
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD
Webster County Commission
Diana Phase I Water Main Extension Project
Webster Springs, West Virginia**

**Final Report Number: 14-22
Project Number: WV-16738
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**Prepared by
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Leon Snead & Company, P.C. has completed an audit of grant number WV-16738 awarded by the Appalachian Regional Commission (ARC) to the Webster County Commission (WCC). 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, the WCC'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 considered reasonable and adequately documented. We found that the WCC had an adequate process for obtaining and recording data related to the goals and objectives of the grant. The records and reports indicated that the tasks required by the grant agreement were accomplished. At the conclusion of the on-site visit, the results of the audit were discussed with the grantee.

Leon Snead & Company appreciates the cooperation and assistance received from the WCC 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 Basic Agency grant number WV-16738 awarded by the Appalachian Regional Commission (ARC) to the Webster County Commission (WCC). The audit was conducted at the request of the ARC, Office of the Inspector General, to assist the office in its oversight of ARC grant funds.

On June 9, 2010, the West Virginia Development Office (WVDO) and WCC entered into an agreement whereby WVDO would administer the grant subject to the applicable regulations of the Department of Housing and Urban Development (HUD) and subject to other program guideline guidance. In addition, the director of the state HUD block grant program certified that the ARC grant would be administered consistent with laws and regulations governing the use of Title I funds and other conditions agreed to by HUD and ARC, as directed in the Memorandum of Agreement between both agencies and "HUD Handbook 6512.01 Management of Appalachian Commission Grants."

The grant was awarded to provide funding for the Diana Phase I Water Project, which was designed to provide potable water to the residents of Diana in Webster County. The new water service was to provide drinking water to 160 residences, eight businesses, one elementary school and provide fire protection services.

Basic Agency grant number WV-16738 was awarded to cover the period June 9, 2010 through June 9, 2013. The grant provided \$1,500,000 in ARC funds and required \$1,500,000 in non-ARC matching funds. The project activities were completed and the grant was closed at the time of the audit. The total project cost reported under the grant was \$3,000,000.

Objectives, Scope, and Methodology

The primary audit objectives were to determine whether: (1) program funds were managed in accordance with the applicable federal 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.

We reviewed the documentation provided and interviewed the WCC representatives to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed the WCC's administrative procedures and related internal controls to determine if they were adequate to administer the grant funds. We reviewed financial and other required reports to determine whether they were properly supported and submitted in accordance with the requirements. We also reviewed the most recent agency Single Audit report to determine whether there were any issues that impacted the ARC grant.

Of the \$1,500,000 in expenditures charged to grant WV-16738 and claimed for reimbursement during the grant period, we selected a sample of \$1,009,763 of the expenditures for testing to determine whether they were properly supported and allowable. We also reviewed the

documentation supporting \$429,374 of the \$1,500,000 in expenditures charged to grant WV-16738 during the grant period and used for matching costs.

The primary criteria used in performing the audit were the provisions of the grant agreements, applicable Office of Management and Budget Circulars, applicable parts of Title 24 of the Code of Federal Regulations - Housing and Urban Development, the West Virginia Small Cities Block Grant Handbook, 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 24-27, 2014, including on-site work at WCC's office in Webster Springs, West Virginia. The audit results were discussed with the WCC representatives at the conclusion of the on-site visit.

Summary of Audit Results

Overall, WCC'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. We found that the WCC had an adequate process in place for obtaining and recording data related to the goals of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were accomplished. The records showed that the project's final outputs included the installation 55,420 lineal feet of water main, 34 fire hydrants, three pressure reducing stations, and one water storage tank. The final outcomes for the project included providing new and reliable potable water service to the Diana area of Webster County for approximately 160 new customers. These new customers included eight businesses and one elementary school.