Corporation is a nonprofit state entity created by the West Virginia Legislature to further research and economic development within the State of West Virginia. The Corporation is a component of Marshall University.

We identified one area that requires management attention. We determined that the Corporation had made significant progress towards meeting the planned performance outputs and outcomes. However, the Corporation's most current project performance report did not directly address and describe the performance outputs and outcomes in relation to planned outputs and outcomes for the project. This matter and the corresponding recommended corrective action is discussed in the Finding and Recommendation section of this report.

## Finding and Recommendation

### A. Performance Reporting

The Corporation's most current project performance report did not directly address and describe the actual outputs and outcomes in relation to the planned outputs and outcomes for the project. The final project performance report should be prepared in accordance with ARC requirements and address the actual achievements made for each of the planned performance outputs and outcomes for the project.

The ARC Grant Administration Manual, page 5, states that the final project performance report must review and highlight all activities that occurred during the performance of the project, including an assessment of all performance measures that were proposed in the project application. Final reports must also include the performance measures achieved to date. Page 13 of the Manual further states that the final performance report must include an assessment of how the project impacted the problems it was intended to solve, and include a summary table of the outputs and outcomes achieved to date.

The planned performance outputs and outcomes for the grant were as follows:

<b>Performance Outputs</b>	<b>Performance Outcomes</b>
20 Communities Served	10 Communities Improved
100 Businesses Served	50 Businesses Improved & 20 Businesses Created
72 Participants Served	52 Participants Improved
6 Plans/Reports Produced	33 Jobs Retained
	\$961,475 Leveraged Private Investments

Grantee officials informed us that the May 31, 2019, project performance report included the most current performance outputs and outcomes for the ARC grant. Our review of this report determined that the performance outputs and outcomes were as follows:

1. Sprouting Farm supports two full-time employees and an average of five to six farm workers/apprentices as part-time employees. Five current employees will remain in their current positions and one will be promoted to Assistant Production Manager. Two new hires and any future hires will begin as paid interns.
2. Seven tenant farmers are operating with leasing agreements with Sprouting Farms.
3. Several local farmers have rented 11 acres of land and 7 high tunnels for use.
4. Products from 109 farming and food operations are being sold through the Sprouting Farms/Turnrow Appalachian Collective.
5. Sprouting Farms integrated Turnrow into its ecosystem of local food development enterprises. Turnrow offers an online retail market, a farm share program, niche wholesale to restaurants, and traditional wholesale to schools and wholesale markets.
6. Food Hub continues to grow its partnership with Crook Brothers, a commercial scale produce distributor with markets expanding across the east coast.
7. Forty regular wholesale customers are receiving Sprouting Farms/Turnrow products.
8. Sprouting Farms had 14 interns onsite during the spring. Many interns expressed interest in returning to the farm as interns, apprentices or employees.

9. Sprouting Farms hosts school visits to help youth understand farming and agriculture as an economic benefit. Thirty-five community members participated in a "pot luck" dinner which was sourced from Greenbrier Valley Grown produce and meats, including produce from Sprouting Farms and its lease farmers. Sprouting Farms also has offered cooking classes. Sixty-one community members attended the spring classes.
10. Thirty-seven individuals attended a three-day intensive farmer training class for growing for wholesale, food safety and the "cold chain."
11. Eighty-two individuals attended six training classes on various aspects of farming and farm-related activities.
12. \$317,425 of investment funds had been leveraged.

The project performance report for the period ending May 31, 2019 showed that the Corporation has made significant progress towards meeting the planned outputs and outcomes. However, the actions accomplished are not presented clear enough to show how they reconciled with the goals established for the project. For example, the information listed above indicates that businesses were served and improved but these accomplishments cannot be reconciled with the projections of 100 businesses served, 50 businesses improved, and 20 created.

### **Recommendation**

The Corporation's final project performance report should be prepared in accordance with the ARC Grant Administration Manual, which will tie the project's accomplishments more closely with its objectives.

### **Grantee's Response**

The grantee stated they concur with the recommendation in the report. To address this issue, the staff at Sprouting Farms (Talcott, WV location) were provided with a copy of the direct language from the grant submission to ensure that language used to document the impact of their work is clearly in line with the presentation of the impact planning in the submission. Each of the principal employees and sub-grantees are aware of this situation and the final report will be written in a manner that clearly demonstrates responsiveness to this audit finding.

### ***Auditor's Comments***

*ARC will determine whether the information provided in the grantee's response is adequate to resolve the finding and close the recommendation.*

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**From:** Maher, John [maherj@marshall.edu]  
**Sent:** Friday, August 30, 2019 12:49 PM  
**To:** Leon Snead & Company  
**Cc:** Ciccarello, Joseph; Hill, Rebecca; Wood, Jennifer; Woodrum, William  
**Subject:** Draft Report - Audit of ARC Grant No. PW-18690  
**Attachments:** Draft Report PW-18690.docx; 2019-08 Sprouting Farms Audit PW-18690 RCBI response.pdf

Mr. Snead,

We concur with the recommendation in the report. I am attaching the Principle Investigator, Ms. Charlotte Weber's response detailing how the final report will be prepared according to your recommendations. Ms. Weber will be accountable as PI for insuring that this action is completed. If you have any further questions, please let me know.

Regards,

John M. Maher, Ph.D.

Vice President for Research

Marshall university

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**From:** Leon Snead & Company [<mailto:leonsnead.companypc@erols.com>]  
**Sent:** Thursday, August 15, 2019 2:09 PM  
**To:** Maher, John <[maherj@marshall.edu](mailto:maherj@marshall.edu)>  
**Cc:** Ciccarello, Joseph <[ciccarello@marshall.edu](mailto:ciccarello@marshall.edu)>; Hill, Rebecca <[hill286@marshall.edu](mailto:hill286@marshall.edu)>  
**Subject:** Draft Report - Audit of ARC Grant No. PW-18690

Good Afternoon Mr. Maher,

Attached is a copy of the draft report on the above referenced audit for your review and comments. Please provide your comments by August 30, 2019. 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





1050 Fourth Avenue  
Huntington, WV 25701



August 20, 2019

Mr. John Maher  
Executive Director  
Marshall University Research Corporation  
One Marshall Drive  
Huntington, West Virginia 25755

Dear Dr. Maher:

I am responding to the recent onsite monitoring review from the Appalachian Regional Commission, conducted by Mr. Leon Snead for the Sprouting Farms grant (PW-18690) and would like to respond to the identified finding that the final project performance report be prepared in accordance with the ARC Grant Administration Manual, which will tie the project's accomplishments more closely with its objectives.

As noted in the audit report, "the project performance report for the period ending May 31, 2019 showed that the Corporation has made significant progress towards meeting the planned outputs and outcomes. However the actions accomplished are not presented clearly enough to show how they reconciled with the goals established for the project." To address this issue, the staff at Sprouting Farms (Talcott, WV location) were provided with a copy of the direct language from the grant submission to ensure that language used to document the impact of their work is clearly in line with the presentation of the impact planning in the submission. Each of the principal employees and sub-grantees are aware of this situation and the final report will be written in a manner that clearly demonstrates responsiveness to this audit finding.

Thank you for your assistance in this manner and please do not hesitate to let me know if there is additional information required.

Sincerely,

A handwritten signature in black ink that reads "Charlotte N. Weber". The signature is written in a cursive, flowing style.

Charlotte Weber  
Director and CEO  
Robert C. Byrd Institute