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**APPALACHIAN REGIONAL COMMISSION  
OFFICE OF INSPECTOR GENERAL  
AUDIT OF GRANT AWARD  
SWNC Planning & Economic Development Commission  
Sylva, North Carolina**

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**Final Report Number: 15-06  
Project Number: NC-16688  
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**Prepared by:  
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Leon Snead & Company, P.C. has completed an audit of grant number NC-16688 awarded by the Appalachian Regional Commission (ARC) to the Southwestern North Carolina Planning & Economic Development Commission. 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 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 grants were met.

Overall, the grantee's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants reviewed. The costs tested were supported and considered reasonable. We found that the grantee had an adequate process in place for obtaining and recording data related to the goals and objectives of the grant. In addition, the records and reports indicated that the tasks required by the grant agreement were being 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 Southwestern North Carolina Planning & Economic Development Commission 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 NC-16688 awarded by the Appalachian Regional Commission (ARC) to the Southwestern North Carolina Planning and Economic Development Commission. 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.

The Southwestern North Carolina Planning and Economic Development Commission (Southwestern Commission) is the council of government (COG) multi-county planning district covering the western most part of the state; Cherokee, Clay, Graham, Haywood, Jackson, Macon, and Swain Counties and the seventeen municipalities therein. The Southwestern Commission was created in November 1965 by concurrent, joint resolution of the counties and municipalities within the seven county region. The mission of the Southwestern Commission is to improve the quality of life in its seven county service area by assisting local governments in reaching their goals. The Southwestern Commission provides a wide range of technical assistance and planning services to member governments upon request. The Southwestern Commission Board of Directors is made up of elected officials in the seven counties and seventeen municipalities within the service area of North Carolina's Region A. During the latest fiscal year ending June 30, 2013, the Southwestern Commission's total expenditure of federal awards was \$5,532,582 of which \$469,953 came from ARC and \$45,000 was specific to the Toolbox Project grant.

ARC grant NC-16688 covers the period October 1, 2010 through September 30, 2015, provides \$300,000 in ARC funds and requires \$250,000 in non-ARC matching funds. The ARC funds are being used to establish and fund a mini-grant program (Toolbox Implementation Fund (TIF)) to advance the implementation of meaningful land use planning and growth management. The general ARC mini-grant limit is \$10,000 and up to a twelve-month period of performance. Each mini-grant includes match requirements related to the project's service area. The Southwestern Commission has completed three annual cycles of mini-grants. Total ARC grant funds advanced as of August 31, 2014 are \$237,211.

## **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 the goals and objectives of the grant were met.

We reviewed the documentation provided and interviewed Southwestern Commission personnel to obtain an overall understanding of the grant activities, the accounting system, and the operating procedures. We reviewed the Southwestern Commission'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

Southwestern Commission Single Audit report and Consolidated Annual Financial Report (CAFR) to determine whether there were any issues that impacted the ARC grants.

Of the \$224,711 in expenditures charged to the grant and claimed for reimbursement during the grant periods, we selected a sample of \$122,915 of the expenditures for testing to determine whether the charges were properly supported and allowable. In addition, we verified the documentation used to support the \$111,063 in expenditures that were charged to the grants and used for matching costs.

The primary criteria used in performing the audit were the provisions of the ARC grant agreement, applicable Office of Management and Budget (OMB) Circulars, and relevant parts of the Code of Federal Regulations (CFR). The audit was performed in accordance with the *Government Auditing Standards*. The fieldwork was performed during the period of September 12 to October 8, 2014, including on-site work at the Southwestern Commission's office in Sylva, North Carolina. The audit results were discussed with the Southwestern Commission's representatives at the conclusion of the on-site visit.

### **Summary of Audit Results**

Overall, the Southwestern Commission's financial management and administrative procedures and related internal controls were adequate to manage the funds reviewed. The costs tested were supported and considered reasonable, and we did not question any incurred costs. We found that the Southwestern Commission had an adequate process in place for obtaining and recording data related to the goals of the grant. There was adequate documentation and reporting to support the identified performance measures. Each mini-grant reported measurable project outcomes.

The overall results of the project and use of ARC's funding appear to meet the performance measures outlined in the grant agreement. The records and reports indicated that the tasks required by the grant agreement were being accomplished. However, we were unable to determine if all performance measures had been met as the project was still in progress.