
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL**

AUDIT OF GRANT AWARD

**East Tennessee State University
Johnson City, Tennessee**

**Final Report Number: 13-22
Project Number: CO-16898
July 2013**

**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant number CO-16898 awarded by the Appalachian Regional Commission (ARC) to East Tennessee State University (ETSU). The audit was performed at the request of the Office of the Inspector General.

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, ETSU's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grant. The costs tested were considered reasonable and adequately documented. The records and reports indicated that 30 sub-grants were awarded to substance abuse coalitions participating in the project. The grantee indicated that the project has increased the capacity of the coalitions to address substance abuse issues in distressed communities. The audit results were discussed with officials of the grantee at the conclusion of the onsite field work.

Leon Snead & Company appreciates the cooperation and assistance received from ETSU 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 CO-16898 awarded by the Appalachian Regional Commission (ARC) to East Tennessee State University (ETSU). The audit was made at the request of the ARC, Office of the Inspector General, to assist with its oversight of ARC grant funds.

The ARC grant award provided funding to create a cooperative effort between ARC and ETSU for a competitive program that focus on capacity building for community substance abuse groups. The funds were intended to support mini-grants for about 30 Appalachian community groups and the full costs of two conferences for each group including reasonable travel costs, meals, speakers, and facilities. The ARC funds were also to be used to support professional expertise, technical assistance, grants management services and documentation provided by the ETSU staff.

The grant provided \$293,678 in ARC funds and did not require any non-federal matching contributions. The grant was initially awarded to provide funding for the period March 1, 2011 to June 30, 2012, but was extended to December 31, 2012, to allow all sub-recipients to complete work on their projects and the ETSU staff to complete documentation of the project results. The grantee submitted its final reports to closeout the grant on April 29, 2013; however, the final closure was still pending at the time of our on-site visit.

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 ETSU personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We selected for testing a sample of \$209,610 in expenditures charged to the project to determine whether the charges were properly supported and allowable. We focused the testing on the expenditures reimbursed during the period March 1, 2011 through December 31, 2012. The total of the reimbursed expenditures during that period was \$264,310. We reviewed ETSU'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 grant agreement, 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 April 29 to May 2, 2013, including on-site work at ETSU's office

in Johnson City, Tennessee. The audit results were discussed with the ETSU representatives at the conclusion of the on-site visit. A copy of the draft report was provided to grantee official for comment on June 4, 20123 but there were no comments submitted.

Results of Audit

Overall, ETSU'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 30 community coalitions were awarded subgrants of \$5,000 to participate in the project. The project's performance was measured by how much the stakeholder involvement of the coalitions had changed because of the infusion of grant money and the projects the coalitions proposed to engage them. Based on the reported results, the grantee concluded that the project implementation increased the capacity of the organizations to address substance abuse issues in their local areas.