
**APPALACHIAN REGIONAL COMMISSION
OFFICE OF INSPECTOR GENERAL
AUDIT OF GRANT AWARD**

**Alabama Department of Economic
and Community Affairs
Montgomery, Alabama**

**Final Report Number: 15-26
Project Numbers: AL-7805-C31 & C32 & C33
June 2015**

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



**LEON SNEAD
& COMPANY, P.C.**

Certified Public Accountants
& Management Consultants

416 Hungerford Drive, Suite 400
Rockville, Maryland 20850
301-738-8190
fax: 301-738-8210
leonsnead.companypc@erols.com

June 15, 2015

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 numbers AL-7805-C31 and AL-7805-C32 and AL-7805-C33 awarded by the Appalachian Regional Commission (ARC) to the Alabama Department of Economic and Community Affairs (ADECA). The audit was performed to assist the Office of the Inspector General in carrying out its oversight of ARC grant activities.

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.

Overall, ADECA's financial and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested were supported and considered reasonable. We found that ADECA had an adequate process in place for obtaining and recording data related to the goals and objectives of the grant. The overall grant performance measures, with respect to anticipated outputs and outcomes, were adequately met for grant number AL-7805-C31, which was completed on September 30, 2013. However, we noted that ADECA was not consistently preparing and submitting progress and financial reports to ARC in a timely fashion.

The issue relating to progress and financial reports noted during the audit and our recommended corrective actions are discussed in detail in the Finding and Recommendations section of the report. A draft report was provided to ADECA on May 28, 2015, for comments. ADECA provided a response to the report on June 11, 2015. These comments are included in their entirety in Appendix I.

Leon Snead & Company appreciates the cooperation and assistance received from the ADECA and ARC staffs during the audit.

Sincerely,

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

TABLE OF CONTENTS

| | <i><u>Page</u></i> |
|---|--------------------|
| Background | 1 |
| Objective, Scope, and Methodology | 1 |
| Summary of Audit Results | 2 |
| Findings and Recommendation..... | 3 |
| Reporting Requirements | 3 |
| Grantee Response - Appendix I | 5 |

Background

Leon Snead & Company, P.C. completed an audit of grant numbers AL-7805-C31 and AL-7805C32 and AL-7805-C33 awarded by the Appalachian Regional Commission (ARC) to the Alabama Department of Economic and Community Affairs (ADECA). 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.

ADECA was created in 1983 by the Alabama State Legislature to streamline and professionalize the management of a number of federally-funded programs administered by the state. They are responsible for administering a broad range of state and federal programs that contribute to the department's mission for building better Alabama communities. Grants are given to Alabama cities, counties, non-profit organizations and others, which support economic development projects, infrastructure improvements, job training, energy conservation, law enforcement, traffic safety, recreation development and assistance to low-income families. In addition, they also work to monitor and protect Alabama's water resources, and distribute state and federal surplus property to local governments and other qualified organizations.

Grant AL-7805-C31 covered the period October 1, 2012 to September 30, 2013 and provided \$136,359 in ARC funds and required \$136,359 in non-ARC recipient match funding. The majority of the funding was for personnel and benefits expenses, as well as contractual amounts related to annual sub-awards for the Alabama Indian Affairs Commission services and for the Alabama Office of Rural Health J-1 Visa program. These cost breakdowns were consistent among the three grant years audited. The grant had been completed and closed by ARC at the time of the audit.

Grant AL-7805-C32 covered the period October 1, 2013 to September 30, 2014 and provided \$146,855 in ARC funds and required \$146,855 in non-ARC recipient match funding. The grant had been completed but had not been closed by ARC at the time of the audit.

Grant AL-7805-C33 covers the period October 1, 2014 to September 30, 2015 and provides \$146,855 in ARC funds and requires \$146,855 in non-ARC recipient match funding. The grant was still on-going at the time of the audit.

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 documentation provided by ADECA and interviewed personnel to obtain an overall understanding of the grant activities, the accounting system, and general operating procedures and controls. We reviewed financial and project progress reports to determine if they were submitted

in accordance with requirements. We reviewed the written policies and administrative procedures to determine if they were compliant with federal requirements and adequate to administer the grant. We also reviewed the most recent A-133 report to identify any issues that significantly impacted the ARC grants and review.

Of the \$128,539 in expenditures charged to grant AL-7805-C31 and claimed for reimbursement through September 30, 2013, we selected \$128,309 in expenditures for testing to determine whether the charges were properly supported and allowable. Of the \$117,689 charged to grant AL-7805-C32 and claimed for reimbursement through September 30, 2014, we selected \$117,243 in expenditures for testing to determine whether the charges were properly supported and allowable. As of the time of the audit, no funds had been drawn down relating to grant AL-7805-C33. We tested matching costs for grants AL-7805-C31 and AL-7805-C32, and found the costs to be allowable and properly supported.

The primary criteria used in performing the audit were the grant agreement, applicable Office of Management and Budget Circulars, and the ARC Code. The audit was performed in accordance with *Government Auditing Standards*. The fieldwork was performed May 11-14, 2015 including on-site work at the ADECA offices in Montgomery, Alabama. The preliminary results were discussed with ADECA staff at the conclusion of the onsite visit.

Summary of Audit Results

Overall, ADECA's financial management and administrative procedures and related internal controls were adequate to manage the funds provided under the ARC grants audited. The costs tested were supported and considered reasonable. We found that ADECA had an adequate process in place for obtaining and recording data related to the goals of the grant. The overall grant performance measures, with respect to anticipated outputs and outcomes, were met. We noted no instances where the performance measures were not met. However, we identified one area that requires management attention. The grantee was not consistently preparing and submitting progress and financial reports to ARC in a timely fashion. This issue and the corresponding recommended corrective actions are discussed in the Finding and Recommendations section of this report.

Finding and Recommendations

Reporting Requirements/ Refund

ADECA did not timely prepare and submit the required project reports and financial reports to ARC. As a result, ADECA was not fully complying with the grant requirements and was affecting ARC's ability to monitor the project and to close out the grants in a timely manner.

Grant agreements AL-7805-C31 and C33 both required progress reports for each 120-day period plus a final report. Grant agreement AL-7805-C32 required progress reports for each six-month period plus a final report. All reports, interim and final, are due within 30 days after the end of their respective reporting periods. We reviewed all of the reports that had been submitted by ADECA at the time of the audit. We determined that several reports were submitted late, or not at all. The issues with the progress reports are detailed below.

AL-7805-C31

Report 1: No project narrative was submitted to ARC

Report 2: Was due 6/30/13, submitted 7/15/13 - 15 days late

Final Report: Was due 10/31/13, submitted 12/30/13 - 60 days late

AL-7805-C32

Final Report: Was due 10/31/14, submitted 1/6/15 - 67 days late

AL-7805-C33

Report 1: Neither the project narrative nor the financial report was submitted for the first 120 day reporting period

In addition, we noted that the final report for AL-7805-C32 included a balance due to ARC in the amount of \$1,811.02. ADECA had drawn down funds totaling \$119,500 via advance and reimbursement payments on this grant. Their final SF-270 report, dated January 6, 2015, showed final total grant expenses in the amount of \$117,688.98. ARC cannot administratively close this grant until the refund has been received from ADECA.

At the exit conference, the grantee agreed their reporting needs to be improved and informed us they intend to take immediate action on this issue, part of which involves hiring a new program manager and incorporating two program specialists to work with the ARC programs, which they hope will help alleviate the work load on the program manager.

Recommendations

1. ADECA should implement procedures to ensure that project reports and financial reports required under grant agreements are completed and are timely submitted.
2. ADECA should refund ARC the \$1,811.02 in unused grant funds under grant number AL-7805-C32.

Grantee Response

ADECA stated in its response that it is in agreement with the finding and will take actions to address the issue. They noted that procedures have been established to ensure that all future reports will be submitted in a timely manner and in accordance with the Grant Agreement. In addition, they have submitted the amount due of \$1,811.02 to ARC via the issuance of a state warrant. Lastly, they stated they have consulted with Alabama's State Coordinator for the Appalachian Regional Commission to ensure that their procedures for interim and final reporting are correct and in accordance with established ARC Technical Assistance Grant procedures and Grant Agreements.

Reviewer's Comments

The recommendation should remain open and ARC will determine whether the actions identified in the grantee's response are adequate to resolve the recommendation or whether additional information or actions are needed.

Appendix I
Grantee Response

OFFICE OF THE GOVERNOR

ROBERT BENTLEY
GOVERNOR



STATE OF ALABAMA

ALABAMA DEPARTMENT OF ECONOMIC
AND COMMUNITY AFFAIRS

JIM BYARD, JR.
DIRECTOR

June 11, 2015

Mr. Leonard Snead, President
Leon Snead & Company, P.C.
416 Hungerford Drive, Suite 400
Rockville, Maryland 20850

Dear Mr. Snead:

RE: Draft Report
Appalachian Regional Commission (ARC) Consolidated Technical Assistance Grant Audit
Project Numbers: AL-7805-C31, AL-7805-C32, AL-7805-C33

The State of Alabama and the Department of Economic and Community Affairs (ADECA), Community and Economic Development (CED) Division would like to thank Mr. Thomas Shawley and Mr. David Snead for conducting the audit of ARC Consolidated Technical Assistance Grant for Project Numbers; AL-7805-C31, C32, and C33 on May 11-14, 2015. We appreciate the courtesy extended to us during the audit and concur with the recommended corrective actions.

The corrective actions to address these findings and recommendations appear below:

Finding Number 1: AL-7805-C31

Interim Progress Report 1-No project narrative was submitted to ARC; Interim Progress Report 2-Project narrative was due June 30, 2013, submitted July 15, 2013, 15 days late; Final report was due October 31, 2013, was submitted December 30, 2013, 60 days late.

Corrective Action 1:

Procedures have been established to ensure that all future reports will be submitted in a timely manner and in accordance with the Grant Agreement.

Finding Number 2: AL-7805-C32

The final report due October 31, 2014, was submitted January 6, 2015.

Mr. Leonard Snead
Re: ARC Draft Audit Report
June 11, 2015
Page 2

Corrective Action 2:

Procedures have been established to ensure that all future reports will be submitted in a timely manner and in accordance with the Grant Agreement.

Finding Number 3: AL-7805-C33

The project narrative and the financial report were not submitted for the first 120 days in the reporting period.

Corrective Action 3:

Procedures have been established to ensure that all future reports will be submitted in a timely manner and in accordance with the Grant Agreement.

The final report for AL-7805-C32, the balance due to ARC in the amount of \$1,811.02 has been submitted for payment. (Please see the attachment memorandum.)

Additionally, CED and ARC Program staff consulted with Mr. David Hughes, Alabama's State Coordinator for the Appalachian Regional Commission, to ensure that our procedures for interim and final reporting are correct and in accordance with established ARC Technical Assistance Grant Procedures and Grant Agreements.

If you should have any questions, please contact Bea Forniss at bea.forniss@adeca.alabama.gov or (334) 242-5370.

Sincerely,



Jim Byard, Jr.
Director

JB:BF:jl

Attachment

OFFICE OF THE GOVERNOR

ROBERT BENTLEY
GOVERNOR



STATE OF ALABAMA

ALABAMA DEPARTMENT OF ECONOMIC
AND COMMUNITY AFFAIRS

JIM BYARD, JR.
DIRECTOR

May 28, 2015

MEMORANDUM

TO: Tammy Rolling, Section Chief
Financial Services

FROM: Beatrice M. Forniss, Division Chief *BMF*
Community and Economic Development

RE: Refund of Federal Funds to the Appalachian Regional Commission

Please issue a state warrant to the Appalachian Regional Commission in the amount of \$1,811.02. This is the unexpended amount that was received under grant number AL-7805-C32.

BF:ka

Jim Byard, Jr.
APPROVED _____
CHARGED TO _____

A handwritten signature in black ink, appearing to read "Jim Byard, Jr.", written over the signature line of the approval section.