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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANT AWARD**

**Tennessee Technological University  
Cookeville, Tennessee**

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**Final Report Number: 13-20  
Project Number: TN-16661  
May 2013**

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



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Appalachian Regional Commission  
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Leon Snead & Company, P.C. has completed an audit of grant number TN-16661 awarded by the Appalachian Regional Commission (ARC) to the Tennessee Technological University (TTU). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

The primary objectives of the audit were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant terms and requirements; (2) grant funds were expended as provided for in the approved grant budget; (3) internal grant guidelines and best practices, 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, TTU'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. In addition, the records and reports indicated that 17 of the 19 approved ARC projects had been completed and the grantee was in the process of selecting and implementing the final round of projects for the grant. The results of the audit were discussed with the grantee at the conclusion of the on-site visit.

Leon Snead & Company appreciates the cooperation and assistance received from TTU and ARC staff 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-16661-2011 awarded by the Appalachian Regional Commission (ARC) to the Tennessee Technological University (TTU). The audit was made at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

The ARC grant award provided funding to TTU to support the development and implementation of the Tennessee Technology University Regional Economic Development Initiative, a program intended to match the university's assets and resources to the specific needs and opportunities of communities and organizations located within its service area. The school is to create productive partnerships with economic development entities, encourage the faculty to develop internship opportunities and coursework for students that advance the mission, and identify projects that will support regional economic development.

The grant provided \$500,000 in ARC funds and required non-federal matching contributions of \$187,723. The grant was initially awarded to provide funding for the period January 1, 2011 to January 1, 2012, but was extended to December 31, 2012 and later extended to December 31, 2013.

## **Objectives, Scope & Methodology**

The audit objectives were to determine whether: (1) program funds were managed in accordance with the ARC and federal grant requirements; (2) internal grant guidelines, including program (internal) controls, were appropriate and operating effectively; (3) accounting and reporting requirements were implemented in accordance with generally accepted accounting principles (or other applicable accounting and reporting requirements); and (4) the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed TTU personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We selected for testing a sample of \$372,119 in expenditures charged to the project to determine whether the charges were properly supported and allowable. In that regard, we focused the testing on expenditures for the period January 1, 2011 through December 31, 2012. The total reported expenditures for that period were \$696,196. We reviewed TTU's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. In addition, we reviewed the most recent financial statements audit report (including the related report on internal controls) to determine whether there were any issues that impacted the ARC grant.

The primary criteria used in performing the audit were the specific grant terms and requirements, applicable Office of Management and Budget Circulars, and relevant parts of the ARC Code. The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of March 25-28, 2013, including on-site work at TTU's office in Cookeville, Tennessee. The audit results were discussed with the TTU representatives at the conclusion of the on-site visit.

## **Results of Audit**

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. In addition, the records and reports indicated that 17 of the 19 approved ARC projects had been completed and the grantee was in the process of selecting and implementing the final round of projects for this grant.

The grantee reported that it was necessary to extend the project until December 31, 2013, because of a delay in completing several critical milestones. The grantee indicated that efforts to realign with the new Governor's agenda were postponed until the new Commissioner of Economic and Community Development was appointed and the reorganization of the Department of Economic and Community Development had occurred. Another major issue was the effort to coordinate the strategic plan of the Upper Cumberland Region for the ARC project with the regional strategic planning activities of the Department of Economic and Community Development. In addition, the grantee reported that the identification and approval of the second round of projects had proven to be more difficult than planned and they needed the additional time to fund and complete the projects identified.